

AGREEMENT FOR PROFESSIONAL AUDIT SERVICES

This **Agreement for Professional Audit Services** (the “Agreement”) is made and entered into as of the last date signed below by and between the **City of North Richland Hills, Texas**, a municipal corporation in Tarrant County, Texas (hereinafter referred to as the “City,” “You,” or “Your,”), and **Whitley Penn, LLP**, a Texas limited liability partnership, (hereinafter referred to as the “Auditor,” “WP,” “We,” “Us,” or “Our”), each individually referred to as a “party,” collectively referred to as the “parties.”

WITNESSETH

WHEREAS, the City is a municipal corporation of the State of Texas, located at City Hall, 4301 City Point Drive, North Richland Hills, Texas 76180, wherein the books and records of said City are kept, and

WHEREAS, the Auditor is a Certified Public Accountant, duly licensed in said capacity in the State of Texas, having paid all fees pursuant to such licensing, and the City being willing to employ Auditor on the terms and conditions hereinafter set forth, the parties agree as follows:

Terms and Conditions

1. **Contract Documents and Scope of Services.** The parties agree that this engagement shall be governed by the Contract Documents listed below in order of precedence. The services to be performed pursuant to this Agreement shall be set forth in the Contract Documents below. The All Exhibits are attached hereto, incorporated herein, and made a part of this Agreement for all purposes. If there is any conflict between this Agreement and the Contract Documents, this Agreement shall control.
 - a. This Agreement for Professional Auditing Services
 - b. Exhibit A - The City of North Richland Hills Request for Proposals 18-007 for Professional Audit Services, and all Addendums (the “RFP”)
 - c. Exhibit B – Auditor’s Response to the RPF dated March 14, 2018
 - d. Exhibit C - Engagement Letter dated May 30, 2018
2. **Term.** The Term of this Agreement shall cover the City of North Richland Hills year ending September 30, 2018, 2019 and 2020.
3. **Auditor’s Opinion.** While the objective of the financial statement audit is the expression of an unmodified opinion on the fair presentation of the financial statements of the City, it is understood that an opinion may have to be modified or disclaimed as the facts or circumstances dictate.

The City has the responsibility for the proper recording of transactions in the books of account, for the safeguarding of assets, and for the substantial accuracy of the financial statements. Such are the representations of the City. In addition, it is understood that the financial statement audit is not primarily designed and cannot be relied upon to disclose defalcations and other similar irregularities, although their discovery may result. If irregularities are discovered, Auditor will report such irregularities to the City Manager, Director of Finance, or Assistant Director of Finance as deemed appropriate.

City may request additional hours for auditing services at the rate set forth in Exhibit B, Auditor's Response to the RFP for additional services.

4. **Fees.** City agrees to make progress payments on the basis of hours of work completed during the course of the engagement in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of no less than one calendar month.

Interim billings must include detail which reflects hours worked by staffing levels and the remaining estimated hours to completion. Invoices received without this information will be returned unpaid.

Invoices for single audit services shall be prepared using the same detail specifications and timing for other billings mentioned previously. Invoices for single audit services shall not include any items other than those performed in connection with the single audit. Interim billings shall be sent based on percent of work completed, with final payment upon delivery of the Single Audit Reports.

5. **Confidential Information.** Auditor agrees that it will not at any time, either directly or indirectly, disclose or communicate to any person, firm, or corporation in any manner whatsoever any information of any kind or description concerning any matters affecting or relating to the business of the City whether or not any or all such matters would otherwise be deemed confidential material, unless otherwise pursuant to law or is so directed by the City.
6. **Amendments.** This contract may be modified or amended by mutual agreement of the parties. No waiver, modification, or amendment of any term, condition, or provision of this contract will be valid, or of any force or effect, unless made in writing and signed by the parties hereto.
7. **Termination.** This Agreement may be terminated in accordance with the following:
 - a. The City shall have the right to terminate this Agreement as follows:
 - a. Immediately for continuing non-performance or breach of contract in accordance with Section 16 of the RFP, if the breach or non-performance has not been cured after 15 days' written notice to the Auditor.
 - b. Upon 30 days' written notice without cause

- c. In the event no funds or insufficient funds are appropriated by the City for any payments due hereunder, in any fiscal year during this engagement, or any renewal term. The City will notify Auditor of such occurrence and the City shall have the right to terminate this Agreement without penalty or expense to the City; however, the City shall pay Auditor for all expenses incurred up to the date of termination.
- b. Auditor's Right to Terminate:
 - a. Upon 30 days' written notice without cause
 - b. Upon non-payment after 30 days in accordance with Exhibit C, Engagement Letter

Upon termination by either party, WP shall provide all documentation deemed necessary by the successor auditor to complete the respective year ending of the City's financial statements.

- 8. **No Waiver.** A failure by the City to initiate action as to any breach shall not be deemed as a waiver of that right of action and all such initiated rights of action shall be cumulative.
- 9. **Governing Law.** This contract shall be governed by and construed and enforced in accordance with the laws of the State of Texas.
- 10. **Venue.** This contract shall be deemed to have been made and performed in Tarrant County, Texas. For purposes of venue, all suits or causes of action arising out of this contract shall be brought in the courts of Tarrant County, Texas.
- 11. **Counterparts.** It is agreed between the City and the Auditor that the contract shall be executed in an original and two (2) copies, any one of which may be used for any purposes for which the original may be used.
- 12. **Independent Contractor.** It is the intent of the parties that nothing contained herein shall be interpreted to assign to Auditor any status under this Agreement other than that of an independent contractor.
- 13. **Conflicts.** Auditor covenants that to the best of its knowledge, neither it nor any of its partners or employees presently has any interest and shall not acquire any interest, direct or indirect, financial or otherwise, in any matters subject to audit by the City or that would conflict in any manner or degree with the performance of services under this Agreement and that none of its partners are employees of the City, and that no one employed by the Auditor and no one who has or will have any financial interest under this Agreement is an officer or employee of the City.
- 14. **Non-Discrimination.** No discrimination because of race, color, sex, age, handicap, national origin, ancestry, or religion shall be made in the employment of persons performing services under this contract. Auditor covenants that it will comply with all nondiscrimination provisions of applicable federal law or executive order in the

performance of this Agreement.

15. **Indemnification.** *As between the City and Auditor, the Auditor shall assume responsibility and liability only for any damage, loss, or injury caused by negligent acts or omissions of the Auditor, or any of its officers, agents, servants, or employees, arising from the performance of work under this Agreement. The Auditor shall indemnify and hold harmless the City and all of its offices, agents, servants, or employees from and against any and such claims, loss, damage, charge, or expense to which they or any of them may reasonably be put or subjected by reason of any such negligent acts, but only if an adjudication of negligence is made against the Auditor.*
16. **Insurance.** The Auditor certifies, and will provide insurance certificate with the signed Agreement, that it carries the following types of insurance:
 - A. Statutory workers' compensation insurance or proof that such coverage is not required to be provided by Auditor under State law.
 - B. Professional liability insurance on the contractual services in this contract with minimum limit of \$1,000,000.
 - C. Comprehensive liability insurance covering all operations and automobiles owned and non-owned.
 - i. With limits of \$100,000/\$300,000 bodily injury
 - ii. With limit of \$50,000 property damage
 - D. Umbrella or excess coverage cannot be used to reach the limits stated in B and C.
17. **Assignment.** This Agreement being one for professional services cannot be transferred, assigned, or sublet without the prior written approval of the City.
18. **Entirety of Agreement.** This document, including all attachments and exhibits listed above, contain the entire agreement between the parties and shall not be altered, varied, or modified unless made in writing and signed by the parties hereto. There are no understandings, representations, or agreements, written or oral, not incorporated herein. The terms of the engagement will also be confirmed in the annual engagement letter.
19. **Notices.** Notices required pursuant to the provisions of this Agreement shall be conclusively determined to have been delivered when (1) hand-delivered to the other party, its agents, employees, servants or representatives, (2) delivered by facsimile with electronic confirmation of the transmission, or (3) received by the other party by United States Mail, registered, return receipt requested, or (4) by other overnight carrier upon confirmation of delivery, addressed as follows:

WHITLEY PENN, LLP

CITY

City of North Richland Hills

4301 City Point Drive

North Richland Hills, TX 76180

20. **Force Majeure.** The City and Auditor shall exercise their best efforts to meet their respective duties and obligations as set forth in this Agreement, but shall not be held liable for any delay or omission in performance due to force majeure or other causes beyond their reasonable control (force majeure), including, but not limited to, compliance with any government law, ordinance or regulation, acts of God, acts of the public enemy, fires, strikes, lockouts, natural disasters, wars, riots, material or labor restrictions by any governmental authority, transportation problems and/or any other similar causes.
21. **Headings Not Controlling.** Headings and titles used in this Agreement are for reference purposes only and shall not be deemed a part of this Agreement.
22. **Signature Authority.** The person signing this Agreement hereby warrants that he/she has the legal authority to execute this Agreement on behalf of the respective party, and that such binding authority has been granted by proper order, resolution, ordinance or other authorization of the entity. Each party is fully entitled to rely on these representations in entering into this Agreement or any amendment hereto.

IN WITNESS WHEREOF, the parties have made and executed this Agreement the day and year written above.

AUDITOR:
WHITLEY PENN

CITY OF NORTH RICHLAND
HILLS, TEXAS

Name, Partner

Mark Hindman, City Manager

Date: _____

Date: _____

Witness:

Approved to Form and Legality:

Signature

Maleshia B. McGinnis, City Attorney

Attest:

Alicia Richardson, City Secretary

VENDOR NAME

REQUEST FOR PROPOSAL

PROFESSIONAL AUDITING SERVICES



RFP 18-007

DUE DATE: MARCH 14, 2018

BY 2:00 P.M. Central Time

**CITY OF NORTH RICHLAND HILLS
4301 CITY POINT DRIVE
NRH, TX 76180
817.427.6150
WWW.NRHTX.COM**

Table of Contents

Pre-Proposal Conference	1 - 3
Invitation to Bid	4 - 5
General Conditions	6 - 11
Insurance Requirements.....	13 - 14
Non-Collusion Affidavit of Bidder.....	15
Bid Certification.....	16
Compliance with House Bill 1295.....	17
Information for Disadvantaged Business Enterprises.....	18
Conflict of Interest Questionnaire.....	19 - 21
Specifications - Introduction.....	22
Nature of Services.....	22 - 25
Description of the Government.....	26 - 29
Time Requirements.....	30 - 33
Assistance Provided	33 - 34
Proposal Requirements	35 - 41
Evaluation Procedures	42 - 43
Bid Forms.....	44 - 46
Exhibit A – Standard Agreement Contract	47 - 50
Exhibit B- List of Principal Officers.....	51 - 52
Exhibit C – Organizational Chart	52
Exhibit D – 2017 Provided By Client “PBC” listing	52

This Table of Contents is intended as an aid to vendors and not as a comprehensive listing of the proposal package. Vendors are responsible for reading the entire proposal package and complying with all specifications.

PRE-PROPOSAL CONFERENCE

All vendors should attend the scheduled Pre-Proposal Conference in order to get a clear understanding of the requirements of this RFP:

DATE: TUESDAY, FEBRUARY 20, 2018

TIME: 10:00 A. M.

LOCATION: CITY OF NORTH RICHLAND HILLS
CITY HALL COMMUNITY ROOM
4301 CITY POINT DRIVE
NORTH RICHLAND HILLS, TX 76180

RSVP: Vendors planning to attend the pre-proposal conference should RSVP, in writing, no later than **12 Noon, Friday, February 16, 2018**

Send RSVP to Purchasing Department at (817) 427-6151 or purchasing@nrhtx.com

RSVP:

Company Name: _____

Contact Name _____

Planning to attend Pre-Bid Meeting: ____ YES ____ NO

If yes, number of representatives from your company: _____

Tel. No.: _____ Fax No.: _____

E-Mail Address: _____

Questions from vendors will be addressed at the pre-proposal conference. Such applicant who submits a proposal and does not attend the scheduled pre-proposal conference waives any right to assert claims due to undiscovered conditions.

The City of North Richland Hills is soliciting Proposal(s) (RFP's) from qualified firms of certified public accountants to audit its financial statements beginning with the fiscal year ending Sept 30, 2018. The initial term of this agreement will be three (3) years. Upon completion of the initial contract term and mutual written agreement of both parties, the contract may be renewed for up to two (2) additional one (1) year terms to be awarded one (1) year at a time. It is the intent of the City of North Richland Hills to select a single firm to accomplish all the services outlined in this Request for Proposal.

DOCUMENTS MAY BE SUBMITTED ELECTRONICALLY VIA:

www.publicpurchase.com

DOCUMENTS MAY BE DELIVERED TO:

Purchasing: Attn: 18-007 PROFESSIONAL AUDITING SERVICES

City of North Richland Hills
4301 City Point Drive
North Richland Hills, TX 76180

If delivering a bid packet please include **One (1) hard copy and One (1) soft copy on Flash drive.** Submit documents in a sealed envelope with the following information marked plainly on the front:

**ATTN: PURCHASING DEPARTMENT
18-007 PROFESSIONAL AUDITING SERVICES**

No oral explanation in regard to the meaning of the specifications will be made, and no oral instructions will be given after the pre-bid meeting and before the award of the contract. Requests from interested vendors for additional information or interpretation of the information included in the specifications should be directed in writing as a question related to this bid on Public Purchase and the question will be answered on Public Purchase. All addendums will also be posted to Public Purchase. It will be the vendor's responsibility to check all information related to this bid on Public Purchase before submitting a response.

The deadline for receipt of written questions shall be 12:00 (Noon), Central Time, FRIDAY FEBRUARY 16, 2018.

A written response will be available to all registered vendors on Public Purchase.

The City wishes to receive competitive pricing on all goods or services purchased. Therefore, City policy is to reschedule the bid opening if a minimum of three (3) bids are not received.

The City of North Richland Hills reserves the right to reject in part or in whole all bids submitted, and to waive any technicalities for the best interest of the City of North Richland Hills.

INVITATION TO BID

The City of North Richland Hills is accepting sealed bids from all interested parties for:

- Bid Number: 18-007
- Bid Type: REQUEST FOR PROPOSAL
- Bid Name: PROFESSIONAL AUDIT SERVICES
- Bid Due Date: Wednesday, March 14, 2018
- Bid Due Time: 2:00 P.M. Central Time

- Deadline for questions:
Date: Friday, February 16, 2018
Time: 12:00 P.M. Central Time

DOCUMENTS MAY BE SUBMITTED ELECTRONICALLY VIA:

www.publicpurchase.com

DOCUMENTS MAY BE DELIVERED TO:

City of North Richland Hills
Purchasing, Attn: 18-007 PROFESSIONAL AUDIT SERVICES
4301 City Point Drive
North Richland Hills, TX 76180

If delivering a bid packet please include **One (1) hard copy and One (1) soft copy on Flash drive.** Submit documents in a sealed envelope with the following information marked plainly on the front:

**ATTN: PURCHASING DEPARTMENT
18-007 PROFESSIONAL AUDIT SERVICES**

No oral explanation in regard to the meaning of the specifications will be made, and no oral instructions will be given after the pre-bid meeting and before the award of the contract. Requests from interested vendors for additional information or interpretation of the information included in the specifications should be directed in writing as a question related to this bid on Public Purchase and the question will be answered on Public Purchase. All addendums will also be posted to Public Purchase. It will be the vendor's responsibility to check all information related to this bid on Public Purchase before submitting a response.

The City of North Richland Hills reserves the right to reject in part or in whole all bids submitted, and to waive any technicalities for the best interest of the City of North Richland Hills.

GENERAL CONDITIONS

In submitting this bid, the Bidder understands and agrees to be bound by the following terms and conditions. These terms and conditions shall become a part of the purchase order or contract and will consist of the invitation to bid, specifications, the responsive bid and the contract with attachments, together with any additional documents identified in the contract and any written change orders approved and signed by a city official with authority to do so. All shall have equal weight and be deemed a part of the entire contract. If there is a conflict between contract documents, the provision more favorable to the City shall prevail.

1. BID TIME

It shall be the responsibility of each Bidder to ensure his/her bid is turned in to the City of North Richland Hills on or before **2:00 P.M..Wednesday, March 14, 2018**. The official time shall be determined by the clock located at the switchboard in the North Richland Hills City Hall lobby. Bids received after the time stated above will be considered ineligible and returned unopened.

All attached bid documents are to be returned completely filled out, totaled, and signed. Envelopes containing bids must be *sealed*. The City of North Richland Hills will not accept any bid documents other than the attached.

2. WITHDRAWING BIDS/PROPOSALS/QUOTES

Bids may be withdrawn at any time prior to the official opening; request for non-consideration of bids must be made in writing to the Purchasing Manager and received prior to the time set for opening bids. The bidder warrants and guarantees that his/her bid has been carefully reviewed and checked and that it is in all things true and accurate and free of mistakes. Bidder agrees that a bid price may not be withdrawn or canceled by the bidder for a period of ninety (90) days following the date designated for the receipt of bids.

3. IRREGULAR BIDS/PROPOSALS/QUOTES

Bids will be considered irregular if they show any omissions, alterations of form, additions, or conditions not called for, unauthorized alternate bids, or irregularities of any kind. However, the City of North Richland Hills reserves the right to waive any irregularities and to make the award in the best interest of the City.

4. REJECTION/DISQUALIFICATION

Bidders will be disqualified and/or their bids rejected, among other reasons, for any of the specific reasons listed below:

- a) Bid received after the time set for receiving bids as stated in the advertisement;
- b) Reason for believing collusion exists among the Bidders;
- c) Bid containing unbalanced value of any item; bid offering used or reconditioned equipment;
- d) Where the bidder, sub-contractor or supplier is in litigation with the City of North Richland Hills or where such litigation is contemplated or imminent;

- e) Uncompleted work which in the judgment of the City will prevent or hinder the prompt completion of additional work, or having defaulted on a previous contract;
- f) Lack of competency as revealed by reference checks, financial statement, experience and equipment, questionnaires, or qualification statement;
- g) Bid containing special conditions, clauses, alterations, items not called for or irregularities of any kind, which in the Owner's opinion may disqualify the Bidder.

However, the City of North Richland Hills reserves the right to waive any irregularities and to make the award in the best interest of the City of North Richland Hills.

5. BID EVALUATION

Award of bid, if it be awarded, will be made to the lowest responsible bidder or may be awarded to the bidder that offers the goods and/or services at the *best value* for the City (Texas Local Government Code, 252.043). In determining the best value the City will consider the following:

- a) The purchase price; terms and discounts; delivery schedule;
- b) The reputation of the bidder and of the bidder's goods or services;
- c) The quality of the bidders' goods or services;
- d) The extent to which the bidder's goods or services meet the City specifications and needs;
- e) The bidder's past relationship with the City;
- f) Total long term cost to the city to acquire the bidder's goods or services;
- g) Any relevant criteria specifically listed in the specifications;
- h) Compliance with all State and local laws, general conditions and Specifications;
- i) Results of testing, if required;
- j) Warranty and/or guarantee, maintenance requirements and performance data of the product requested;
- k) City's evaluation of the bidder's ability to perform to specifications.

6. AWARD OF BID

The bid award will be made within sixty (60) days after the opening of bids. No award will be made until after investigations are made as to the responsibilities of the best bidder.

The City of North Richland Hills reserves the right to award bids whole or in part when deemed to be in the best interest of the City. Bidder shall state on bid form if their bid is "all or none", otherwise it shall be considered as agreeing to this section.

Information contained in submitted bid documents shall not be available for inspection until after the award has been made by the City Council. Requests for this information must be submitted in writing.

7. ASSIGNMENT

The successful bidder may not assign his/her rights and duties under an award without the written consent of the North Richland Hills City Manager. Such consent shall not relieve the assignor of liability in the event of default by his assignee.

8. SUBSTITUTIONS/EXCEPTIONS

Exceptions/variations from the specifications may be acceptable provided such variations, in each instance, is noted and fully explained in writing and submitted with bid. NO substitutions or changes in the specifications shall be permitted after award of bid without prior written approval by the Purchasing Manager.

9. DELIVERY/ACCEPTANCE

The delivery date is an important factor of this bid and shall be considered during the evaluation process. The City considers delivery time the period elapsing from the time the order is placed until the City receives the order at the specified delivery location.

All material shall be delivered F.O.B. City of North Richland Hills to the address specified at the time of order. Acceptance by the City of North Richland Hills of any delivery shall not relieve the Contractor of any guarantee or warranty, expressed or implied, nor shall it be considered an acceptance of material not in accordance with the specifications thereby waiving the City of North Richland Hills right to request replacement of defective material or material not meeting specifications.

10. NOTICE OF DELAYS

Whenever the contractor encounters any difficulty which is delaying or threatens to delay timely performance, written notice shall immediately be given to the Purchasing Manager, stating all relevant information. Such notice shall not in any way be construed as a waiver by the City of any rights or remedies to which it is entitled by law. Delays in performance and/or completion may result in cancellation of agreement.

11. SALES TAX

The City of North Richland Hills is exempt from Federal Excise and State sales tax; therefore tax must not be added to bid.

12. TIE BIDS

In the event of a tie bid, State Law provides the bid or contract shall be awarded to the local bidder. In cases where a local bidder is not involved, tie bids shall be awarded by drawing lots at the City Council meeting, or as otherwise directed by the Mayor.

13. BRAND NAME OR EQUAL

If items are identified by a "brand name" description, such identification is intended to be descriptive, not restrictive, and is to indicate the quality and characteristics of products that will be satisfactory. As used in this clause, the term "brand name" includes identification of products by make and model.

Such products must be clearly identified in the bid as an equal product and published specifications of the equal products offered must be included with the bid reply.

Bids offering equal products will be considered for award if determined by the Purchasing Manager and the user department to be equal in all material respects to the brand name products referenced. The decision of acceptable "equal" items or variations in the specifications will solely be the City of North Richland Hills. Unless the bidder clearly indicates in his/her bid that he is offering an "equal" product, his bid shall be considered as offering the brand name product referenced in the invitation for bids.

14. REFERENCES

A minimum of three (3) references, preferably located within the Dallas/Fort Worth Metroplex, must be submitted with each bid. Company name, contact and phone number must be included with each reference.

15. PROHIBITION AGAINST PERSONAL FINANCIAL INTEREST IN CONTRACTS

No employee of the City of North Richland Hills shall have a direct or indirect financial interest in any proposed or existing contract, purchase, work, sale or service to or by the City (CMA-074, Standards of Conduct, Section IV).

16. TERMINATION/NON PERFORMANCE

Continuing non-performance of the vendor in terms of Specifications shall be a basis for the termination of the contract by the City. The City of North Richland Hills reserves the right to enforce the performance of this contract in any manner prescribed by law or deemed to be in the best interest of the City in the event of breach or default of this contract. The City reserves the right to terminate the contract immediately in the event the successful bidder fails to 1.) Meet delivery schedules or, 2.) Otherwise not perform in accordance with these specifications.

Breach of contract or default authorizes the City to award to another bidder, and/or purchase elsewhere and charge the full increase in cost and handling to the defaulting successful bidder.

The contract may be terminated by either party upon written thirty (30) days' notice prior to cancellation without cause.

17. ATTORNEYS FEES

Neither party to this contract shall be entitled to attorney fees for any matter arising under this contract, whether for additional work, breach of contract, or other claim for goods, services, or compensation. All claims for attorney's fees are hereby WAIVED.

18. INDEMNITY

City shall not be liable or responsible for, and shall be saved and held harmless by Contractor from and against any and all suits, actions, losses, damages, claims, or liability of any character, type, or description, including claims for copyright and patent infringement, and including all expenses of

litigation, court costs, and attorney's fees for injury or death to any person, or injury to any property, received or sustained by any person or persons or property, arising out of, or occasioned by, directly or indirectly, the performance of Contractor under this agreement, including claims and damages arising in part from the negligence of City, without; however, waiving any governmental immunity available to the CITY under Texas law and without waiving any defenses of the parties under Texas law. The provisions of this indemnification are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any other person or entity.

It is the expressed intent of the parties to this Agreement that the indemnity provided for in this section is an indemnity extended by Contractor to indemnify and protect City from the consequences of City's own negligence, provided, however, that the indemnity provided for in this section shall apply only when the negligent act of City is a contributory cause of the resultant injury, death, or damage, and shall have no application when the negligent act of City is the sole cause of the resultant injury, death, or damage, unmixed with the legal fault of another person or entity. Contractor further agrees to defend, at its own expense, and on behalf of City and in the name of City, any claim or litigation brought in connection with any such injury, death, or damage.

The Contractor will secure and maintain Contractual Liability insurance to cover this indemnification agreement that will be primary and noncontributory as to any insurance maintained by the City for its own benefit, including self-insurance.

19. PERFORMANCE AND PAYMENT BONDS

In the event the total contract amount exceeds \$100,000, the Contractor shall be required to execute a performance bond in the amount of one hundred (100) percent of the total contract price; if the total contract amount exceeds \$50,000 the contractor shall be required to execute a payment bond in the amount of one hundred (100) percent of the total contract price, each in standard forms for this purpose, guaranteeing faithful performance of work and guaranteeing payment to all persons supply labor and materials or furnishing any equipment in the execution of the contract. It is agreed that this contract shall not be in effect until such performance and payment bonds are furnished and approved by the City of North Richland Hills. No exceptions to this provision allowed.

Unless otherwise approved in writing by the City of North Richland Hills, the surety company underwriting the bonds shall be acceptable according to the latest list of companies holding certificates of authority from the Secretary of the Treasury of the United States.

Attorneys-in-fact who sign bid bonds or contract bonds must file with each bond a certified and current copy of their power of attorney.

20. INTERLOCAL AGREEMENT

Successful bidder agrees to extend prices and terms to all entities who have entered into or will enter into joint purchasing interlocal cooperation agreements with the City of North Richland Hills.

21. ELECTRONIC PROCUREMENT

The City of North Richland Hills has adopted policies and procedures complying with Local Government Code Section 252.0415, Section 271.906 and Section 2155.062. The City of North Richland Hills may receive submittals in electronic form in response to procurement requests. However, a bid that is submitted non-electronically by the due date and time will be accepted and then entered electronically by Purchasing after the bid opening.

22. COMPLIANCE WITH SB 89:

Vendor agrees per HB 89 of the 85th Texas Legislative Session, and in accordance with Chapter 2270 of the Texas Government Code, vendor has not and shall not boycott Israel at any time while providing products or services to the City of North Richland Hills.

☐ Yes, we agree

☐ No, we do not agree

23. COMPLIANCE WITH SB 252:

Vendor agrees per SB 252 of the 85th Texas Legislative Session, and in accordance with Chapter 2252 of the Texas Government Code, vendor shall not do business with Iran, Sudan or a foreign terrorist organization while providing products or services to the City of North Richland Hills.

☐ Yes, we agree

☐ No, we do not agree *

* By selecting no, vendor certifies that it is affirmatively excluded from the federal sanctions regime by the United States government and is not subject to the contract prohibition under Section 2252.154 of the Texas Government Code. Vendor shall provide sufficient documentation to the City of such exclusion prior to award of any contract for goods or services.

24. ETHICS AND COMPLIANCE POLICY

The City's Ethics and Compliance Policy can be found at The City of North Richland Hills Purchasing Division webpage - Or you may request a copy from the Purchasing Division.

Acknowledgment - The City of North Richland Hills' Internal Ethics and Compliance Policy has been made available to me. I understand the expectations of ethical behavior and compliance with the law, and agree to adhere to the City's ethics policies.

☐ I agree

☐ I do not agree

25. DEPARTMENT OF TRANSPORTATION (TXDOT) RELATED BIDS

"The City of North Richland Hills, in accordance with the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C. §§ 2000d to 2000d-4) and the Regulations, hereby notifies all bidders that it will affirmatively ensure that any contract entered into pursuant to this advertisement, disadvantaged business enterprises will be afforded full and fair opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award."

Due care and diligence has been used in preparation of this information, and it is believed to be substantially correct. However, the responsibility for determining the full extent of the exposure and the verification of all information presented herein shall rest solely with the bidder. The City of North Richland Hills and its representatives will not be responsible for any errors or omissions in these specifications, nor for the failure on the part of the proposer to determine the full extent of the exposures.

INSURANCE REQUIREMENTS

Contractors performing work on City property or public right-of-way for the City of North Richland Hills shall provide the City a certificate of insurance evidencing the coverages and coverage provisions identified herein. Contractors shall provide the City evidence that all subcontractors performing work on the project have the same types and amounts of coverages as required herein or that the subcontractors are included under the contractor's policy. The City, at its own discretion, may require a certified copy of the policy.

All insurance companies and coverages must be authorized by the Texas Department of Insurance to transact business in the State of Texas and must be acceptable to the City of North Richland Hills.

Listed below are the types and amounts of insurance generally required. The City reserves the right to amend the insurance requirements or require additional types and amounts of coverages or provisions depending on the nature of the work or services to be performed.

Type of Insurance	Amount of Insurance	Provision
1. Commercial General Liability to include coverage for:	\$1,000,000 each occurrence, \$1,000,000 general aggregate;	City to be listed as additional insured and provided 30 day-notice of cancellation or material change in coverage
a) Premises/Operations	Or	
b) Products/Completed Operations	\$1,000,000 combined single limits	City prefers that insurer be rated B+V1 or higher by A. M. Best or A or higher by Standard & Poors
c) Independent Contractors		
d) Personal Injury		
e) Contractual Liability		
f) Personal/Advertising Injury		
g) Medial Expense		
h) Fire Legal Liability		
i) Underground Hazard		
j) Explosion/Collapse Hazard		
k) Patent Infringement		

1) Copyright Law Violations		
2. Consultants, architects, engineers, Landscape design specialist, other professional services	\$500,000 Professional Liability with proof that aggregate is still available.	
3. Workers' Compensation & Employers' Liability	Statutory Limits \$500,000 each accident	Alternate employer endorsement required
4. Comprehensive Automobile Liability Insurance, including coverage for loading and unloading hazards, for a) Owned/Leased Vehicles b) Non-Owned Vehicles c) Hired Vehicles	\$500,000 Combined single limit for bodily injury and property damage	

A PURCHASE ORDER WILL NOT BE ISSUED WITHOUT EVIDENCE OF INSURANCE.

NON-COLLUSION AFFIDAVIT OF BIDDER

State of _____ County of _____

(Name) verifies that:

- (1) He/She is owner, partner, officer, representative, or agent of
_____, has submitted the attached
bid: (Company Name)
- (2) He/She is fully informed in respect to the preparation, contents and
circumstances in regard to attached bid;
- (3) Neither said bidder nor any of its officers, partners, agents or employees has
in any way colluded, conspired or agreed, directly or indirectly with any other
bidder, firm or person to submit a collusive or sham bid in connection
with attached bid and the price or prices quoted herein are fair and proper.

SIGNATURE_____
PRINTED NAME

Subscribed and sworn to before me this

_____ Day of _____ 2017.

NOTARY PUBLIC in and for

_____ County, Texas.

My commission expires: _____

THIS FORM MUST BE COMPLETED, NOTARIZED AND SUBMITTED WITH BID

BID CERTIFICATION

The Undersigned, in submitting this bid, represents and certifies:

- a. He/she is fully informed regarding the preparation, contents and circumstances of the attached bid;
- b. He/she proposes to furnish all equipment/service at the prices quoted herein and bid is in strict accordance with the conditions and specifications stated herein;
- c. There will be at no time a misunderstanding as to the intent of the specifications or conditions to be overcome or pleaded after the bids are opened;
- d. He/she is an equal opportunity employer, and will not discriminate with regard to race, color, national origin, age or sex in the performance of this contract.
- e. The undersigned hereby certifies that he/she has read, understands and agrees that acceptance by the City of North Richland Hills of the bidder's offer by issuance of a purchase order will create a binding contract. Further, he/she agrees to fully comply with documentary forms herewith made a part of this specific procurement.

COMPANY: _____

ADDRESS: _____

CITY, STATE & ZIP: _____

TELEPHONE: _____

FAX _____

EMAIL: _____

SIGNATURE: _____

PRINTED NAME: _____

DATE: _____

COMPLIANCE WITH HOUSE BILL 1295

In 2015, the Texas Legislature adopted [House Bill 1295](#), which added section 2252.908 of the Government Code. The law states that a governmental entity may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties to the governmental entity at the time the business entity submits the signed contract to the governmental entity.

The law applies only to a contract of a governmental entity that either (1) requires an action or vote by the governing body of the entity or agency before the contract may be signed or (2) has a value of at least \$1 million. The disclosure requirement applies to a contract entered into on or after January 1, 2016.

The Texas Ethics Commission has adopted rules necessary to implement the law, prescribed the disclosure of interested parties form, and posted a copy of the form on the commission's website.

Filing Process:

The commission has made available on its website a new filing application that must be used to file Form 1295. A business entity must:

- 1) Use the application to enter the required information on Form 1295,
- 2) Print a copy of the completed form, which will include a certification of filing that will contain a unique certification number.
- 3) Sign the printed copy of the form (an authorized agent of the business entity must sign),
- 4) Have the form notarized,
- 5) File the completed Form 1295 with the certification of filing with the governmental body with which the business entity is entering into the contract.

The governmental entity must notify the commission, using the commission's filing application, of the receipt of the filed Form 1295 with the certification of filing not later than the 30th day after the date the contract binds all parties to the contract. The commission will post the completed Form 1295 to its website within seven business days after receiving notice from the governmental entity.

Information regarding how to use the filing application may be found at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

FOR DISADVANTAGED BUSINESS ENTERPRISES ONLY

Disadvantaged Business Enterprises (DBE) are encouraged to participate in the City of North Richland Hills bid process. Representatives from DBE Companies should identify themselves as such and submit a copy of their Certification.

The City of North Richland Hills recognizes the certifications of both the State of Texas Building and Procurement Commission HUB Program and the North Central Texas Regional Certification Agency. All companies seeking information concerning DBE certification are urged to contact:

**Texas Building and Procurement Commission
Statewide HUB Program**

1711 San Jacinto Blvd., Austin TX 78701-1416

P O Box 13186, Austin, TX 78711-3186

(512) 463-5872

<http://www.window.state.tx.us/procurement/prog/hub/hub-certification/>

North Central Texas

Regional Certification Agency

624 Six Flags Drive, Suite 216

Arlington, Texas 76011

(817) 640-0606

<http://www.nctrca.org/certification.html>

If your company is already certified, attach a copy of your certification to this form and return as part of your packet.

Company Names: _____

Representative: _____

Address: _____

City, State, Zip: _____

Telephone No. _____ **Fax No.** _____

Email address: _____

INDICATE ALL THAT APPLY:

_____ **Minority-Owned Business Enterprise**

_____ **Women-Owned Business Enterprise**

_____ **Disadvantaged Business Enterprise**

CONFLICT OF INTEREST QUESTIONNAIRE

Pursuant to Chapter 176 of the Texas Local Government Code, a person, or agent of a person, who contracts or seeks to contract for the sale or purchase of property, goods, or services with the City of North Richland Hills must file a completed conflict of interest questionnaire. The conflict of interest questionnaire must be filed with the City Secretary of the City of North Richland Hills no later than the seventh business day after the person or agent begins contract discussions or negotiations with the City of North Richland Hills or submits to the City of North Richland Hills an application, response to a request for proposal or bid, correspondence, or another writing related to a potential agreement with the City of North Richland Hills. An updated conflict of interest questionnaire must be filed in accordance with Chapter 176 of the Local Government Code. An offense under Chapter 176 is a Class C misdemeanor.

The Conflict of Interest Questionnaire is included as part of this document and can be found at:

<https://www.ethics.state.tx.us/forms/CIQ.pdf>

CONFLICT OF INTEREST QUESTIONNAIRE For vendor doing business with local governmental entity		FORM CIQ
<p>This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.</p> <p>This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).</p> <p>By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.</p> <p>A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.</p>	OFFICE USE ONLY <div style="border: 1px solid black; height: 100px; margin-top: 5px;"></div>	
<p>1 Name of vendor who has a business relationship with local governmental entity.</p> <div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	<p>2 <input type="checkbox"/> Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)</p>	
<p>3 Name of local government officer about whom the information is being disclosed.</p> <div style="border: 1px solid black; height: 40px; margin-top: 5px; display: flex; align-items: center; justify-content: center;"> <div style="flex-grow: 1; border-bottom: 1px solid black;"></div> </div>		
<p>4 Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.</p> <div style="border: 1px solid black; height: 150px; margin-top: 10px;"></div> <div style="margin-top: 20px;"> <p>A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?</p> <div style="display: flex; justify-content: center; gap: 50px; margin-top: 5px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <p>B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?</p> <div style="display: flex; justify-content: center; gap: 50px; margin-top: 5px;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div>		
<p>5 Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.</p> <div style="border: 1px solid black; height: 60px; margin-top: 5px;"></div>		
<p>6 <input type="checkbox"/> Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).</p>		
<p>7</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 60%; border-top: 1px solid black; text-align: center;">Signature of vendor doing business with the governmental entity</div> <div style="width: 35%; border-top: 1px solid black; text-align: center;">Date</div> </div>		

CONFLICT OF INTEREST QUESTIONNAIRE
For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

(a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that

(i) a contract between the local governmental entity and vendor has been executed;

or

(ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

(a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

(1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);

(2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or

(3) has a family relationship with a local government officer of that local governmental entity.

(a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

(1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

(2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.

SPECIFICATIONS

I. INTRODUCTION

A. General Information

The City of North Richland Hills (“City”) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the three (3) fiscal years ending September 30, 2018, 2019 and 2020 with the option for two (2) additional one (1) year renewals for the two (2) subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards (GAAS), the standards set forth for financial audits as contained in the Government Auditing Standards issued by the Comptroller General of the United States, Title 2 of the U.S. Code of Federal Regulation (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). as well as the provisions of the Texas Public Funds Investment Act as amended.

B. Term of Engagement

A three-year contract is contemplated, subject to the annual review and recommendation of the Proposal Review Committee, the satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), the concurrence of the City of North Richland Hills and the annual availability of an appropriation. By mutual agreement, the contract may be extended by no more than two separate, one-year amendments.

II. NATURE OF SERVICES REQUIRED

A. General

The City of North Richland Hills is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the three (3) fiscal years ending September 30, 2018, 2019, and 2020 with the option for two additional one-year renewals for the two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

The City desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

The City desires the auditor to express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. As part of this scope of work, the auditor will prepare a draft of the financial statements, related notes, and illustrative tables to support the information contained in the notes. The auditor will be responsible for formatting the report for printing and

transmitting a final, electronic copy to the City. The auditor will not be responsible for printing and binding of the reports as that responsibility will remain with the City.

The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an “in-relation-to” report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements and the combining and individual fund financial statements and schedules. The auditor is not required to audit the introductory section of the report or the statistical section of the report.

The auditor is not required to audit the schedule of expenditures of federal and state awards. However, the auditor is to provide an “in-relation-to” report on that schedule based on the auditing procedures applied during the audit of the financial statements.

Should circumstances warrant, the auditor may be separately tasked to assist NRH through the City’s Internal Audit section, specifically if the technical expertise or available resources within the City do not permit an effective and thorough execution of the assigned scope within a specified timeline.

Further, the auditor may be separately tasked to assist NRH through the City Manager’s office to provide assurance using agreed upon procedures on the accuracy of certain reports the City Manager is required to approve and sign before submission to a reviewing agency (federal, state, etc.)

C. Auditing Standards to be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the Government Auditing Standards issued by the Comptroller General of the United States, Title 2 of the U.S. Code of Federal Regulation (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as well as the provisions of the Texas Public Funds Investment Act as amended.

D. Reports to be Issued

Following the completion of the audit of the fiscal year’s financial statements, the auditor shall issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal and state awards in relation to the audited financial statements. The auditor’s

opinion on the fair presentation of the financial statements will be included in the Comprehensive Annual Financial Report. A report on the City's internal control structure, operating procedures, and control risk, based on the auditor's understanding of such, is also required.

A report on compliance and internal control over compliance with laws and regulations related to major and non-major federal and state financial assistance programs shall be prepared if receipt thresholds are reached and require such. This report should be prepared in accordance with the provisions of 2 CFR 200 – Uniform Guidance.

In the required report on internal controls and operating procedures, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.

Prepare a report to be submitted to the Federal Audit Clearinghouse for the single audit reporting package and prepare a separate report to be submitted to the State Single Audit Coordinating Agency as designated by the Comptroller's office. A final Chapter 59 Asset Forfeiture Report will be submitted to the City Manager for approval. Additionally, an Equitable Sharing Agreement Certification (ESAC) report will be prepared and submitted to the City Manager for approval.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the City Manager, Finance Director, or Assistant Director of Finance as deemed appropriate.

Reporting to the City Council. Auditors shall assure that the City Council of North Richland Hills is informed of each of the following:

- The auditor's responsibilities under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management

- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

E. Special Considerations

1. The City will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. Special assistance from the selected audit firm may be required for City of North Richland Hills to meet the requirements of that program.
2. The City currently anticipates it will prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."
3. The schedule of federal and state financial assistance and related auditor's report, as well as the reports on the internal control structure and operating procedures and compliance are not to be included in the comprehensive annual financial report, but are to be issued separately.
4. A list of findings and other weaknesses from the City's most recent financial statement audit can be requested by contacting Scott Kendall, Purchasing Manager, at phone 817-427-6165 or email purchasing@nrhtx.com. Of those findings and other weaknesses noted in the most recent report, management believes all findings and weaknesses have been addressed.
5. From time to time, auditor will be asked to provide guidance concerning proper accounting procedures and assist City Staff with interpretation of changes in Payroll law and/or tax law.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the City or their designees. Copies of working papers will be provided to the City on an annual basis. If the auditor cannot provide copies, the original working papers will be made available to City staff for copying purposes.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Contact Person, Organizational Chart, and Location of City Offices

The auditor's principal contact with the City of North Richland Hills will be Glenn Mizell, Assistant Director of Finance, or a designated representative who will coordinate the assistance to be provided by the City of North Richland Hills to the audit firm.

A list of key personnel (Exhibit B) and an organizational chart (Exhibit C) are attached. All City staff offices are located within the city limits of North Richland Hills.

B. Background Information

The City of North Richland Hills serves an area of 18.9 square miles with an estimated 2018 population of 70,000. The City of North Richland Hills' fiscal year begins on October 1st and ends on September 30th.

The City of North Richland Hills, Texas (the "City") Home Rule Charter was adopted by the voters at an election held on November 3, 1964. The City operates under a Council-Manager form of government. The City provides a full range of services including police and fire protection; municipal court operations; the construction and maintenance of streets and infrastructure; parks, library, and recreational activities including tennis center operations; neighborhood services activities; planning and inspections; and the operation of a water and wastewater system, a golf course, and a public water park. A private contractor, through a franchise agreement, provides solid waste collection and disposal services for the City.

The City of North Richland Hills has a total bi-weekly payroll of approximately \$1,389,700 covering approximately 600 employees. The summer months add approximately 290 employees to the payroll at an estimated bi-weekly cost of \$115,000.

The City of North Richland Hills is organized into 20 departments and agencies. The accounting and financial reporting functions of the City of North Richland Hills are centralized. However, the cash receipts function of the City is decentralized. Collections are handled at multiple locations throughout the City.

More detailed information on the government and its finances can be found in the City Charter, budget documents, official statements, and comprehensive annual financial reports. Much of this information is published on the City's web site at <http://www.nrhtx.com/>.

Fund Structure

The City of North Richland Hills uses the following fund types and account groups in its financial reporting:

Fund Type/Account Groups	# of Funds	#Funds w/Adopted Budgets	Major/Non-major
General Fund	1	1	1/0
Special Revenue Funds	14	8	2/11
Debt Service Funds	3	1	1/2
Capital Projects Funds	1	0	1/0
Enterprise Funds	3	3	2/1
Internal Service Funds	4	4	0/4
Pension Trust Funds	1	-	1/0
Investment Trust Funds	-	-	-
Private Purpose Trust Funds	-	-	-
Agency Funds	-	-	-
Discretely Presented CU	-	-	-

Classification of a fund as major or non-major is subject to change in any given fiscal year. The City may, during the contract period, create additional funds deemed necessary to properly record and report financial transactions, while some existing funds may be deemed no longer necessary during the contract period. Use of the latter will be discontinued when all financial transactions have been posted, audited, and reported.

C. Budgetary Basis

The City prepares its annual operating budgets on a cash basis which require certain reclassification entries at year end to convert to a generally accepted accounting principles basis.

D. Federal and State Financial Assistance

During the previous fiscal year, the City did receive sufficient Federal and State Awards of financial assistance to obtain a 2§CFR 200 Single Audit. Further, we anticipate the minimum level of proceeds will continue to be met in a minimum of the next two fiscal years to warrant such an audit with separate federal / state reports.

E. Pension Plans

The City participates in the Texas Municipal Retirement System, a joint contributory, defined contribution plan. Employee contributions are currently 7% of earnings with the City matching employee contributions at a rate actuarially

derived each fiscal year (2018 Blended rate 16.1725%). Actuarial services for this plan are provided by the Texas Municipal Retirement System.

F. Component Units

The City of North Richland Hills is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, component units are included in the financial statements of the City.

The management of the City of North Richland Hills has identified the following component units for inclusion in the North Richland Hills financial statements (each shares the same fiscal year as the City):

- North Richland Hills Park and Recreation Facilities Development Corporation (PRD)
- North Richland Hills Crime Control and Prevention District (CCD)
- Tax Increment Financing District #1 and # 1a (TIF #1 & #1a)
- Tax Increment Financing District #2 (TIF #2)

All funds are categorized as blended component units.

G. Magnitude of Finance Operations

The Finance Department is headed by Mark Mills, Director of Finance and consists of 23 employees. The principal functions performed and the number of employees assigned to each are as follows:

<u>Function</u>	<u># of Employees</u>
Accounting and Administration	8
Purchasing	3
Utility Billing	12

H. Computer System

Applications: IBM AS/400 (HTE software)

Systems:

Financial	General Ledger/Budget
Accounts Payable	Miscellaneous A/R
Purchasing and Inventory	Payroll/Personnel
Utility Billing	Fixed Asset Tracking
Project Accounting	

PC's Microsoft Excel, Word, PowerPoint

(note: The City is currently in process of evaluating a replacement financial system for the AS/400 – HTE system. The completion date is expected on or before June 1, 2020)

I. Internal Audit Function

The City of North Richland Hills has maintained a very limited internal audit function for the past several years. The internal audit function reports to Robert Myers, Director of Budget and Research, and is staffed by two employees who assist with both the Operations and Capital budget functions.

J. Availability of Prior Audit Reports and Working Papers

Interested respondents wishing to review the City's most recent financial statement should find a copy on the City's web site at <http://www.nrhtx.com/>. The City has provided in Appendix D, a copy of 2017 Audit Provided by Client (PBC) listing outlining audit documentation available to the audit firm. The actual audit documentation that coincides with the "PBC" listing will be made available during the mandatory pre-proposal meeting. Electronic copies will be available to each firm that wishes to participate in this proposal.

IV. TIME REQUIREMENTS**A. Proposal Calendar**

The following list contains key dates up to and including the date proposals are due to be submitted:

- Request for proposals issued: January 23, 2018
- Deadline for questions: 12:00 p.m. (noon) February 16, 2018
- Pre-proposal conference: 10:00 a.m. on February 20, 2018
- Due date for proposals: 2:00 p.m. on March 14, 2018
During the time period from March 15, 2018 up to March 30, 2018 the City's Proposal Review Committee (PRC) will review and discuss each proposal. The City may determine there is a need to contact the proposers for clarification during this time as well.
- Firm Interviews: April 6, 2018. Time to be determined.
Top two (2) responders will be invited for a 30 minute presentation to the PRC, followed by a time (not to exceed 30 minutes) for questions and answers before final award is made. Those firms invited to make presentations will be notified no later than March 30, 2018.

B. Notification and Contract Dates

- Notification of selected firm: April 24, 2018
- City Council award of contract: May 15, 2018
- Contract date: on or before June 1, 2018

C. Date Audit May Commence

Interim work for the 2018 fiscal year is currently scheduled for a two-week period beginning within the month of September, 2018. The regular audit for fiscal year 2018 can begin after November 26, 2018. The audit fieldwork shall be substantially complete by January 11, 2019. Any deviation from this schedule is to be noted by the audit firm in the response to the request for proposals.

D. Important Dates for the 2018 Fiscal Year Audit

PRELIMINARY Fiscal Year 2018 Audit Dates	
ITEM	DUE DATE
Interim Field Work (8/31 TB Date) only if needed	Any two week period (September, 2018)
Electronic Trial Balance to Auditors (rolled up to CAFR Levels)	11/26/2018
Field Work	11/26/2018 – 01/11/2019
Draft CAFR Report from Auditors	01/21/2019
Presentation to City Council	03/11/2019

Each of the following shall be completed by the auditor no later than the dates indicated. Any deviations from the dates shown are to be noted by the audit firm in the response to the request for proposals.

1. Detailed audit plan

The auditor shall provide the City with a detailed audit plan by the conclusion of interim work. A list of all schedules (“PBC”) to be prepared by City staff shall be submitted no later than August 24, 2018.

2. Draft financial reports

City staff will be responsible for presenting a Trial Balance and supporting schedules, including all required items from the PBC list, to the auditor prior to the commencement of field work. The auditor will be responsible for preparing the Comprehensive Annual Financial Report (“CAFR”).

City staff anticipates the auditor will complete the financial portion of the report for City staff review no later than January 21, 2019 (Financial Statements, Notes and supplemental schedules). The Letter of Transmittal and statistical section will be complete for City Staff review by February 4, 2019. Staff anticipates the auditor will complete the Single Audit, Required Supplemental Information, Management Report, and Internal Control portions of the report for City staff review no later than February 11, 2019. City Staff anticipates the completion of the Management Discussion and Analysis (MDA) portion for auditor review no later than February 8, 2019.

City staff will complete review of the draft as expeditiously as possible. Staff anticipates the review process should be complete within seven days. Auditor

suggested corrections to the draft are to be completed and an updated draft of the report will be submitted back to City staff within seven days.

Subsequent corrections to the CAFR must be submitted to City staff as expeditiously as possible in order to meet the scheduled delivery date of the final report as noted below.

3. Final report

All reports are required to be submitted in final print ready pdf form to the City for insertion or inclusion with the final CAFR for council presentation.

City staff anticipates the auditor will complete the final, print ready version of the CAFR by February 25, 2019. The auditor will format and transmit an electronic copy of all reports on CD/DVD to the City for storage. The auditor will not be responsible for the printing and binding of any report document.

The financial statements, report to management on internal control, and single audit report will be presented to City Council on March 11, 2019. Auditor will be required to make a presentation concerning the audit process, required disclosures to City Council (Section II, Paragraph E), single audit results, internal control issues, and highlighted financial data. A similar presentation will be required each year the audit contract is in effect.

The City may publish any or all such reports on the City's web site for access by interested parties. As such, electronic copies of said reports shall be provided to the City for such publication. Staff anticipates publication of said reports within 30 days of City Council approval and acceptance of the reports.

4. Additional required reports

All reports are required to be submitted in final print ready pdf form to the City for presentation as necessary. A final Chapter 59 Asset Forfeiture Report will be submitted to the City Manager for approval. Additionally, an Equitable Sharing Agreement Certification (ESAC) report will be prepared and submitted to the City Manager for approval. The auditor will be expected to electronically file the Federal Single Audit Report with the Federal Audit Clearinghouse and the State Single Audit Report with the Texas Comptroller of Public Accounts and the State Auditor's Office.

E. Entrance/Exit Conferences and Progress Reporting

a. Entrance/Planning Conference for upcoming Audit

1. July of each year a meeting/conference will convene to help establish audit calendar, timeline, and relevant other pre-audit concerns and issues.
 - b. Progress Reporting
 1. Starting with first week of field work and every active week of audit work afterward the Audit Lead of the firm, Senior members of the Audit team, the City's Assistant Finance Director, and City's Finance Director will convene to have progress meetings on audit status.
 - c. Exit Conferences
 1. An exit conference will be scheduled during the final two weeks before presentation to council. Suggested attendees will be a member of City Management, Budget Director (oversees internal audit), Finance Director, the Assistant Finance Director, CPA firm Audit Manager, CPA firm Audit Partner, and other designated representatives agreed upon by all parties.
- F. Master List of Expected Report Deliverables
1. Comprehensive Annual Financial Report
 2. Federal and State Single Audit Report(s)
 3. Chapter 59 Asset Forfeiture Report
 4. Equitable Sharing Agreement & Certification Report
 5. Management Letter
 6. Other reports on an "as-needed" basis – such as possible assistance with Internal Audit reviews, assistance with Issuances of Debt, assistance with Strategic Planning or Long Range Planning activities, etc.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department Assistance

The finance department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. City staff will prepare audit confirmation letters requested by auditors.

B. Information Technology Assistance

Information technology personnel will be available to provide systems documentation and explanations. The auditor will not be provided access to the City's computer hardware or software. However, the City's general ledger account balances will be provided electronically. Typically, this information has been available in Microsoft Excel format. Summary data by financial statement line item is not available electronically at this time.

In subsequent fiscal years, document images supporting financial transactions will be available online. Staff will make every effort to make such images available to auditor to assist with audit tests and samples.

Staff does and will provide 95% (or more) of support documents to the auditors in electronic format.

C. Statements and Schedules to be Prepared by City Staff

City staff will provide the following information, schedules, and reports to the auditor:

- General ledger detail of year-to-date activity for all or selected accounts as requested by auditor
- Year-to-date Summary Trial Balance for each reporting fund
- Budget Reports, both adopted and revised

D. Work Area and Available Equipment

The City will provide the auditor with reasonable work space, tables, chairs, wifi access, door access to accounting area, a telephone line, and photocopying facilities will also be provided.

E. Report Preparation

Preparation of statements, schedules, notes, and other narrative included in the Comprehensive Annual Financial Report, exclusive of the “MD&A” will be the responsibility of the auditor. The City requires the auditor to review the report and propose corrections as necessary. Review shall include verification of calculations and partial presentations of audited figures reflected in the report narrative.

Auditor will be responsible for preparation and issuance of other required reports such as the Single Audit Report and the Report to Management on Internal Control. The City requires all final and signed reports be provided in both pdf electronic and printed/bound form. The number of printed/bound reports will be determined and agreed to by both parties each year.

VI. Proposal Requirements

A. General Requirements

1. Pre-proposal Conference
2. Inquiries
3. Submission of Proposals

The following material is required to be received by 2:00 p.m. on March 14, 2018 for a proposing firm to be considered:

- a. The proposal response may be either electronic or hardcopy. If hardcopy response is preferred, include a master copy (so marked) of a Technical Proposal and one soft copy on flash drive to be considered:
 - i. Title Page
 - ii. Table of Contents
 - iii. Transmittal Letter
 - iv. Detailed Proposal

DOCUMENTS MAY BE SUBMITTED ELECTRONICALLY VIA:

www.publicpurchase.com

DOCUMENTS MAY BE DELIVERED TO:

Purchasing: Attn: 2018-0047 PROFESSIONAL AUDITING SERVICES

City of North Richland Hills
4301 City Point Drive
North Richland Hills, TX 76180

If delivering a bid packet please include **One (1) hard copy and One (1) soft copy on Flash drive.** Submit documents in a sealed envelope with the following information marked plainly on the front:

**ATTN: PURCHASING DEPARTMENT
2018-007 PROFESSIONAL AUDITING SERVICES**

B. Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent

audit of the City in conformity with the requirements of this request for proposals. As such, the substance of the proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the request for proposals, excluding any cost information which should be included only in the sealed dollar cost bid. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, item numbers 2 through 10, must be included as they represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of North Richland Hills as defined by generally accepted auditing standards and the *Government Auditing Standards* as issued by the Comptroller General of the United States.

The firm should also provide an affirmative statement that it is independent of all of the component units of the City as defined by those same standards.

The firm should also list and describe the firm's professional relationships involving the City or any of its agencies or component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City written notice of any professional relationships that could compromise independence entered into during the period of this agreement.

3. License to Practice in the State of Texas

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Texas.

4. Firm Qualifications and Experience

The proposal should state the professional staffing size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and professional

background of professional staff to be employed on this engagement on a full-time basis as well as the number and professional background of the staff to be so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualification of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review (peer review), with a statement whether that quality control review included a review of specific governmental agency engagements.

The firm shall also provide information on the results of any federal or state desk review or field review of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory, and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors, and specialists, who would be assigned to the engagement and indicate whether each person is licensed to practice as a certified public accountant in Texas. The firm should provide information on the governmental auditing experience of each person, including information on relevant continuing education for the past three (3) years and memberships in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience, and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm should also indicate how the quality of the staff over the term of the engagement will be assured.

Engagement partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City. However, in either case, the City retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the City, which retains the right to approve or reject replacements. Should the need arise where the City may request a Consultant or specialist be replaced,

the Director of Finance will work with the Audit Partner directly to address any such occurrence.

Other audit personnel may be changed at the discretion of the proposer provided the replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the City of North Richland Hills

The firm should list separately all engagements within the last five years, ranked on the basis of total staff hours, for the City of North Richland Hills by type of engagement (i.e. audit, management advisory services, special studies, etc.). For each engagement, the firm should indicate the scope of the work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the of the principal client contact.

7. Similar Engagements with Other Governmental Entities

For the firm's office that will be assigned responsibility for the City's audit, list the most significant engagements (maximum of 5) performed in the last five (5) years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours. The scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact must be included.

8. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform the services required in Section II of this request for proposals. In developing the work plan, references should be made to such sources of information as the City's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on audit approach:

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement
- d. Extent of the use of EDP software in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken to gain and document an understanding of the City's internal control structure

- g. Approach to be taken in determining laws and regulations that will be subject to audit test work
 - h. Approach to be taken in drawing audit samples for purpose of tests of compliance
9. Identification of Anticipated Potential Audit Problems
- The proposer should identify and describe any anticipated potential audit problems, the firm's approach to resolving these types of problems, and any special assistance that will be requested from the City of North Richland Hills and its staff.
10. Report Format
- The proposer should include sample formats for required reports. Examples of such reports are shown in Section II, Item D – Reports to be Issued.

NO DOLLAR COSTS FOR THIS ENGAGEMENT SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL.

C. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs. The City will not reimburse Auditor for out-of-pocket expenses.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of firm;
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City of North Richland Hills;
- c. A total all-inclusive maximum price by year for the financial audit of the comprehensive annual financial report of the City of North Richland Hills for the three fiscal years ending September 30, 2018, 2019, and 2020;
- d. Total all-inclusive maximum price by year for the single audit of the City of North Richland Hills for the three fiscal years ending September 30, 2018, 2019, and 2020.
- e. Method to be employed to calculate future year audit costs (i.e. for the two one-year extension options).
- f. Total all-inclusive costs for review of other financial documents (i.e. Official Statement Review).
- g. A hourly average rate for extra payroll tax or employment law consultation or research.

The City will not be responsible for expenses incurred in the preparation and submission of the response to this request for proposals. Such costs should not be included in the proposal.

2. Rates for Additional Professional Services

If it should become necessary for the City to request the auditor to render any additional services to either supplement the services requested in this request for proposals or to perform additional work as a result of the specific recommendations included in any report issued to management on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

3. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the firm's sealed dollar cost bid. Interim billing statements shall cover a period of not less than one calendar month. Billings must include detail reflecting hours worked by staffing levels and estimated hours to completion.

Invoices received without this information will be returned unpaid.

Invoices for single audit services shall be prepared using the same detail specifications for billings mentioned in the preceding paragraph. Invoices for single audit services shall not include any items other than those performed in connection with the single audit. Interim billing statements for single audit services shall cover a period of not less than one calendar month.

**SAMPLE BILLING STATEMENT
LEVEL OF DETAIL REQUIRED FOR PAYMENT**

Financial Statement Audit, Single Audit

Year Ended September 30, 2018

Description	Engagement Hours	Hourly Rates	Engagement Costs	Remaining Hours	Remaining Costs
Partners		\$	\$		\$
Managers		\$	\$		\$
Supervisory		\$	\$		\$
Staff		\$	\$		\$
Other (specify)		\$	\$		\$
		\$	\$		\$
		\$	\$		\$
Totals					

Description	Incurred Hours	Incurred Costs	Previously Billed	Due Current Statement
Partners		\$	\$	
Managers		\$	\$	
Supervisory		\$	\$	
Staff		\$	\$	
Other (specify)		\$	\$	
		\$	\$	
		\$	\$	
Totals				

VII. EVALUATION PROCEDURES

A. Proposal Review Committee

Proposals submitted will be evaluated by a five-member Proposal Review Committee ("PRC") selected by the City of North Richland Hills.

B. Review of Proposals

The PRC will use a point formula during the review process to score proposals. Each member of the PRC will first score each technical proposal by each of the criteria described in Section VII, C below. The full PRC will then convene to review and discuss their individual evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest all-inclusive maximum prices. Appropriate fractional scores will be assigned to the remaining proposers' dollar cost bids.

The City of North Richland Hills reserves the right to retain all proposals submitted and use any idea in any proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated using four sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements

- a. The firm is independent and licensed to practice in Texas
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the City
- c. The audit firm's professional personnel have received adequate continuing professional education within the last three (3) years
- d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work
- e. The firm adheres to the instructions in this request for proposals for preparing and submitting the proposal

2. Technical Qualifications

- a. Expertise and experience
 - i. The firm's past experience and performance on comparable governmental engagements as determined in part from client reference responses

- ii. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation
 - iii. Computer expertise
 - b. Audit approach
 - i. Adequacy of proposed staffing plan the various segments of the engagement
 - ii. Adequacy of sampling techniques
 - iii. Adequacy of analytical procedures
- 3. Ability to meet stated deadlines
 - a. Ability to meet summer fieldwork schedule or provide an acceptable alternative
 - b. Ability to meet on-site audit dates or provide an acceptable alternative
 - c. Ability to meet final report delivery date, no alternative is acceptable
- 4. Price
 - Cost will not be the primary factor in the selection of an audit firm

D. Oral Presentations

During the evaluation process, the PRC may, at its discretion, request any number of or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the PRC may have on a firm's proposal. Not all firms submitting proposals may be asked to make such oral presentations.

BID FORMS

BID SUMMARY SHEET			
SUMMARY SCHEDULE OF PROFESSIONAL FEES FOR AUDITING SERVICES RELATING TO THE FISCALS YEARS ENDING SEPTEMBER 30, 2018, 2019, & 2020			
DESCRIPTION	TOTAL COST FY ENDING 9/30/2018	TOTAL COST FY ENDING 9/30/2019	TOTAL COST FY ENDING 9/30/2020
Financial Audit	\$	\$	\$
Single Audit	\$	\$	\$
Official Statement Review (per issuance)	\$	\$	\$
Payroll Tax or Employment law Consultation (per Hour Cost)	\$	\$	\$
Annual Totals	\$	\$	\$

BID FORMS

FINANCIAL AUDIT AND REPORT ISSUANCE			
SCHEDULE OF PROFESSIONAL FEES FOR FINANCIAL STATEMENT AUDIT SERVICES RELATING TO THE			
DESCRIPTION	TOTAL HOURS	QUOTED HOURLY RATE	TOTAL ALL- INCLUSIVE COST
Fiscal Year Ending September 30, 2018			
Partners		\$	\$
Managers		\$	\$
Supervisory		\$	\$
Staff		\$	\$
Other (specify)		\$	\$
Annual Totals		\$	\$
Fiscal Year Ending September 30, 2019			
Partners		\$	\$
Managers		\$	\$
Supervisory		\$	\$
Staff		\$	\$
Other (specify)		\$	\$
Annual Totals		\$	\$
Fiscal Year Ending September 30, 2020			
Partners		\$	\$
Managers		\$	\$
Supervisory		\$	\$
Staff		\$	\$
Other (specify)		\$	\$
Annual Totals		\$	\$

BID FORMS

The Undersigned, in submitting this proposal, represents and certifies:

- a. He/she is fully informed regarding the preparation, contents and circumstances of the attached bid;
- b. He/she proposes to furnish all equipment/service at the prices quoted herein and bid is in strict accordance with the conditions and specifications stated herein;
- c. There will at no time be pleaded either a misunderstanding as to the intent of the specifications or conditions to be overcome or pleaded after the bids are opened;
- d. He/she is an equal opportunity employer, and will not discriminate with regard to race, color, national origin, age or sex in the performance of this contract.

COMPANY: _____

ADDRESS: _____

CITY, STATE & ZIP: _____

TELEPHONE: _____

FAX: _____

EMAIL: _____

SIGNATURE: _____

PRINTED NAME: _____

DATE: _____

EXHIBIT 'A'
STANDARD FOR AGREEMENT CONTRACT

CITY OF NORTH RICHLAND HILLS
CONTRACT FOR PROFESSIONAL AUDITING SERVICES

This contract is made and entered into this ____ day of May 2018 by and between the City of North Richland Hills, Texas, a municipal corporation in Tarrant County, Texas (hereinafter referred to as the "City"), and _____, CPAs, (hereinafter referred to as the "Auditor").

W I T N E S E T H

WHEREAS, the City is a municipal corporation of the State of Texas, located at City Hall, 4301 City Point Drive, North Richland Hills, Texas 76180, wherein the books and records of said City are kept, and

WHEREAS, the Auditor is a Certified Public Accountant, duly licensed in said capacity in the State of Texas, having paid all fees pursuant to such licensing, and the City being willing to employ Auditor on the terms and conditions hereinafter set forth, the parties agree as follows:

Terms and Conditions

1. The Request for Proposals (RFP 18-007) for Professional Audit Services is incorporated into this agreement and all conditions and requirements of the Request for Proposals are hereinafter considered to be part of this agreement.
2. While the objective of the examination is the expression of an unmodified opinion on the fair presentation of the financial statements of the City, it is understood that an opinion may have to be modified or disclaimed as the facts or circumstances dictate.

The City has the responsibility for the proper recording of transactions in the books of account, for the safeguarding of assets, and for the substantial accuracy of the financial statements. Such are the representations of the City. In addition, it is understood that the examination is not primarily designed and cannot be relied upon to disclose defalcations and other similar irregularities, although their discovery may result. If irregularities are discovered, Auditor will report such irregularities to the City Manager, Director of Finance, or Assistant Director of Finance as deemed appropriate.

3. City agrees to make progress payments on the basis of hours of work completed during the course of the engagement in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of no less than one calendar month.

Interim billings must include detail which reflects hours worked by staffing levels and the remaining estimated hours to completion. Invoices received without this information will be returned unpaid.

Invoices for single audit services shall be prepared using the same detail specifications and timing for other billings mentioned previously. Invoices for single audit services shall not include any items other than those performed in connection with the single audit. Interim billings shall be sent based on percent of work completed, with final payment upon delivery of the Single Audit Reports.

4. Auditor agrees that it will not at any time, either directly or indirectly, disclose or communicate to any person, firm, or corporation in any manner whatsoever any information of any kind or description concerning any matters affecting or relating to the business of the City whether or not any or all such matters would otherwise be deemed confidential material, unless otherwise pursuant to law or is so directed by the City.
5. This contract may be modified or amended by mutual agreement of the parties. No waiver, modification, or amendment of any term, condition, or provision of this contract will be valid, or of any force or effect, unless made in writing and signed by the parties hereto.
6. A failure by the City to initiate action as to any breach shall not be deemed as a waiver of that right of action and all such initiated rights of action shall be cumulative.
7. This contract shall be governed by and construed and enforced in accordance with the laws of the State of Texas.
8. This contract shall be deemed to have been made and performed in Tarrant County, Texas. For purposes of venue, all suits or causes of action arising out of this contract shall be brought in the courts of Tarrant County, Texas.
9. In accordance with Chapter 2270 of the Texas Government Code, a governmental entity may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The authorized signatory executing this contract or accepting this purchase order on behalf of company, as applicable, hereby verifies that the company does not boycott Israel and will not boycott Israel during the term of this contract.

10. It is agreed between the City and the Auditor that the contract shall be executed in an original and two (2) copies, any one of which may be used for any purposes for which the original may be used.
11. It is the intent of the parties that nothing contained herein shall be interpreted to assign to Auditor any status under this Agreement other than that of an independent contractor.
12. Auditor covenants that to the best of its knowledge, neither it nor any of its partners or employees presently has any interest and shall not acquire any interest, direct or indirect, financial or otherwise, in any matters subject to audit by the City or that would conflict in any manner or degree with the performance of services under this Agreement and that none of its partners are employees of the City, and that no one employed by the Auditor and no one who has or will have any financial interest under this Agreement is an officer or employee of the City.
13. No discrimination because of race, color, sex, age, handicap, national origin, ancestry, or religion shall be made in the employment of persons performing services under this contract. Auditor covenants that it will comply with all nondiscrimination provisions of applicable federal law or executive order in the performance of this Agreement.
14. Indemnification Agreement
As between the City and Auditor, the Auditor shall assume responsibility and liability only for any damage, loss, or injury caused by or resulting from the negligent acts of the Auditor, or any of its officers, agents, servants, or employees, arising from the performance of work under this Agreement. The Auditor shall indemnify and hold harmless the City and all of its offices, agents, servants, or employees from and against any and such claims, loss, damage, charge, or expense to which they or any of them may reasonably be put or subjected by reason of any such negligent acts, but only if an adjudication of negligence is made against the Auditor. The Auditor expressly agrees to provide professional time, at no additional fee, required in the defense against any claim brought or actions filed against the City, where such claim or action arises from the negligent acts, but only if an adjudication of negligence is made against the Auditor.
15. Insurance
The Auditor certifies, and will provide insurance certificate with the signed contract, that it carries the following types of insurance:
 - A. Statutory workers' compensation insurance or proof that such coverage is not required to be provided by Auditor under State law.
 - B. Professional liability insurance on the contractual services in this contract with minimum limit of \$1,000,000.
 - C. Comprehensive liability insurance covering all operations and automobiles:

- i. With limits of \$100,000/\$300,000 bodily injury
 - ii. With limit of \$50,000 property damage
 - D. Umbrella or excess coverage cannot be used to reach the limits stated in B and C.
16. This contract being one for professional services cannot be transferred, assigned, or sublet without the prior written approval of the City.
17. This document contains the entire agreement between the parties and shall not be altered, varied, or modified unless made in writing and signed by the parties hereto. There are no understandings, representations, or agreements, written or oral, not incorporated herein. The terms of the engagement will also be confirmed in the annual engagement letter.
18. For purposes of this Agreement, any notices required to be sent to the parties hereof shall be mailed to the following respective addresses:

AUDITORCITY

City of North Richland Hills

4301 City Point Drive

North Richland Hills, TX 76180

IN WITNESS WHEREOF, the parties have made and executed this Agreement the day and year written above.

AUDITOR:

CITY OF NORTH RICHLAND HILLS, TEXAS:

Partner

Mark Hindman,
City Manager

Witness:

Attest:

Signature

Maleshia McGinnis,
City Attorney

Name (typed or printed)

EXHIBIT B
CITY OF NORTH RICHLAND HILLS
LIST OF PRINCIPAL OFFICIALS
JANUARY, 2018

MAYOR AND CITY COUNCIL:

OSCAR TREVINO	MAYOR
TITO RODRIGUEZ	COUNCILMEMBER, PLACE 1
RITA WRIGHT OUJESKY	COUNCILMEMBER, PLACE 2
TOM LOMBARD	MAYOR PRO TEM, COUNCILMEMBER, PLACE 3
DR. TIM BARTH	COUNCILMEMBER, PLACE 4
MIKE BENTON	COUNCILMEMBER, PLACE 5
SCOTT TURNAGE	COUNCILMEMBER, PLACE 6
TIM WELCH	COUNCILMEMBER, PLACE 7

ADMINISTRATION AND DEPARTMENT DIRECTORS:

MARK HINDMAN	CITY MANAGER
KAREN BOSTIC	ASSISTANT CITY MANAGER
PAULETTE HARTMAN	ASSISTANT CITY MANAGER
MIKE CURTIS	MANAGING DIRECTOR OF PUBLIC WORKS
VICKIE LOFTICE	MANAGING DIRECTOR OF RECREATIONAL SERVICES
JIMMY PERDUE	DIRECTOR OF PUBLIC SAFETY
MARK MILLS	DIRECTOR OF FINANCE
ROBERT MYERS	DIRECTOR OF BUDGET
ALICIA RICHARDSON	CITY SECRETARY
MALESHIA MCGINNIS	CITY ATTORNEY
PATRICK HILLIS	DIRECTOR OF HUMAN RESOURCES
CLAYTON COMSTOCK	PLANNING MANAGER
MARY EDWARDS	PUBLIC INFORMATION OFFICER
KYLE SPOONER	DIRECTOR OF INFORMATION SERVICES
REBECCA VINSON	COURT ADMINISTRATOR
STEFANIE MARTINEZ	DIRECTOR OF NEIGHBORHOOD SERVICES
CECELIA BARHAM	LIBRARY DIRECTOR
CHRIS AMARANTE	DIRECTOR OF FACILITIES AND CONSTRUCTION
CRAIG HULSE	DIRECTOR OF ECONOMIC DEVELOPMENT
STAN TINNEY	FIRE CHIEF
CAROLINE WAGGONER	CITY ENGINEER
DAVID PENDLEY	CHIEF BUILDING OFFICIAL

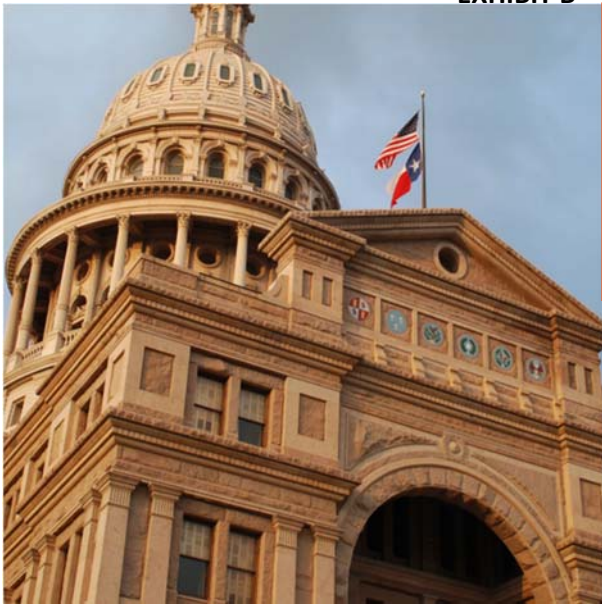
ACCOUNTING DIVISION STAFF:

GLENN MIZELL	ASSISTANT DIRECTOR OF FINANCE
AMANDA TOWNSEND	GRANTS COMPLIANCE SPECIALIST
AMANDA BROWN	ACCOUNTANT II
ANDREW MACNEAL	ACCOUNTANT II
TINA MARSDEN	ACCOUNTING TECHNICIAN
VACANT POSITION	ACCOUNTING TECHNICIAN

VACANT POSITION	ACCOUNTING TECHNICIAN
<i>FINANCE DEPARTMENT DIVISION MANAGERS:</i>	
ANGEL HOLBERT	UTILITY SERVICES MANAGER
SCOTT KENDALL	PURCHASING MANAGER
<i>PAYROLL:</i>	
NANCY HOLCOMB	PAYROLL SPECIALIST

Exhibit C – Organizational Chart – See Attachment

Exhibit D – 2017 Provided By Client “PBC listing – See Attachment



City of North Richland Hills, Texas



*Request for Proposal
Bid Number: 18-007
Professional Audit Services*

March 14, 2018

Guadalupe R. Garcia, CPA
1400 West 7th Street, Suite 400
Fort Worth, Texas 76102
832-573-6825 (Mobile)
Lupe.Garcia@whitleypenn.com

TABLE OF CONTENTS

Transmittal Letter	1
Detailed Proposal	
..... Executive Summary	4
..... Technical Component	8
Firm Qualifications and Experience	
..... Management Component	10
..... AICPA Audit Quality Center	13
..... Peer Review Report	14
..... TEA Desk Review Results	15
..... References	16
Staff Qualifications and Experience	
..... The Team	19
..... Biographies	25
..... Continuing Professional Education	33
Audit Approach	
..... Methodology/Audit Approach	35
..... Client Acceptance Process	43
..... Proposed Time Schedule	45
..... Task/Activity Plan	46
Addenda	
..... Frequently Asked Questions	50
..... Compliance with SB 89 and SB 252	
..... Ethics and Compliance Policy Acknowledgement	
..... Non-Collusion Affidavit of Bidder	
..... Bid Certification	
..... Conflict of Interest Questionnaire	
..... Bid Forms	
..... Addendum No.2 Acknowledgement	
Sample Report Formats	51
..... Report of Independent Auditors	
..... Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
..... Independent Auditors' Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	
..... Independent Auditors' Report on Compliance for the Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Awards Required by the State of Texas Single Audit Circular Uniform Grant Management Standards	
..... Communication of Control Deficiencies	
..... Communication of Significant Deficiencies or Material Weaknesses (to be reported in the Single Audit Reports listed above)	
..... Communication with Those Charged with Governance	
..... Chapter 59 Asset Forfeiture Report	

TRANSMITTAL LETTER

March 14, 2018

City of North Richland Hills
Purchasing, Attn: 18-007-Professional Audit Services
4301 City Point Drive
North Richland, Texas 76180

We are pleased to submit our proposal in response to your request to objectively provide professional audit services for the City of North Richland Hills, Texas (the "City") for the three (3) fiscal years ending September 30, 2018, 2019, and 2020 with the option for two (2) additional one (1) year renewals for the two (2) subsequent years. Our firm welcomes this opportunity to describe our capabilities and to provide evidence of our sincere desire to serve you. We believe our proposal demonstrates our resources, governmental accounting experience and philosophy of providing superior service to our clients.

Whitley Penn, LLP, established in 1983, has become one of the region's most distinguished accounting firms by providing exceptional service that reaches far beyond traditional accounting. The firm has consistently received high marks for its practice and management. The success of the firm allows us to bring qualified and experienced personnel to this and all of our governmental engagements. With a dedicated Public Sector team, Whitley Penn is qualified and ready to provide the requested services.

The firm is licensed to practice in the State of Texas and is independent of the City as defined by *Government Auditing Standards* issued by the Comptroller General of the United States.

Our Public Sector staff has extensive experience with governmental auditing and financial reporting, federal and state program auditing and compliance, and dealing with federal and state agencies overseeing a wide variety of grants. We bring over 30 years of broad based experience in government auditing and federal compliance. Whitley Penn is also a member of the Government Audit Quality Center of the American Institute of Certified Public Accountants. All of our Public Sector staff receives required training in accordance with GAO guidelines for federal auditing, agreed upon procedures, and performance audits, a total of 40 instructional hours annually.

In order to give the City a chance for a fresh perspective, we have provided in the body of our proposal the biographies of a number of our partners, senior managers and seniors who are all at your disposal to provide professional services tailored to the City's needs and circumstances.



TRANSMITTAL LETTER

We appreciate the opportunity to introduce our firm to serve the City and we look forward to meeting with you and discussing further our service philosophy, approach, and methodology. We hope to be able to partner with you, in fulfilling your fiduciary responsibilities by providing you with the highest level of service to better equip you to meet the challenges of the future. This proposal is a firm and irrevocable offer for 60 days from the date of the City's receipt of the proposal.

Sincerely,



Guadalupe R. Garcia, CPA – Partner
Whitley Penn, LLP
1400 West 7th Street, Suite 400
Fort Worth, Texas 76102
832-573-6825 (Mobile)
Lupe.Garcia@whitleypenn.com



DETAILED PROPOSAL



EXECUTIVE SUMMARY

Best In Class Service

For the past sixteen years Whitley Penn has been named in the “Best of the Best” listing in *INSIDE Public Accounting Report* of the top 25 accounting firms in the country. In 2012 was the first year that *INSIDE Public Accounting* ranked the top 25 firms in its annual listing, and **Whitley Penn was ranked #1**. *INSIDE Public Accounting* is a national monthly publication that reports on the accounting industry. The rankings are based on fiscal and management metrics, such as quality, lack of litigation, retention of clients and personnel, and growth. You will receive “best of class” service from highly competent professionals.

Significant Texas Municipality experience and Dedicated Public Sector Team

Work in the area of Texas municipalities is a significant portion of our firm’s practice. Although founded in 1983, Whitley Penn has public sector auditing roots that stretch back into the early 1970’s in Galveston, Harris and Fort Bend Counties. We currently serve as auditors for over 80 governmental entities. Our partners have been recognized for their expertise and have conducted seminars on various governmental accounting, auditing and financial reporting topics for the Texas Society of CPAs, other CPA firms, the Texas Association of School Business Officials and the Government Finance Officers Association of Texas. We have a dedicated Public Sector group. These individuals work solely on governmental entities all year round. Our partners hold the advanced **single audit certificate** issued by the AICPA.



Knowledgeable Professionals in Many Fields

Our firm is a regional firm with more than 425 people in Austin, Dallas, Fort Worth, and Houston with diverse experience and knowledge. Whitley Penn, LLP is the 47th largest firm in the nation based on 2017 rankings. We have an extensive team of experienced audit, tax, and valuation professionals that we will be able to draw upon as needed. For the past seventeen years Whitley Penn, LLP was named in the “Best of the Best” listing in *INSIDE Public Accounting* report of the top 25 accounting firms in the country. *INSIDE Public Accounting* is a national monthly publication that reports on the accounting industry. 65% of our professionals are CPAs, which is significantly higher than other firms in our markets. You will receive “best of class” service from highly competent professionals.



EXECUTIVE SUMMARY

Experienced Engagement Leadership

Whitley Penn offers four partners, with experience ranging from 10 to 40 years, who are dedicated to municipalities and other governmental entities. All of our management staff receives annual training in governmental auditing, accounting and financial reporting. Our firm is also in the process of planning and performing the services you have requested for our existing municipal clients. We have extensive experience in performing management and performance review services for Texas state agencies, for agencies in other states and for local governments in Texas and other states.

Continuity of Staff

We have exceptionally low turnover in our firm as compared to other public accounting firms. This means that you can count on our firm and our people being available year after year to continue meeting your needs, which will improve efficiency and effectiveness.

CPE Training

Whitley Penn's Public Sector Team is well known in this industry for their knowledge and experience. As a result, our firm's partners are called upon to present to organizations such as the Texas Association of School Business Officials, the Texas Society of CPAs, other CPA firms, Texas Municipal League, and the Government Finance Officers Association of Texas. Whitley Penn also offers this training to our clients at a very minimal cost. **We are proud to offer 8 hours of CPE each year for your staff.**

The Whitley Penn Portal

Everyone is concerned about the confidentiality of information, whether in paper or electronic form. Whitley Penn's portal provides a secure, convenient way to transfer data. Some of the benefits of Whitley Penn's portal include:

- Maximum Security for Uploading and Downloading Files of All Sizes
- Ability to Assign Access to Users Within Your Account
- Convenient, Instant Access to Documents
- Multiple Document Organization Tools

Whitley Penn's portal is just one of the many tools in our toolbox that assist us in providing our valued clients with the best service available.

Affirmative Statements

1) We confirm that Whitley Penn is independent of the City and its component units, as defined by both auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

2) We confirm that Whitley Penn is independent of the City or any of its agencies or component units, including direct and indirect financial interest, as well as relationships of the proposed audit team to employees and city council members.



EXECUTIVE SUMMARY

Affirmative Statements (continued)

- 3) We confirm that Whitley Penn has not had any professional relationships with the City or any of its agencies or component units for the past five years.
- 4) We confirm that Whitley Penn and all key professional staff are properly registered/licensed to practice public accounting in the State of Texas.
- 5) We confirm that Whitley Penn does not have a record of substandard audit work
- 6) We confirm that Whitley Penn does not have any outstanding disciplinary action.
- 7) We confirm that Whitley Penn meets all specific requirements imposed by state or local laws, rules, and regulations.



TECHNICAL COMPONENT



TECHNICAL COMPONENT

What are Generally Accepted Government Auditing Standards?

Simply put, generally accepted government auditing standards (GAS) are standards for financial and performance audits of governments, established by the U.S. General Accounting Office (GAO) in its publication *Government Auditing Standards*, commonly referred to as the Yellow Book. These supplemental auditing standards go **above and beyond** the standards for traditional financial audits are known as generally accepted auditing standards (GAAS), promulgated by the American Institute of Certified Public Accountants (AICPA) through the Auditing Standards Board.

These enhanced standards are required in the City's audit due to the City's expenditure of federal and state funds in accordance with federal guidelines of the Single Audit Act of 1984, Single Audit Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Single Audit Act *Uniform Grant Management Standards*.

Both GAAS and GAS group audit standards into three main categories; (1) General Standards; (2) Fieldwork Standards; and (3) Reporting Standards.

General audit standards address qualifications, independence, due professional care and quality control. The primary differences in the standards concern:

- Qualifications
- Independence
- Quality control

These standards require the audit team receive specific additional training within certain timelines and have adequate knowledge of the government environment.

The standards also specify higher independence criteria and external peer reviews for the audit organization to meet the higher expectations of stakeholders and regulatory community.

Fieldwork standards of GAS attempt to meet the special needs and interests of the public sector by enhanced measures for risk assessment fraud, internal controls, irregularities, illegal acts and other noncompliance. These enhanced standards pay particular attention to how the audit team approaches materiality, noncompliance, safeguarding controls, working papers and audit findings follow-up.

Reporting audit standards go beyond disclosing whether generally accepted accounting standards (GAAP) have been followed, whether disclosures in the financial statements are reasonably adequate, and an expression of opinion by the auditor regarding the fairness of the government's financial statements. Under these enhanced standards, designed to meet the special needs and interests of the public sector, the audit team will communicate with those charged with governance (City Council) and Management on matters pertaining to compliance with laws and regulations and on internal controls, including a separate report on federal and state programs.



FIRM QUALIFICATIONS & EXPERIENCE



MANAGEMENT COMPONENT

Our firm is a regional firm with more than **425** people in Austin, Fort Worth, Dallas and Houston with diverse experience and knowledge. We have an extensive team of experienced assurance and tax professionals that the firm will be able to draw upon as needed.

We have a risk advisory group that specializes in many areas but we believe they could add value to the City with the following services they provide:

- Reviewing and improving your Information Technology (IT) processes requires the kind of policy and procedure reviews that reinforce a required, certified opinion. We offer the kind of authoritative insight that IT consulting firms can't match. At the same time, we will help you leverage and extend your IT infrastructure cost effectively. Our services encompass:
 - General controls review
 - Software selection
 - Fraud detection and analysis
 - Compliance readiness assessments
 - Disaster recovery and business continuity planning
 - Vulnerability assessments
- This group also offers business process improvement services where neither size, industry nor geography is a limiting factor – we offer business process improvement for a full range of clients. Please refer to the biographies included in this proposal for the firm's Certified Information Systems Security Professionals (CISSP) and Certified Information Systems Auditors (CISA).

In addition to the risk advisory group's abilities noted above, our own public sector auditors are also certified fraud examiners, certified internal auditors and/or have over 15 years of experience working in governmental operations as Chief Financial Officers. So they are well-versed with governmental entities' operations that can add so much value to the engagement. As such, if awarded, we believe we will be able to assist the City with the "value added" services.

As part of our basic audit services, we will have our expert information technology personnel in our risk advisory group to conduct a general information technology review. By conducting this review, we will be able to identify the risk area in the largest areas of the City such as accounts payable, purchasing, human resources, and payroll.



MANAGEMENT COMPONENT

Peer Review/Quality Control Review

As a member of Nexia International, a network of independent accounting and consulting firms with member firms in over 100 countries, our firm has completed a peer review performed by a selected firm in accordance with the AICPA's SEC Practice Section requirements. This peer review covered the year ended April 30, 2015, and resulted in a rating of pass (unmodified). The review included engagements performed under the *Government Auditing Standards*. We perform our internal inspections annually as required by program requirements. The frequency of peer reviews is every third year. We have included a copy of our most recent peer review letter on page 14 of this proposal. Whitley Penn has been a member of the AICPA's Governmental Audit Quality Center for more than 10 years.

License to Practice in Texas

Whitley Penn and all key professional staff are properly registered/licensed to practice public accounting in the State of Texas. The firm has not been notified of any disciplinary action being taken or pending against it in the past three years with state regulatory bodies or professional organizations. Whitley Penn, LLP is not currently under the terms of a public or private reprimand by the Texas State Board of Public Accountancy and/or licensing boards of other states.

As a firm heavily involved in providing professional auditing and consulting services to a wide variety of governmental and nonprofit entities, our reports and workpapers are always subject to review by both state and federal desk and field reviews. We have been successful in the past at receiving non-adverse desk and field reviews by stressing quality reviews and open and proactive communications with regulatory cognizant agents/agencies. In order to demonstrate that we have no record of substandard work, we have provided a listing of clients, both present and past for you to contact.

Dedication to the Government Industry

As part of our dedication to the state and local government industry, our firm maintains associate memberships in the Government Finance Officers Association, the Texas Municipal League, the Texas Association of School Business Officials, the Association of School Business Officials International, the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. Through these affiliations, we are able to access tremendous resources that allow us to serve our governmental and non-profit clients at the highest levels.

Members of the AICPA Audit Quality Center

The AICPA's Government Audit Quality Center (the "Center") website publishes the list of members and is updated quite regularly. Whitley Penn, LLP can be found under the T-Z section of the firms <http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Membership>. Each year, Celina Cereceres Miller, the firm's designated audit quality partner, completes certain continuing professional education and ensures that all team members working on engagements subject to Government Auditing Standards have met the requirements of the Center. We have also included the PDF showing our membership on the following page.



MANAGEMENT COMPONENT

Staff Rotation Plans and Multiyear Contract Arrangements

We bring a wealth of understanding of Texas municipal operations and the specific operating environment. On many of these engagements we have made a strong effort over time to ensure “rotation” of staff on these projects. We have personnel at the partner level that would be able to assume engagement leadership with a minimum of effort. We would welcome the opportunity to discuss this fully with you.

We are prepared to rotate staff as deemed necessary by our firm and the City over a multiyear period. The approach to performing the requested services would not be affected if this were a multiyear contract, except as affected by additional or new industry, federal or state requirements. We would work closely with City Council and management to ensure that staff continuity is maintained at the management levels of the project or changed if desired by City Council and management. Continued training will be obtained by our management staff as to relevant technical requirements for requested services.

If it is City Council’s and management’s desire to change audit partners as well, we can certainly accommodate the City. Each of our team members can provide a fresh perspective and we are able to do so based on the many different audit teams we can provide.

As noted at the beginning of proposal, we have a dedicated Public Sector group. Our staff enjoy working with governmental entities and are able to do so year round. This concept has allowed our staff to become experts in this industry and it is one of the main factors that has allowed us to lead the public sector industry in the State of Texas.



MEMBERS OF AICPA GOVERNMENT AUDIT QUALITY CENTER

Whitley Penn, LLP has been a member of the AICPA's Government Audit Quality Center for over 10 years. Below is confirmation of our participation. Celina Cereceres Miller is the Designated Audit Quality Partner.



Governmental Audit Quality Center

Enrollments as of November 13, 2015 – T through Z

The AICPA Public Peer Report File is available on AICPA website at
<https://peerreview.aicpa.org/publicfile/publicfilesearch.aspx>

Center Members

[Whisman, Giordano & Associates, LLC](#)
111 Continental Drive, Suite 210
Newark DE 19713

White & Associates PSC
1407 Lexington Road
Richmond KY 40475

White & Company, P.S.C.
219 S Proctor Knott Ave
Lebanon KY 40033

[White Nelson Diehl Evans LLP](#)
2875 Michelle Dr
Irvine CA 92606

[Whitehorn Tankersley & Davis, PLLC](#)
670 Oakleaf Office Lane
Memphis, TN 38117-4811

[Whitley Penn LLP](#)
3411 Richmond, Suite 500
Houston, TX 77046

Whitmire, Robinson & Co., CPA
200 PSE Road
Newport AR 72112

[Whittemore, Downen & Ricciardelli, LLP](#)
333 Aviation Rd
Queensbury NY 12804

[Whitinger & Company L L C](#)
1100 W White River Blvd
Muncie IN 47303-3776

[Widmer Roel PC](#)
4334 18th Ave SW Ste 101
 Fargo ND 58103-7414

Wiggins & Co., PC
205 N. Main Street
Brigham City UT 84302-2119

Contacts

Joseph A. Giordano
302-266-0202
josephg@whismancpas.com

Rupert White
859-624-3926
rupertwhite@bellsouth.net

Charles M. White
270-692-2102 x 28
cmwcpa@windstream.net

Nitin Patel
714-978-1300
npatel@WNDEcpa.com

Rickie A Tankersley
901-476-8275
rick@wtccpa.com

Celina C. Miller
409-944-4805
celina.miller@whitleypenn.com

Jesse Whitmire
870-523-4346
jwhitmire@suddenlinkmail.com

Colin D. Combs
518-792-0918
cdcombs@wdrcpa.com

John D. Martin
765-284-3384
jmartin@whitinger.com

Tracee S. Buethner
701-237-6022 x 101
tbuethner@widmerroelcpa.com

Fred Burr
435-723-8563
fburr@wigginscpabrig.com



PEER REVIEW REPORT



Certified Public Accountants & Consultants

SYSTEM REVIEW REPORT

June 25, 2015

To the Partners of Whitley Penn LLP and the
National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Whitley Penn LLP (the Firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organization Control (SOC) 1 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of Whitley Penn LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2015, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Whitley Penn LLP has received a peer review rating of *pass*.

Olsen Thielen & Co., Ltd.

A handwritten signature in black ink that reads "Olsen Thielen & Co., Ltd." in a cursive script.

St. Paul Office | 2675 Long Lake Road | St. Paul, MN 55113-1117 | 651-483-4521 | 651-483-2467 FAX
Minneapolis Office | 300 Prairie Center Dr., Ste. 300 | Minneapolis, MN 55344-7908 | 952-941-9242 | 952-941-0577 FAX



TEA DESK REVIEW REPORT



Commissioner Mike Morath

1701 North Congress Avenue • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • tea.texas.gov

September 12, 2016

Celina Miller, CPA
Whitley Penn LLP-Fort Worth
1400 West 7th Street, Suite 400
Fort Worth, Texas 76102

Dear Ms. Miller:

We have completed a review of the working papers generated in connection with the audit of the Mansfield Independent School District for the fiscal year ended August 31, 2015.

My review disclosed no findings or recommendations requiring further discussion or action.

I wish to thank you for the courtesy and cooperation you extended to me during the review. Should you have any questions please call me at (512) 936-4628.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Baker", is written over a horizontal line.

Patrick Baker, Auditor
Financial Compliance



FIRM QUALIFICATIONS – REFERENCES

Similar Engagements with Other Governmental Entities

As previously mentioned, Whitley Penn has tremendous experience in providing professional services to governmental entities, specifically municipalities. Below, we have listed our current clients that have received the services requested by the City. **This listing of clients is for the use of the City only in evaluating our proposal and is not to be used for any other purpose.**

Project Name and Location	Client Name and Contact Information	History of Achieving Project Schedule (Years)	Engagement Partner	Scope of Work	Total Hours
City of Galveston*^ (Firm prepares CAFR) 823 Rosenberg Galveston, TX 77553	Mr. Mike Loftin, Director of Finance (409) 797-3562	7	Christopher L. Breaux	Financial statement audit, Federal and State Single Audit, CAFR preparation	1,100
City of Round Rock*^ 221 East Main Street Round Rock, TX 78664	Ms. Susan Morgan, Chief Financial Officer (512) 218 -5445	1	Lupe Garcia	Financial statement audit and Federal Single Audit	760
City of Pearland*^ (Firm prepares CAFR) 3519 Liberty Dr. Pearland, TX 77581	Ms. Cynthia Pearson, Director of Finance (281) 652-1671	10+	Lupe Garcia	Financial statement audit, Federal and State Single Audits, CAFR preparation	700
City of Sugar Land*^ (Firm prepares CAFR) 2700 Town Center Blvd. N. Sugar Land, TX 77479	Mr. Allen Bogard, City Manager (281) 275-2710 Ms. Jennifer Brown, Director of Finance (281) 275-2744	10+	Christopher L. Breaux	Financial statement audit, Federal Single Audit, CAFR preparation	700
City of DeSoto*^ (Firm prepares CAFR) 211 East Pleasant Run Road DeSoto, TX 75115	Dr. Tarron J. Richardson, City Manager (972)-230-9643	3	Christopher L. Breaux	Financial statement audit, CAFR preparation	550

*Current Client

^The entity receives the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

Additional municipalities that the firm currently audits includes Arcola, Bellaire, Buda, Forest Hill, Fulshear, Hitchcock, Humble, Iowa Colony, Katy, Missouri City, Port Arthur, Richmond, Stafford, Texas City, and Watauga.



FIRM QUALIFICATIONS – REFERENCES

References from Dallas/Fort Worth Metroplex

Entity Name	Contact Name and Position	Phone Number
Lewisville Independent School District*	Mr. Mike Ball, Chief Financial Officer	(972) 350-4733
Mansfield Independent School District*	Karen Wiesman, EdD., CPA, Associate Superintendent of Business & Finance	(817) 299-6304
City of Watauga*	Ms. Sandra Gibson, Director of Finance and Administration	(817) 514-5822
Arlington Independent School District*	Mr. Tony Drollinger, Executive Director of Finance	(682) 867-7350
Garland Independent School District*	Ms. Allison Davenport, Director of Finance	(972) 487-3102
Wills Point Independent School District*	Ms. Cheree Ivy, Director of Finance	(903) 873-3161 Ext. 7004

*Current Client



STAFF QUALIFICATIONS AND EXPERIENCE



THE TEAM

Below is a list of our Seniors to Partners *dedicated Public Sector Team*:

The Whitley Penn Public Sector Team

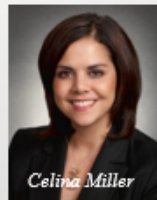
PARTNERS



Chris Breux



Lupe Garcia

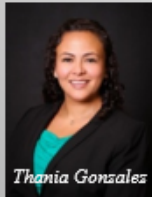


Celina Miller



Tom Pedersen

MANAGERS



Thania Gonzalez



Dan Hernandez



Laura Lynch



Ailene Compe

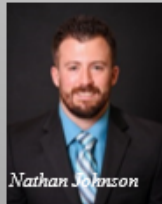


Patrick Simmons

SENIOR STAFF



Alex Chaib



Nathan Johnson



Lauren Nelson



Val Tamez



Robert Heniff



THE TEAM

We have selected the following individuals as your engagement team. The partners, manager and senior will work on the audit on a full-time basis. We believe they are best suited for your City. We have several other managers, seniors and staff, but we selected these individuals for your consideration.

City of North Richland Hills Engagement Team



Lupe Garcia, CPA

Engagement Partner

Over 11 years of experience and will be responsible for the overall audit and final opinion on the financial statements and over federal and state compliance



Christopher Breaux, CPA

Concurring Partner

Over 33 years of experience and will be responsible for the second partner review of both the workpapers and the CAFR



Ailene Comple, CPA, CFE

Manager

Over 9 years of experience and will be responsible for managing the engagement from start to finish



Lauren Nelson

Senior

6 years of experience and will be working in the field each day; she will supervise staff and be the main contact

The names and professional licenses held (e.g. CPA and CFE) of the staff members who will direct the overall audit throughout the duration of the engagement are listed above.

Outside Specialists and Consultants

We do not anticipate the use of any outside specialists or consultants.



Dedication to the Public Sector Industry and Evidence of Teaching/Training Experience

As part of our dedication to the state and local government industry, our firm maintains associate memberships in the Texas Association of School Business Officials, the Association of School Business Officials International, the Government Finance Officers Association, the Texas Municipal League, the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. Through these affiliations, we are able to access tremendous resources that allow us to serve our governmental and non-profit clients at the highest levels.

Our public sector has chosen to work in this field because they believe in their governments' missions. While our main service to these governments comes in the form of auditing, we also service the public sector by providing education in many settings and also giving back to the public education. On the following pages we have listed all of our activity in the public sector.

Lupe Garcia, CPA - Audit Partner

- Gulf Coast GFOA Meeting and Luncheon – “Lessons Learned from Prior Reports on Disaster-related Procurement and Contracting”; January 18, 2018; Houston, TX
- TASBO 2017 Accounting & Finance Symposium – “Financial Statement Missteps – Tips from the Auditors”; November 16, 2017; San Antonio, TX
- Lone Star College - Accounting Careers Town Hall; November 6, 2017; Houston, TX
- TASBO 2017 Accounting & Finance Symposium – “Financial Statement Missteps – Tips from the Auditors”; October 25, 2017; Dallas, TX (Co-presented with Chris Breau)
- Gulf Coast GFOA Meeting and Luncheon – “Post Harvey – Managing Your FEMA Award”; October 19, 2017; Richmond, TX
- TSCPA Single Audit Conference – “Effective Subrecipient Monitoring Under the Uniform Guidance”; October 2, 2017; Austin, TX (Co-presented with Celina Miller)
- TSCPA School District Accounting and Audit Conference – “Goodbye NCLB, Hello ESSA: Changes Impacting Title I, Part A; IDEA, Part B Revisited”; June 5, 2017; San Antonio, TX (Co-presented with Celina Miller)
- 59th County Auditors Institute – “New Supercircular - Uniform Guidance and Procurement”; May 3, 2017; Austin, TX
- Whitley Penn Public Sector CPE – Master of Ceremonies; April 26 2017 (Dallas) and April 28, 2017 (Houston)
- Sam Houston University – “Auditing in the Public Sector and Single Audits”; April 19, 2017; Huntsville, TX (Co-presented with Laura Lynch)
- Houston IIA Government Audit Conference – “Evaluating Internal Controls: Common Deficiencies in a Financial Statement Audit”; February 22, 2017; Houston, TX
- Texas Association of School Business Officials Internal Audit Academy; Austin, Texas, October 4, 2016; “Inventory Observations – Auditing Inventory”
- Lone Star College Creekside – Guest Speaker for Financial Statement Auditing Theory Class; Tomball, Texas; September 27, 2016
- Texas Society of CPAs School District Conference; San Antonio, Texas; June 2016 – “Staying Compliant with Special Education and Title I Fiscal Requirements”



Lupe Garcia, CPA - Audit Partner (continued)

- Texas Society of CPAs School District Conference; San Antonio, Texas; June 2016 – “Staying Compliant with Special Education and Title I Fiscal Requirements”
- Harris County Department of Education, School Finance Council and Gulf Coast TASBO Meeting; Houston, Texas; June 2016; “Working with EDGAR Update – Where Are We Headed?”
- Whitley Penn, LLP Public Sector Client CPE; DFW and Houston, Texas; April 2016; “Implementing the Uniform Grant Guidance”
- Texas Association of County Auditors (TACA) Fall Conference; Conroe, Texas; October 2015; “SEFA Preparation”
- Texas Society of CPAs Single Audit Conference, Austin, Texas; October 2015; “CAFR Preparation”
- Whitley Penn, LLP DFW Public Sector Client CPE; Dallas, Texas; July 2015; “Single Audit Update”
- Harris County Department of Education, School Finance Council and Gulf Coast TASBO Meeting; Houston, Texas; June 2015; “Working with EDGAR Update – Where Are We Headed?”
- Whitley Penn, LLP Public Sector Client CPE; DFW and Houston, Texas; September 2014; “The Importance of Reconciling Your Federal Awards – What is the Federal Government Looking For?”
- University of Texas – Arlington Accounting CPE Day; Arlington, Texas; August 2014; “SEFA Preparation and Sub-Recipient Monitoring in an OMB Circular A-133 Environment”
- Whitley Penn, LLP Public Sector Client CPE; DFW and Houston, Texas; October 2013; “CAFR Preparation”
- University of Texas – Arlington Accounting CPE Day; Arlington, Texas; August 2013; “Risks and Issues in Auditing CAFRs and Single Audits”
- Whitley Penn, LLP Public Sector Client CPE; DFW and Houston, Texas; Summer 2013; “Frequent Violations of Professional Standards in Governmental Audits”
- Texas Society of CPAs School District Conference; San Antonio, Texas; June 2013; “Federal Programs: A Case Study”
- GFOAT Spring Institute; Austin, Texas; April 2013; "Governmental Accounting Environment/GAAP for Governments/Terminology", "Government and Business-type Activities - Measurement Focus and Basis of Accounting", and "Fund Balance and Net Assets"
- Harris County Department of Education, Charter School Roundtable; Houston, Texas; March 2013; “Getting Familiar with the AFR”
- TASBO's 67th Annual Conference; San Antonio, Texas; February 2013; “Elements of a CAFR and Common Mistakes”
- Gulf Coast GFOAT Meeting and Luncheon; Rosenberg, Texas; November 2012; "Somewhere Between Halloween and Thanksgiving: A Look at What GASB is Cooking Up"



Lupe Garcia, CPA - Audit Partner (continued)

- Gulf Coast TASBO School Finance Council Meeting; Houston, Texas; August 2012; "Preparing for Your Financial Statement Audit: Pertinent Reminders"
- Lone Star College – Guest Speaker for Governmental Accounting Class; Spring 2015, Spring 2016 and Fall 2016
- Sam Houston State University – Guest Speaker for Governmental Accounting Class; Spring 2016
- University of Houston – Guest Speaker for Governmental Accounting Class; Fall 2015

Celina Cereceres Miller, CPA - Audit Partner

- ACET Conference – Houston, Texas – Uniform Grant Guidance
- Texas Society of CPAs School District Conference– State Wide, San Antonio, Texas; June 2015 – Auditing IDEA B and June 2016 Fraud in Financial Statement Audit
- Texas Society of CPAs School District Conference– State Wide, San Antonio, Texas; June 2015 – IDEA B MOE
- Texas Society of CPAs School District Conference– State Wide, San Antonio, Texas; June 2016 – Fraud Discussion: Oh the Things We have Seen
- TSCPA School District Conference Planning Committee: 2009 through Current
- Whitley Penn, LLP Houston Client CPE – Uniform Grant Guidance
- TASBO Conference: February/March 2014 – ACT 208: Auditing Certification Course
- TASBO Conference: February/March 2015 - Accounting Research Committee Guest Speaker
- TASBO Conference: February 29, 2016 and March 1, 2016 ACT 208 Managing Special Revenue Funds Certification Course AUD 202 External Auditing
- TASBO Webinar – GASB 68 and the New EDGAR: September 2015
- TASBO Webinar – Submitting the Annual Financial Audit: January 2016
- University of Houston Clear Lake – Adjunct Accounting Professor Fall 2014
- Harris County Department of Education – Understanding the Uniform Grant Guidance Fall 2015
- Bay Area Communities In Schools – Adoption of Campus
- El Paso TSCPA – 8 hour Governmental Auditing and Accounting Update – Summer of 2014, 2015 and 2016
- TASBO Accounting and Finance Committee Research Committee
- TSCPA School District Conference Speaker for June 2017 – Title I Comparability and IDEA Maintenance of Effort
- TSCPA Single Audit Conference Speaker October 2017 – Sub-recipient Monitoring
- TASBO AUD 202 – Auditing – February 27, 2018
- TASBO ACT 208 – Managing Federal and State Programs – March 1, 2018



Christopher L. Breaux, CPA - Audit Partner

- TASBO Conference: March 1, 2016 ACT 202—*Auditing* Certification Course
- TASBO Webinar – GASB 68 and the New EDGAR: September 2015
- TASBO Course—MGT 307: *Business Ethics*—October 2014
- TASBO Conference—February 28, 2017 – Intermediate Accounting Certification Course
- North Central Texas Council of Governments—New and Emerging City Manager Training—Audit Training—November 2017
- TSCPA School District Conference (State Wide) Planning Committee: 2005-Current
- TSCPA Single Audit Conference (State Wide) Planning Committee: 2010-Current
- TSCPA 2015 Single Audits and Governmental Accounting Conference—*Implementing GASB 68*- October 2015
- Fort Bend County P-16 Math Collaborative
- Accounting and Finance Committee Research Committee
- Houston-Galveston Area Council—Newly elected conference: Financial Operations Training—2015
- Whitley Penn, LLP Houston Client CPE - GASB 68
- Gulf Coast TASBO—GASB 68



BIOGRAPHIES

PRACTICE

Audit Services - Public Sector

EDUCATION

Bachelors and Masters of
Accountancy
University of Texas - El Paso

SIMILAR ENTITIES SERVED:

- City of Sugar Land
- City of La Porte
- City of Katy
- City of Stafford
- City of Fulshear
- City of Iowa Colony
- Galveston County
- Guadalupe County
- Gulf Coast Waste Disposal Authority
- Harris County Department of Education
- Houston-Galveston Area Council
- Port of Galveston



Celina Cereceres Miller, CPA

Engagement Partner/Concurring Partner
Public Sector Industry Group Leader
Phone: 713-386-1175
Fax: 713-386-1197
Cell: 713-377-3667
Celina.Miller@whitleypenn.com

Experience

- 17 years of audit public accounting experience focused on clients primarily in the following industries: school districts, non-profit organizations, community colleges and other large governments administering large amounts of federal and state grant awards.
- Earned the AICPA's Advanced Single Audit Certificate
- Responsible for training firm staff in accordance with Generally Accepted Auditing Standards (GAAS), and Governmental Audit Standards (GAS)
- Extensive knowledge with the Office of Management and Budget (OMB) Uniform Grant Guidance
- **Designated Audit Quality Partner** for the AICPA's Government Audit Quality Center
- Responsible for providing CPE to both employees, clients, and industry professional organizations



Professional & Civic Organizations

- Texas Society of Certified Public Accountants (TSCPA)
- Texas Education Agency/TASBO Advisory Committee
- American Institute of Certified Public Accountants (AICPA)
- TSCPA School District Conference Planning Committee
- Texas Association of School Business Officials
- TASBO Accounting/Finance Research Committee
- Bay Area Communities in Schools



PRACTICE

Audit Services - Public Sector

EDUCATION

B.B.A. in Accounting from
Texas A&M University

SIMILAR ENTITIES SERVED:

- Sugar Land, Texas
- Missouri City, Texas
- Beaumont, Texas
- Pearland, Texas
- League City, Texas
- Galveston, Texas
- La Porte, Texas
- Stafford, Texas
- Rosenberg, Texas
- Richmond, Texas
- Katy, Texas
- Seabrook, Texas
- Humble, Texas
- Fulshear, Texas
- Bellaire, Texas
- West University, Texas
- Jersey Village, Texas
- Groves, Texas
- Hitchcock, Texas
- Houston, Texas
- Morgan's Point, Texas
- Oak Ridge North, Texas
- Dickinson, Texas
- Fort Bend County
- Galveston County
- Guadalupe County
- Hamilton County
- Houston Galveston Area Council
- Galveston Wharves
- Gulf Coast Waste Disposal Authority



Christopher Breaux, CPA

Engagement Partner/Concurring Partner

Phone: 713-386-1113

Fax: 713-386-1197

Cell: 713-906-0250

Christopher.Breaux@whitleypenn.com

Experience

- Over 33 years of Governmental Auditing Experience
- Experience in auditing and consulting services to school districts and municipalities as well as a variety of non-profit and private sector clients, whom receive both federal and state funding and/or are subject to specific regulatory reporting requirements.
- Interfacing with clients and cognizant agencies as well as developing and implementing audit procedures to conform to applicable professional, state, and federal standards.
- Preparation and review of Comprehensive Annual Financial Reports that have been awarded a Certificate of Achievement for Excellence in Financial Reporting. He has been awarded the Certificate of Educational Achievement in Governmental Accounting and Auditing by the AICPA.

Professional & Civic Organizations

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Past Chair, Texas School District Conference Committee
- Member, Texas Single Audit Conference Committee
- Texas Association of School Business Officials & Government Finance Officers Association of Texas
- Fort Bend P-16 Council Math Collaborative



BIOGRAPHIES

PRACTICE

Audit Services - Public Sector

EDUCATION

B.B.A. in Finance from the
University of Houston

SIMILAR ENTITIES SERVED:

- City of Fulshear
- City of Humble
- City of Jersey Village
- City of Katy
- City of Oak Ridge North
- City of Manvel
- City of Missouri City
- City of Pearland
- City of Richmond
- City of Stafford
- City of Sugar Land
- Fort Bend County
- Lone Star College System
- Navarro College District
- Schreiner University
- Texas Southern University
- Greater Harris County 9-1-1 Emergency Network
- Greenspoint District
- Harris County Department of Education
- Houston-Galveston Area Council



Lupe Garcia, CPA

Engagement Partner/Concurring Partner

Phone: 713-386-1149

Cell: 832-573-6825

Fax: 713-386-1197

Lupe.Garcia@whitleypenn.com

Experience

- 11 years of experience auditing and performing other attest engagements for various governmental entities, including counties, cities, school districts, other special-purpose governments, and non-profit organizations school districts, cities, counties, council of governments and other special purpose districts
- Responsible for all aspects of the assurance process including planning, internal control evaluation, risk assessment, fieldwork, and report issuance and engagement closure
- Earned the AICPA's Single Audit Certificate
- Assist in training staff in accordance with Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), *Government Auditing Standards* (GAS) promulgated by the U.S. Government Accountability Office, and the Office of Management and Budget (OMB) requirements under Uniform Grant Guidance
- Perform agreed-upon procedures for school districts related to state compensatory education, leaver data, and PEIMS reporting
- Responsible for preparation and review of Comprehensive Annual Financial Reports that have been awarded the Certificate of Achievement for Excellence in Financial Reporting.



Professional & Civic Organizations

- American Institute of Certified Public Accountants
- Texas Society and Houston Chapter of Certified Public Accountants
- Texas Association of School Business Officials
- Government Finance Officers Association of Texas



PRACTICE

Audit Services - Public Sector

EDUCATION

B.S. in Accounting from
University of Houston -
Clear Lake

SIMILAR ENTITIES SERVED:

- City of Beaumont
- City of DeSoto
- City of Galveston
- City of Hitchcock
- City of Houston
- City of Pearland
- City of Seabrook
- City of Sugar Land
- City of Texas City
- City of Watauga
- Galveston County
Drainage District #1
- Galveston County
Drainage District #2
- Gulf Coast Waste Disposal
Authority
- Lago Mar Development
Authority
- Memorial City TIRZ 17
- MHMRA of Harris County
- Port of Galveston



Dan Hernandez, CPA, CIA

Audit Senior Manager

Phone: 713-403-3311

Fax: 713-386-1197

Dan.Hernandez@whitleypenn.com

Experience

- Certified Internal Auditor (CIA)
- Over 25 years of experience in auditing, accounting and internal auditing with municipalities, school districts, counties and special purposes districts
- In-depth knowledge of auditing, accounting, and financial reporting
- Extensive knowledge of Generally Accepted Auditing Standards, Government Auditing Standards, and with the Office of Management and Budget (OMB) Uniform Grant Guidance
- Knowledge of entities receiving federal and state funding and related financial and compliance reporting requirements
- Preparation of Comprehensive Annual Financial Reports which have received Certificate of Achievement for Excellence in Financial Reporting

Professional & Civic Organizations

- American Institute of Certified Public Accountants
- Texas Society of Certified of Public Accountants
- Institute of Internal Auditors



PRACTICE

Audit Services - Public Sector

EDUCATION

B.S. in Accountancy from
University of Houston -
Clear Lake

SIMILAR ENTITIES SERVED:

- City of Arcola
- City of Galveston
- City of Missouri City
- City of Humble
- City of Port Arthur
- City of Pearland
- City of LaPorte
- Galveston County
- Nacogdoches County
- Port of Galveston
- North Houston District
- Harris County Department of Education
- Gulf Coast Waste Disposal Authority
- Fort Bend Subsidence District
- Houston-Galveston Subsidence District



Laura Lynch, CPA

Audit Senior Manager

Phone: 713-386-1112

Fax: 713-386-1197

Cell: 409-789-6234

Laura.Lynch@whitleypenn.com

Experience

- Over 12 years of accounting and audit experience gained from serving governmental and non-profit entities including schools, cities, special purpose entities and government pension plans
- Advising and assisting clients in the preparation of Comprehensive Annual Financial Report (CAFR) and annual financial reports and achieving the Certificate of Excellence in Financial Reporting given by the Government Finance Officers' Association
- Responsible for audit planning, CAFR and other financial report preparation and compliance auditing and reporting
- Participate in staff training and providing CPE to comply with government auditing standards; ensure that our staff are up to date with current accounting standards and other changes from regulatory agencies specific to our clients such as the Texas Education Agency (TEA), Public Funds Investment Act (PFIA), and Governmental Accounting Standards Board (GASB) etc.
- Provide information and training to clients to ensure they are up to date with accounting standards and regulatory agency changes

Professional & Civic Organizations

- American Institute of Certified Public Accountants—Member
- Texas Society of Certified Public Accountants—Member
- Government Finance Officers Association of Texas—Member
- Texas Association of School Business Officials—Member



PRACTICE

Audit Services - Public Sector

EDUCATION

M.B.A. from the University of
Texas - Pan American

B.S. in Accountancy from
University of Santo Tomas

SIMILAR ENTITIES SERVED:

- City of Missouri City
- City of Katy
- City Bellaire
- City of Pearland
- City of Fulshear
- City of Stafford
- City of Sugarland
- City of Groves
- City of Texas City
- City of Galveston
- City of Beaumont
- City La Porte
- City of Humble
- Guadalupe County
- Nacogdoches County
- Galveston County Consol.
Drainage District
- Harris-Galveston
Subsidence District
- Galveston County Central
Appraisal District
- Port of Galveston
- East Texas Council of
Governments
- Houston-Galveston Area
Council
- Katy Development
Authority
- Research Partnership to
Secure Energy for America



Ailene Comple, CPA, CFE

Audit Manager

Phone: 713-386-1139

Fax: 713-386-1197

Ailene.Comple@whitleypenn.com

Experience

- Certified Fraud Examiner (CFE)
- Over 9 years of experience in general accounting and over 4 years of experience in auditing to governmental and non-profit entities.
- Extensive Knowledge of OMB requirement Uniform Grant Guidance
- Responsible for preparing, analyzing, maintaining, and reviewing financial statements, records and reports of school districts, cities, counties and other governmental entities.
- Assisted in forensic audits of governmental entities.
- Performs audit tasks for government engagements including performing internal control walk through, reviewing and testing transactions and internal controls, performing analytical procedures, documenting audit results.
- Responsible for planning, performing and supervising audit engagements
- Schedules field work, reviews results and investigates and resolves any discrepancies, questions or other issues raised by field staff.

Professional & Civic Organizations

- American Institute of Certified Public Accountants (AICPA)
- Texas Society of Certified Public Accountants (TSCPA)
- Association of Certified Fraud Examiners (ACFE)



PRACTICE

Audit Services - Public Sector

EDUCATION

MS in Accounting - University
of Houston - Clear Lake
BS in University Studies -
Texas A&M University

SIMILAR ENTITIES SERVED:

- City of La Porte
- City of Hitchcock
- City of Beaumont
- City of Galveston
- City of Pearland
- City of DeSoto
- City of Missouri City
- Galveston County
- Galveston Central Appraisal District
- Gulf Coast Waste Disposal Authority
- Uptown Development Authority
- Galveston Island Redevelopment Authority



Patrick Simmons, CPA

Audit Manager

Phone: 713-403-3317

Fax: 713-386-1197

Cell: 409-771-5264

Patrick.Simmons@whitleypenn.com

Experience

- Extensive knowledge of the Office of Management and Budget (OMB) requirements under Uniform Grant Guidance
- Over 4 years of experience in auditing to governmental and non-profit entities.
- Responsible for preparing, analyzing, maintaining, and reviewing financial statements, records and reports
- Performs audit tasks for government and not-for-profit engagements including reviewing and testing transactions and internal controls, performing analytical procedures, and documenting audit results.
- Assist clients in the preparation of financial statements.

Professional & Civic Organizations

- American Institute of Certified Public Accountants (AICPA)
- Texas Society of Certified Public Accountants (TSCPA)



PRACTICE

Audit Services - Public Sector

EDUCATION

BBA and Master of
Accountancy from
Lipscomb University



Lauren Nelson

Audit Senior

Phone: 817-259-9296

Fax: 713-621-1570

Mobile: 713-962-7608

Lauren.Nelson@whitleypenn.com

SIMILAR ENTITIES SERVED:

- City of Fulshear
- City of Pearland
- City of Richmond
- City of Stafford
- City of Sugar Land
- Houston-Galveston Area Council
- Fort Bend County Levee Improvement District No. 6
- Katy Development Authority

Experience

- Extensive knowledge of the Office of Management and Budget (OMB) requirements under the Uniform Grant Guidance.
- Responsible for planning, performing and supervising audit engagements
- Over 5 years of experience in auditing to governmental and non-profit entities.
- Performs audit tasks for government engagements including performing internal control walkthroughs, reviewing and testing transactions and internal controls, performing analytical procedures, documenting audit results.
- Assist clients in the preparation of financial statements.

Professional & Civic Organizations

- American Institute of Certified Public Accountants (AICPA)
- Texas Society of Certified Public Accountants (TSCPA)



FIRM QUALIFICATIONS - CPE

Continuing Professional Education

The following is a table of continuing education course topics in which the project team has participated or served as instructors in the past four years:

Topic	Breaux	Miller	Garcia	Managers	Seniors
GASB Update: <ul style="list-style-type: none"> • GASB Statement No. 68 (Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27) • GASB Statement No. 69 (Government Combinations and Disposals of Government Operations) • GASB Statement No. 70 (Accounting and Financial Reporting for Non-exchange Financial Guarantees) • GASB No. 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68) • GASB No. 72 (Fair Value Measurement and Application) • GASB No. 73 (Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68) • GASB No. 74 (Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) • GASB No. 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions) • GASB No. 76 (The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments) • GASB No. 77, Tax Abatement Disclosures • GASB No. 78 Pensions through Certain Multiple-Employer Defined Benefit Pension Plans • GASB Statement No. 79, Certain External Investment Pools and Pool Participants • GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 • GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 • GASB Statements No. 83 through 86 • GASB Statement No. 87 -Leases • Financial Reporting Model (Through Invitation to Comment Stage) 	Yes*	Yes*	Yes*	Yes*	Yes
Bonds (New issuances, refunding, capital appreciations bonds, etc.)	Yes*	Yes*	Yes*	Yes	Yes
The 2011 Yellow Book	Yes*	Yes*	Yes*	Yes	Yes
OMB Uniform Grant Guidance	Yes*	Yes*	Yes*	Yes	Yes
Child Nutrition Program Compliance	Yes*	Yes*	Yes*	Yes	Yes
Internal Controls over Federal Programs	Yes*	Yes*	Yes*	Yes	Yes
State and Federal Program Management	Yes*	Yes*	Yes	Yes	Yes
Internal Controls	Yes*	Yes*	Yes*	Yes	Yes
Sub recipient Monitoring	Yes*	Yes*	Yes	Yes	Yes
State Funding Training	Yes*	Yes*	Yes*	Yes	Yes
Procurement and the Uniform Guidance (EDGAR)	Yes*	Yes*	Yes*	Yes	Yes
Title I, Part A Comparability, Maintenance of Effort, and Eligibility	Yes*	Yes*	Yes*	Yes	Yes
IDEA Part B – Maintenance of Effort and Excess Costs	Yes*	Yes*	Yes*	Yes	Yes
Property Taxes and the J-1 in a School District	Yes*	Yes*	Yes*	Yes	Yes



AUDIT APPROACH



METHODOLOGY

Service Approach and Methodology

Our firm thoroughly understands the nature of the work to be performed and has developed programs of procedures designed specifically for these engagements. In addition to the heavy involvement of our partners and managers, our staff will have some familiarity with the City's general operating environment due to their ongoing involvement with other municipal clients.

A brief overview of the different phases or segments of our audit process is as follows:

The Planning and Risk Assessment Phase

Prior to any fieldwork being performed, strategic planning sessions are held both internally and with the City's staff to identify key audit and operational issues and to establish communications with appropriate firm and City staff and relevant third parties, as well as to determine timing and individual responsibility schedules. Additionally, the audit team will gain an understanding of the City's controls and operations surrounding financial activity and develop a plan of action or risk assessment for auditing key areas and account balances.

Fieldwork

Our audit programs for the City will include procedures related to the review and evaluation of internal administrative and accounting control noted above as well as the determination of compliance with finance related legal issues, the evaluation of errors and fraud, statistical sampling and analytical procedures designed to determine reasonableness of costs that can lead toward evaluating efficiency and effectiveness in administrative operations.

Throughout the fieldwork process, our partners and staff remain in constant contact and communication with City management personnel. When questions or concerns arise in the course of our work, we take steps to assure ourselves that critical information is passed on to the proper level of management through weekly meetings and discussions.

Report Issuance and Closure

We **do not like surprises** so any deficiencies, significant deficiencies or material weaknesses would be discussed with management prior to including it in the report and presenting the results to the City Council. We believe that both the auditee and auditor must agree on the facts and ensure that there isn't documentation that could clear any deficiencies of which we were previously unaware. We find this method of exiting on the audit process brings the most value to our clients.

Report issuance and exit conferences of an audit are often the most critical portions because it is in this phase that most external communications are discussed. The results of our audit will be reviewed with the appropriate level of management, to include City Council and executive levels of staff, prior to the issuance of a report on internal controls and compliance matters. This review of findings and proposed recommendations with management will lead to a plan of action for City management to make any needed improvements in a manner that is not only theoretically, but practically sound. We find this method of exiting on the audit process brings the most value to our clients.



Service Approach and Methodology (continued)

We will work with your financial management team in the process of building the City's Comprehensive Annual Financial Report, to eliminate any unknowns in the financial statement presentation process.

What about Sample Sizes and Audit Sampling?

Because it would not be cost effective to test 100 percent of items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class in our tests of controls and compliance with laws and regulations, we sample.

In the course of an audit, we will apply sampling techniques in our substantive testing of account balances and transaction classes if the application of such techniques is deemed more effective and efficient.

The sample sizes and the extent of the use of samples depends on various factors including population size and the inherent risks associated with the account, transaction class, controls, or compliance features. In the planning and fieldwork stages of the audit, we will thoroughly discuss the population sizes, and the risk factors associated with significant financial statement accounts with appropriate financial management personnel. These discussions will include a methodology for selecting a sample as well as an approach for gathering the sample that will be the least intrusive to ongoing financial operations of the City.

Will we use EDP Software in the Engagement?

We utilize CCH's ProSystem fx Engagement, a fully integrated software for trial balances, audit workpapers and reporting functions. In fact, all of our audit documentation is maintained through the use of "paperless" working paper software. We will request that City staff electronically download certain data from the City's financial management information system for evaluation during the planning and fieldwork phases of the audit. Our approach to this area is designed to be non-invasive and to reduce the amount of time spent by both our staff and City employees.

Tests of Compliance with Laws and Regulations

This is a type of audit test that is used to determine general statutory compliance and compliance with agreements with state and federal agencies for services provided to eligible recipients. The purpose of tests of compliance with laws and regulations is to determine whether there have been instances of noncompliance that may have a material effect on the financial statements or to provide a basis of reporting on the City's compliance with such laws and regulations. As a result, tests of compliance with laws and regulations are substantive tests accomplished by examining supporting documentation. In a single audit, this type of audit test is frequently applied using audit sampling.



Service Approach and Methodology (continued)

Tests of Compliance with Laws and Regulations (continued)

We will select a sample of revenue or expenditure transactions and inspect supporting documentation to determine compliance with relevant laws and regulations; e.g., we would select a sample of expenditures program and inspect documentation to determine whether expenditures charged to a federal or state award were for activities allowed. We find the most efficient approach is usually to conduct these tests simultaneously with substantive tests of transactions; e.g., concurrently with selecting samples of cash receipts or disbursements to test recording accuracy.

Have We Identified Potential Audit Problems?

As noted earlier, our approach to difficult audit issues is immediate communication at the appropriate level of management to include, as appropriate, City Council and management. We propose scheduled periodic meetings with the City's management personnel to stay abreast with issues that the City is facing. As part of our service commitment, we welcome any questions during the year.

Type and Extent of Analytical Procedures

Our firm uses analytical procedures in audit planning and fieldwork to:

- Enhance our understanding of the City's operations and the transactions and events that have occurred since the last audit date.
- Identify areas that may represent specific risks relevant to the audit.
- Provide substantive support for financial information included in the financial reports.

Comparisons of account balances between accounting periods are made and ratio and trend analyses performed to improve our understanding of the client and its operations and possibly identify critical audit areas. For instance, comparing general and special revenue fund expenditures by function and revenue by source for the past five years provides an understanding of the City's operations and may identify a revenue source that requires increased attention in the current audit.

Our preliminary analytical procedures may include a comparison of current account balances in the working trial balance to similar amounts in the prior annual period's financial statements and the current period's budget. However, we feel a thoughtful consideration of expected relationships among account balances and periods by our experienced auditors is far more important than a mechanical comparison. We will not only consider these relationships but compare these based on our knowledge of and experience with similar governmental entities and their operations. In some cases, analytical procedures can be more effective and efficient than tests of details for achieving particular substantive testing objectives. Normally, analytical procedures call attention to unexpected relationships in financial statement balances. This can be an efficient means of identifying potential misstatements or misclassifications. The appropriate mixture of analytical procedures and tests of details is a matter of professional judgment concerning the expected efficiency and effectiveness of analytical procedures in identifying potential misstatements. Auditor may eliminate the need to sample or reduce the population of payroll expenditures considered necessary to sample by confining sampling to departments with significant fluctuations.



Service Approach and Methodology (continued)

Type and Extent of Analytical Procedures (continued)

Analytical procedures may be used to identify individually significant items or to otherwise identify populations that need to be sampled. In the payroll area, an effective analytical test is to compare current expenditures to the prior period actual and current budget by department and relate to the number of employees by department. In this manner, the auditor may eliminate the need to sample or reduce the population of payroll expenditures considered necessary to sample by confining sampling to departments with significant fluctuations.

Analytical procedures are also applied as an overall review of the financial information in the final stage of the audit. These procedures are designed to assist our staff in assessing the propriety of conclusions reached and in the evaluation of the overall financial statement presentation. While the selected procedures will vary on the circumstances, they will always focus on overall relationships within the financial statements and consider the following matters:

- The adequacy of evidence gathered in response to unusual or unexpected balances identified by analytical procedures applied in the planning stage of the audit.
- Unusual or unexpected balances or relationships not previously identified.

Determining Laws and Regulations Subject to Audit Test Work

We will design our audit to provide reasonable assurance that the City's financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts. From the planning phase of the audit, we will seek to obtain an understanding of the possible effects of such laws and regulations on the City's financial statements.

In the course of the audit, we will consider performing some or all of the following procedures:

- Consider knowledge about such laws and regulations obtained in prior years' audits.
- Discuss such laws and regulations with the finance staff, legal counsel, or grant administrators.
- Obtain written representation from management concerning the completeness of management's identification of such laws and regulations.
- Review grant and loan agreements.
- Review minutes of meetings of City Council for the enactment of new policies.
- Read pertinent statutes, regulations, and charter provisions and excerpt significant items for the permanent file section of the workpapers
- If any legal requirements require clarification, we will request a written interpretation from the City's legal counsel.



Service Approach and Methodology (continued)

Determining Laws and Regulations Subject to Audit Test Work (continued)

Below is an example of the some of the focus areas related to federal, state and local laws and/or policies.

Federal	State	Local
<ul style="list-style-type: none">• 2 CFR 200• Procurement (new thresholds)• Employee conflict of interest	<ul style="list-style-type: none">• HB 1295• HB 1378• PFIA• Procurement• PEIMS/CAFR Conflict of Interest• Attendance	<ul style="list-style-type: none">• Compensated absences• Procurement• Accounts payable• Payroll• Human Resources• Fund Balance• Worker's Compensation

Examples of the types of laws and regulations that have a direct and material effect on the determination of amounts in a City's financial statements follow:

Public Funds Investment Act. We will consider the City's compliance with legal and policy provisions for deposits and investments.

Procurement. Competitive bidding laws apply to the procurement process.

Appropriations. Expenditures should not exceed authorized limits.

Legal authority for transactions. Transactions should be properly authorized at execution.

Budgetary reporting. The required and other supplementary information should present an aggregation of the appropriated budgets, as amended, compared to actual results of operations in accordance with State Laws' local budget provisions.

Restrictions on expenditures. The proceeds of certain governmental revenues are restricted by law as to the purposes for which they may be expended.

Taxing and debt limitations. Governmental units may be subject to laws and regulations that place limits on taxing authority, place ceiling limitations and other issuance criteria on debt, or place limits on the use of debt proceeds.



Service Approach and Methodology (continued)

Financial Audit Engagement - General Scope Considerations

We will work closely with City Council and upper level management in addressing the scope of the audit, the overall audit philosophy, and our observations and recommendations relating to the City's financial operations. We understand the scope of the work requested is an audit of the basic financial statements and required supplementary information in accordance with generally accepted auditing standards, as well as *Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget (OMB) Uniform Guidance under 2 CFR 200 and the State of Texas Single Audit Circular Uniform Grant Management Standards.

Our audit will be conducted in accordance with the above-mentioned standards and will include tests of the City's accounting records and other procedures we consider necessary to enable us to express an unmodified opinion that the basic financial statements are fairly presented in all material respects, in conformity with generally accepted accounting principles.

A. Evaluation of Internal Control Structure

The administration of the City is responsible for establishing and maintaining an internal control structure. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that, transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles.

In planning and performing our audit we will consider the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the City's basic financial statements and not to provide assurance on the internal control structure.

We will obtain an understanding of the design of the relevant policies and procedures for the significant areas of the audit and whether they have been placed in operation, and we will assess control risk.

Tests of controls may be performed to test the effectiveness of certain policies and procedures which we consider relevant to preventing and detecting errors and irregularities which are material to the basic financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters which have a direct and material effect on the basic financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on the internal control structure policies and procedures and, accordingly, no opinion will be expressed.



Service Approach and Methodology (continued)

Financial Audit Engagement - General Scope Considerations (continued)

A. Evaluation of Internal Control Structure (continued)

We will inform the City of any matters involving internal control structure and its operations which we consider to be significant deficiencies under standards established by the AICPA. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Compliance with laws, regulations, contracts and grant agreements applicable to the City is the responsibility of management. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit will not be to provide an opinion on overall compliance with such provisions, and we will not express such an opinion.

B. Substantive Test Work on Account Balances

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories and direct confirmations of receivables, cash, notes and certain other assets and liabilities by correspondence with selected individuals, creditors and financial institutions. Areas which would be covered in our tests would include material accounts in the general ledger such as cash, investments, receivables, taxes, proprietary fund revenues, fixed assets, accounts payable, payroll liabilities, fund balances, and various other revenue and expenditure accounts. We will also request written representations from your attorneys as part of the scope of the work. At the conclusion of our audit, we will also request certain written representations from the City about the financial statements and related matters. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us.

We will inform you, however, of any matters of that nature which come to our attention, unless they are clearly inconsequential. Additional work requested or performed related to fraud, errors, irregularities or illegal acts would be above the scope of the audit and would be subject to further discussions with management. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.



Service Approach and Methodology (continued)

Financial Audit Engagement - General Scope Considerations (continued)

B. Substantive Test Work on Account Balances (continued)

We anticipate that City employees will prepare all cash and other confirmations and will locate supporting documentation such as invoices, deposits, and other supporting documentation for items selected by us for testing. Account analysis schedules such as the reconciliation of bank statements, investments schedules, fixed asset and depreciation schedules, listing of accounts payable at year-end, etc., will be prepared by the City.

C. Preparation of Comprehensive Annual Financial Report

We will assist City financial personnel in their preparation of the Comprehensive Annual Financial Report as well as assist in the preparation and filing of the SF-SAC Data Collection Form. We will also assist in the implementation of any recommendations provided by the Government Finance Officers Association. We utilize CCH's ProSystem fx Engagement for both our workpapers and trial balance. The software allows us to easily make adjustments to one trial balance, which then updates all working papers and schedules.

D. Periodic Staff Meetings

As part of our annual commitment to the City, senior level firm personnel will be available to meet with City staff, City Council, and the Audit Committee periodically during the audit and throughout the year to discuss financial reporting and audit matters. It is our policy to make our partners and managers available throughout the year to City Council and staff members. We would contemplate receiving specific direction as to the City's and firm's staff involvement in planning sessions with management prior to beginning our work.

E. Independence

As auditors, we have a responsibility to maintain independence so that our opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. With this responsibility in mind, we confirm that Whitley Penn is independent of the City or any of its agencies, including direct and indirect financial interest, as well as relationships of the proposed audit team to employees and city council members, as defined by both auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Government Accountability Office.

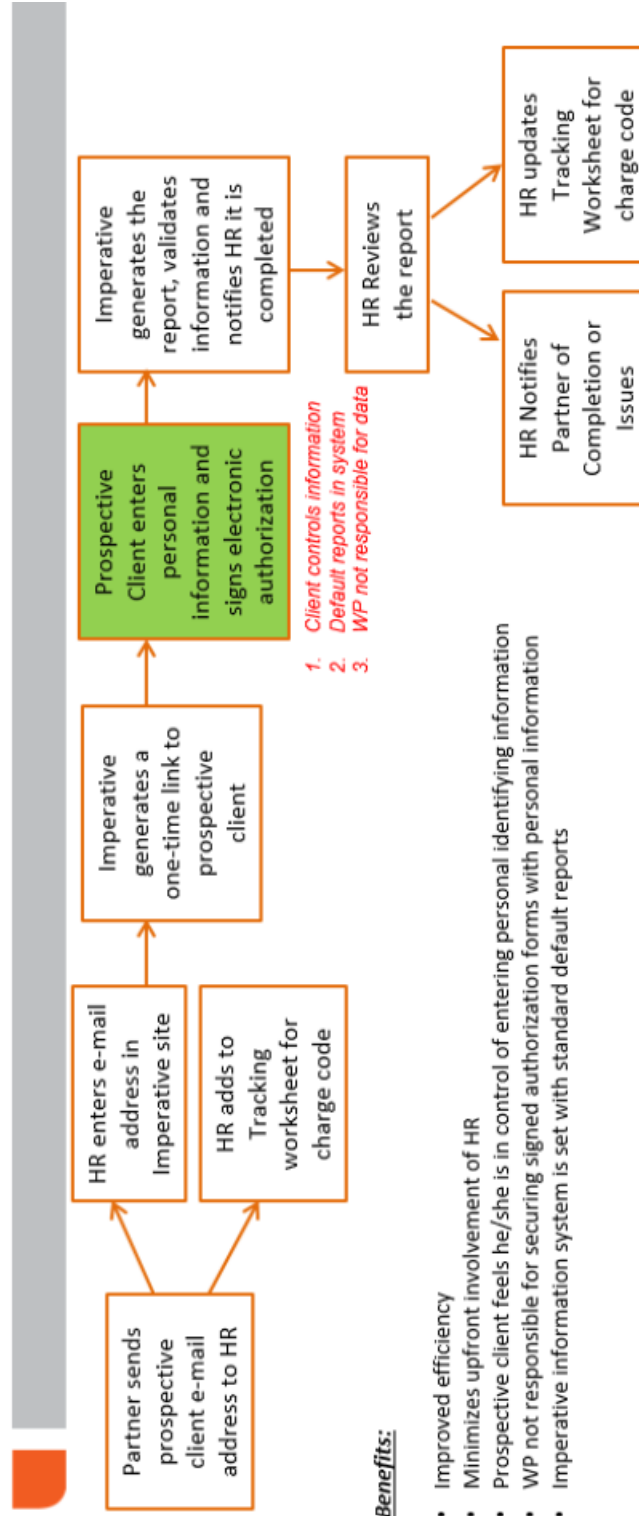
F. Client Acceptance Procedures

As part of our client acceptance procedures, we will contact your predecessor auditor to review their fiscal year 2017 audit work papers. In addition, the firm requires a background check for the individuals signing the management representation letter. This typically includes those individuals taking responsibility for the financial statements. The process is handled by our Human Resources Director. An illustration of the process is included on the next page for your review.



CLIENT ACCEPTANCE PROCESS

Audit Client Acceptance Due Diligence Process



Benefits:

- Improved efficiency
- Minimizes upfront involvement of HR
- Prospective client feels he/she is in control of entering personal identifying information
- WP not responsible for securing signed authorization forms with personal information
- Imperative information system is set with standard default reports



Mike Coffey
Cell: 817-313-0782



(as of 8/18/15)

METHODOLOGY

Describe staff rotation plans for audit team members if this is to be a multiyear agreement.

We bring a wealth of understanding of Texas municipal financial operations and the specific operating environment. On many of these engagements we have made a strong effort over time to ensure “rotation” of staff on these projects. We have personnel at the partner level that would be able to assume engagement leadership with a minimum of effort. We would welcome the opportunity to discuss this fully with you.

We are prepared to rotate staff as deemed necessary by our firm and the City over a multiyear period. The approach to performing the requested services would not be affected if this were a multiyear contract, except as affected by additional or new industry, federal or state requirements. We would work closely with the City Council and management to ensure that staff continuity is maintained at the management levels of the project or changed if desired by City Council and management. Continued training will be obtained by our management staff as to relevant technical requirements for requested services.

If it is City Council’s and Management’s desire to change audit partners as well, we can certainly accommodate the City. Each of our team members can provide a fresh perspective and we are able to do so based on the many different audit teams we can provide.

Describe the level of assistance that will be expected from City personnel, including internal audit staff

We expect to arrange all project roles and responsibilities with our staff and City staff at the outset of the engagement. We appreciate City efforts and will work with you in making sure we can utilize the information already available. We do not want to burden the staff with making requests that require the staff to “recreate the wheel.”

We anticipate that the City employees will prepare all cash and other confirmations and will locate supporting documentation such as invoices and purchase orders (based on our samples), personnel files (based on our samples), deposits, and other supporting documentation for items selected by us for testing. Account analysis schedules such as the reconciliation of bank statements, investments schedules, fixed asset and depreciation schedules, listing of accounts payable at year-end, etc., will be prepared by the City. We will request that the City provide us with supporting documentation such as grant applications, detail general ledger downloaded from the financial software, checks registers for the year, internal audit risk assessment, audit plan, issued reports and City Council meeting minutes. We encourage use of the Whitley Penn portal for the transfer of electronic files.

Provide a detailed description of the audit plan including budgeted hours, time lines and sequence for audit procedures, and name of staff to be assigned.

On the next page is our proposed summary timing schedule for the project in accordance with the City’s request. We will establish detailed arrangements with the City’s management to formulate and complete the specific timing requirements detailed in the RFP. We understand that we will be expected to review the detailed audit work plan and schedule with management prior to commencing the audit assignment each year.



PROPOSED TIME SCHEDULE

Proposed Summary Timing Schedule – Annual Financial Statement Audit

Our detailed audit plan is shown on the following pages for your review and consideration.

Action	Date
Entrance/Planning Conference (Whitley Penn, LLP will come prepared with a list of items needed)	July 2018
Start of interim field work with weekly progress meetings and an exit conference at the conclusion of fieldwork	September 2018
Start final field work with weekly progress meetings and an exit conference at the conclusion of fieldwork	December 2018
Whitley Penn, LLP provides the City with a draft of the CAFR and single audit reports for its review	January 21, 2019
Whitley Penn, LLP provides the City with final, print ready versions of the CAFR and single audit reports	February 25, 2019
Exit Conference with City Management, Budget Director, Finance Director, and the Assistant Finance Director	February/March 2019
Presentation to City Council	March 11, 2019
Electronically file the Federal Single Audit Report with the Federal Audit Clearinghouse and the State Single Audit Report with the Texas Comptroller of Public Accounts and the State Auditor's Office	March/April 2019



TASK/ACTIVITY PLAN

PROPRIETARY AND CONFIDENTIAL - NOT FOR PUBLIC DISTRIBUTION

Task/Activity Plan

		Partner	Manager	Senior	Staff	Total
PRELIMINARY PLANNING	PBC List sent out at least one month before start date					
	Review of predecessor auditor workpapers					
	Meeting with the City finance staff to discuss changes in funding, internal controls and turnover in critical positions, prior to beginning fieldwork					
	Set up meetings with various departments for internal control reviews					
	Major federal and state program determinations based on SEFA and SESA					
	Sample selections for payroll and nonpayroll transactions for both tests of controls and test of compliance					
	Subtotal	10	20	10	10	50
INTERIM FIELDWORK (TEST OF CONTROLS AND COMPLIANCE)	Internal Control Walkthroughs					
	Payroll/Human Resources					
	Procurement/Accounts Payable					
	Information Technology - We'll begin speaking to the process owners for the following areas					
	<u>Change management</u> : monitoring and processing of application changes, database changes, and infrastructure changes					
	<u>Logical security</u> : New hire, terminations, privilege access, password parameters and user access reviews					
	<u>IT Operations</u> : monitoring of backups, problem/incident monitoring, job schedules and disaster recovery					
	Cash and Investments					
	Capital assets					
	Long-term debt					
	Financial close and reporting					
	Municipal court (fines and fees)					
	Licenses and permits					
	Tax collection and monitoring - Ad valorem, franchise, sales, hotel occupancy					
	Charges for services - Fire protection, parks and recreation					
	Billing and collections for water, sewer, solid waste, aquatic park, and golf course					
	Component units (PRD, TIF #1, and TIF #2)					
	Major federal and state program testing (For each major program) in accordance with OMB Uniform Guidance and UGMS					
	Payroll and Nonpayroll transactions for each major program					
	Cash management					
	Financial reporting					
	Procurement under Uniform Guidance					
	Eligibility requirements, if applicable					
	Program income					
	Period of availability					
	Matching, Level of Effort/Maintenance of Effort, and Earmarking, where applicable					
	Internal controls surrounding payroll charges, specifically those employees that are split funded					
	Special Tests and Provisions as required by OMB					
	Test of controls - General Payroll and Nonpayroll					
	Test of controls - Utility billing and other revenue sources deemed necessary					
	Procurement Test - From Master Bid List and from Expenditure Report by Commodity or Vendor					
	Compliance with the Public Funds Investment Act					
	Nepotism/Conflict of Interest review					
	Inherent risk assessment					
	Control risk assessments					
	Fraud inquiries					
	Exit conference and discussion of results of interim procedures					
	Subtotal	20	40	80	80	220



TASK/ACTIVITY PLAN

PROPRIETARY AND CONFIDENTIAL - NOT FOR PUBLIC DISTRIBUTION

Task/Activity Plan (continued)

	Partner	Manager	Senior	Staff	Total	
YEAR-END FIELDWORK	Year-end Planning Procedures					
	Entrance conference with management to discuss year-end procedures					
	Complete test of controls and compliance through September 30, 2018					
	Major Fund Determination					
	Calculation of financial statement and major program materiality					
	Budget-to-actual comparison for the General Fund					
	Update risk assessment since interim fieldwork					
	Related party and nepotism questionnaires to City council					
	Legal representation letters sent to City's legal counsel					
	Substantive Procedures					
	Cash and cash equivalents - corroborate balances and verify pledged collateral levels					
	Investments - corroborate balances and calculate Weighted Average Maturity					
	Inventory - Review detail reports for balances					
	Due from Other Governments - Subsequent receipts testing					
	Deferred charge on refunding - amortization and final balances					
	Due From/Due To Analysis along with Transfers In/Out					
	Grant Reconciliation - analyze all material special revenue funds to recalculate revenues and cash collections					
	Property tax assessed value confirmation with county tax assessor-collector					
	Recalculate Levy assessed for the fiscal year					
	Review and testing of AR reconciliations for material balances					
	Analytical and other procedures on significant financial statement amounts as required throughout the audit					
	Verify property tax rates approved by City Council					
	Reconciliation of sales tax revenue and receivable with receipts from State Comptroller					
	Reconciliation of hotel occupancy tax revenue and receivable with receipts from State Comptroller					
	Review and testing of franchise fees and intergovernmental revenue					
	Reconciliation of utility, aquatic park, and golf course revenues and receivables to subsidiary ledgers, consumption and usage reports, etc.					
	Reconciliation of licenses and permits revenue to subsidiary ledger and analysis to activity					
	Reconciliation of fine and fee revenue to municipal court subsidiary ledgers and analysis of adjudicated cases					
	Capital Assets					
	Additions					
	Disposals					
	Depreciation expense					
	Reconcile additions per roll forward to total capital outlay accounts					
	Journal entry exam					
	Search for unrecorded liabilities					
	Accrued wages test and review					
	Payroll liability analysis					
	Payroll analysis by function; review of budgeted payroll costs; consider council approved pay increases					
	TMRS Pension analysis and calculation of pension expense, deferred outflows/inflows, Long-term debt roll forward with premium amortization					
	Fund balance review for assignments and commitments					
		20	40	110	90	260



TASK/ACTIVITY PLAN

PROPRIETARY AND CONFIDENTIAL - NOT FOR PUBLIC DISTRIBUTION

Task/Activity Plan (continued)

		Partner	Manager	Senior	Staff	Total
REPORT PREPARATION	Review GFOA comments and recommended changes					
	Provide management with draft CAFR and single audit reports					
	Provide final, print ready version of CAFR and single audit reports					
	Provide Single Audit reports with final SEFA and SESA					
	Complete the Single Audit Report disclosure checklist, if applicable					
	Complete financial statement disclosure checklist					
	WP to perform CAFR tie-out					
	Partner and engagement quality control review					
	Exit Meeting with management to discuss final CAFR					
	Council meeting to present audit results					
	Subtotal	20	10	20	20	70
FINAL SUBMISSIONS	City Council Presentation					
	Electronically file the Federal Single Audit Report with the Federal Audit Clearinghouse					
	Electronically file the State Single Audit Report with the Texas Comptroller of Public Accounts and the State Auditor's Office.					
	Subtotal	10	10	-	-	20
	Total Hours Required	80	120	220	200	620



ADDENDA



FREQUENTLY ASKED QUESTIONS

Are your fees negotiable?

Yes, our fees are negotiable. Please keep in mind that state law prohibits competitive bidding in connection with obtaining the services of certified public accountants (Chapter 2254, Government Code). Undue emphasis upon price in evaluating proposals from certified public accountants may be construed as having obtained services by competitive bidding, and as a violation of State law.

If I have questions throughout the audit, will you be available to answer them?

Our team is available to you whenever you need us. We provide cell phone and email contact information so that you can always reach us when you have a need. We also understand that increasingly difficult auditing and reporting requirements now defy the “once-a-year visit” by a City’s audit firm. Our commitment to quarterly meetings with City Council and management is representative of our desire to assure the free flow of communications between the board, management and our audit team.

Are you able to provide our staff with training, when needed?

Whitley Penn offers one-on-one training to the management and staff of our clients for everything from general accounting procedures to areas such as grant management, payroll and bank reconciliations.

Can you help us stay up to date with changes in the industry and new standards?

We are proud of the knowledge base of Whitley Penn’s Public Sector Team. We are well known in this industry for our experience and as a result, our firm’s partners are consistently called upon to present to a variety of organizations. Whitley Penn is also proud to offer this training to our clients. We offer 8 hours of CPE each year for your staff.

Our team stays abreast of changes in the municipal industry as well as the new accounting standards. We relay this information to our clients in a variety of ways. Some of the best ways to stay “in the know” are to follow our blog, *News & Insights*, and to request our monthly e-newsletter (visit our web site for more information: whitleypenn.com).

Are you able to assist us when we have questions about matters un-related to the audit, such as tax compliance issues?

Whitley Penn is a firm of approximately **425** knowledgeable and experienced professionals. Our team has experience with Tax Compliance, Risk Management, Business Process Improvement, Organizational Reviews, Regulatory Matters, and Finance-Related Consulting, in addition to an entire division that specializes in Forensic Services. With Whitley Penn as your firm, you will have access to the knowledge and experience of the entire firm.



Attorneys-in-fact who sign bid bonds or contract bonds must file with each bond a certified and current copy of their power of attorney.

20. INTERLOCAL AGREEMENT

Successful bidder agrees to extend prices and terms to all entities who have entered into or will enter into joint purchasing interlocal cooperation agreements with the City of North Richland Hills.

21. ELECTRONIC PROCUREMENT

The City of North Richland Hills has adopted policies and procedures complying with Local Government Code Section 252.0415, Section 271.906 and Section 2155.062. The City of North Richland Hills may receive submittals in electronic form in response to procurement requests. However, a bid that is submitted non-electronically by the due date and time will be accepted and then entered electronically by Purchasing after the bid opening.

22. COMPLIANCE WITH SB 89:

Vendor agrees per HB 89 of the 85th Texas Legislative Session, and in accordance with Chapter 2270 of the Texas Government Code, vendor has not and shall not boycott Israel at any time while providing products or services to the City of North Richland Hills.

☒ Yes, we agree

☐ No, we do not agree

23. COMPLIANCE WITH SB 252:

Vendor agrees per SB 252 of the 85th Texas Legislative Session, and in accordance with Chapter 2252 of the Texas Government Code, vendor shall not do business with Iran, Sudan or a foreign terrorist organization while providing products or services to the City of North Richland Hills.

☒ Yes, we agree

☐ No, we do not agree *

* By selecting no, vendor certifies that it is affirmatively excluded from the federal sanctions regime by the United States government and is not subject to the contract prohibition under Section 2252.154 of the Texas Government Code. Vendor shall provide sufficient documentation to the City of such exclusion prior to award of any contract for goods or services.

24. ETHICS AND COMPLIANCE POLICY

The City's Ethics and Compliance Policy can be found at The City of North Richland Hills Purchasing Division webpage - Or you may request a copy from the Purchasing Division.

Acknowledgment - The City of North Richland Hills' Internal Ethics and Compliance Policy has been made available to me. I understand the expectations of ethical behavior and compliance with the law, and agree to adhere to the City's ethics policies.

☒ I agree

☐ I do not agree

25. DEPARTMENT OF TRANSPORTATION (TXDOT) RELATED BIDS

"The City of North Richland Hills, in accordance with the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C. §§ 2000d to 2000d-4) and the Regulations, hereby notifies all bidders that it will affirmatively ensure that any contract entered into pursuant to this advertisement, disadvantaged business enterprises will be afforded full and fair opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award."

Due care and diligence has been used in preparation of this information, and it is believed to be substantially correct. However, the responsibility for determining the full extent of the exposure and the verification of all information presented herein shall rest solely with the bidder. The City of North Richland Hills and its representatives will not be responsible for any errors or omissions in these specifications, nor for the failure on the part of the proposer to determine the full extent of the exposures.

NON-COLLUSION AFFIDAVIT OF BIDDERState of Texas County of HarrisGuadalupe R. Garcia, CPA verifies that:
(Name)

- (1) He/~~She~~ is owner, partner, officer, representative, or agent of
Whitley Penn, LLP, has submitted the attached
bid: (Company Name)
- (2) He/~~She~~ is fully informed in respect to the preparation, contents and
circumstances in regard to attached bid;
- (3) Neither said bidder nor any of its officers, partners, agents or employees has
in any way colluded, conspired or agreed, directly or indirectly with any other
bidder, firm or person to submit a collusive or sham bid in connection
with attached bid and the price or prices quoted herein are fair and proper.

Guadalupe R. Garcia

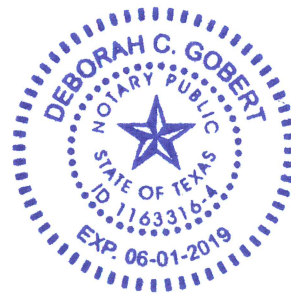
SIGNATURE

Guadalupe R. Garcia, CPA, Audit Partner
PRINTED NAME

Subscribed and sworn to before me this

12th Day of March 2018
2017.Deborah C. Gobert

NOTARY PUBLIC in and for

Galveston County, Texas.My commission expires: 6-1-2019**THIS FORM MUST BE COMPLETED, NOTARIZED AND SUBMITTED WITH BID**

BID CERTIFICATION

The Undersigned, in submitting this bid, represents and certifies:

- a. He/~~she~~ is fully informed regarding the preparation, contents and circumstances of the attached bid;
- b. He/~~she~~ proposes to furnish all equipment/service at the prices quoted herein and bid is in strict accordance with the conditions and specifications stated herein;
- c. There will be at no time a misunderstanding as to the intent of the specifications or conditions to be overcome or pleaded after the bids are opened;
- d. He/she is an equal opportunity employer, and will not discriminate with regard to race, color, national origin, age or sex in the performance of this contract.
- e. The undersigned hereby certifies that he/she has read, understands and agrees that acceptance by the City of North Richland Hills of the bidder's offer by issuance of a purchase order will create a binding contract. Further, he/she agrees to fully comply with documentary forms herewith made a part of this specific procurement.

COMPANY: Whitley Penn, LLP

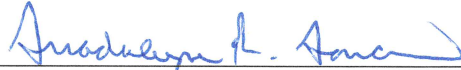
ADDRESS: 1400 West 7th Street, Suite 400

CITY, STATE & ZIP: Fort Worth, TX 76102

TELEPHONE: 832-573-6825

FAX: 817-259-9101

EMAIL: Lupe.Garcia@whitleypenn.com

SIGNATURE: 

PRINTED NAME: Guadalupe R. Garcia, CPA, Audit Partner

DATE: 3/12/2018

CONFLICT OF INTEREST QUESTIONNAIRE**FORM CIQ****For vendor doing business with local governmental entity**

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

OFFICE USE ONLY

Date Received

1 Name of vendor who has a business relationship with local governmental entity.

Whitley Penn, LLP

2 ☐ Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information is being disclosed.

N/A

Name of Officer

4 Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.

N/A

A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?

☐ Yes

☐ No


B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?

☐ Yes

☐ No

5 Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.

6 ☐ Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).

7 
Signature of vendor doing business with the governmental entity

3/12/2018
Date

BID FORMS

BID SUMMARY SHEET			
SUMMARY SCHEDULE OF PROFESSIONAL FEES FOR AUDITING SERVICES RELATING TO THE FISCALS YEARS ENDING SEPTEMBER 30, 2018, 2019, & 2020			
DESCRIPTION	TOTAL COST FY ENDING 9/30/2018	TOTAL COST FY ENDING 9/30/2019	TOTAL COST FY ENDING 9/30/2020
Financial Audit	\$ 99,360	\$ 101,300	\$ 103,400
Single Audit	\$ 16,640	\$ 17,000	\$ 17,300
Official Statement Review (per issuance)	\$	\$	\$
Payroll Tax or Employment law Consultation (per Hour Cost)	\$	\$	\$
Annual Totals	\$ 116,000	\$ 118,300	\$ 120,700

BID FORMS

FINANCIAL AUDIT AND REPORT ISSUANCE			
SCHEDULE OF PROFESSIONAL FEES FOR FINANCIAL STATEMENT AUDIT SERVICES RELATING TO THE			
DESCRIPTION	TOTAL HOURS	QUOTED HOURLY RATE	TOTAL ALL-INCLUSIVE COST
Fiscal Year Ending September 30, 2018			
Partners	80	\$ 315	\$ 25,200
Managers	120	\$ 195	\$ 23,400
Supervisory	220	\$ 170	\$ 37,400
Staff	200	\$ 150	\$ 30,000
Other (specify)		\$	\$
Annual Totals	620	\$	\$ 116,000
Fiscal Year Ending September 30, 2019			
Partners	80	\$ 322	\$ 25,760
Managers	120	\$ 199	\$ 23,880
Supervisory	220	\$ 173	\$ 38,060
Staff	200	\$ 153	\$ 30,600
Other (specify)		\$	\$
Annual Totals	620	\$	\$ 118,300
Fiscal Year Ending September 30, 2020			
Partners	80	\$ 330	\$ 26,400
Managers	120	\$ 203	\$ 24,360
Supervisory	220	\$ 177	\$ 38,940
Staff	200	\$ 155	\$ 31,000
Other (specify)		\$	\$
Annual Totals	620	\$	\$ 120,700

BID FORMS

The Undersigned, in submitting this proposal, represents and certifies:

- a. He/she is fully informed regarding the preparation, contents and circumstances of the attached bid;
- b. He/she proposes to furnish all equipment/service at the prices quoted herein and bid is in strict accordance with the conditions and specifications stated herein;
- c. There will at no time be pleaded either a misunderstanding as to the intent of the specifications or conditions to be overcome or pleaded after the bids are opened;
- d. He/she is an equal opportunity employer, and will not discriminate with regard to race, color, national origin, age or sex in the performance of this contract.

COMPANY: Whitley Penn, LLP

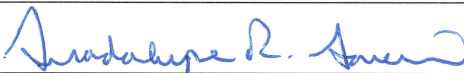
ADDRESS: 1400 West 7th Street, Suite 400

CITY, STATE & ZIP: Fort Worth, TX 76102

TELEPHONE: 832-573-6825 (cell)

FAX: 817-259-9101

EMAIL: Lupe.Garcia@whitleypenn.com

SIGNATURE: 

PRINTED NAME: Guadalupe R. Garcia, CPA
Audit Partner

DATE: 3/12/2018



18-007 Professional Auditing Services

ADDENDUM NO. 2

TO PROPOSAL REQUIREMENTS – SECTION C (RFP page 39) “Sealed Dollar Cost Bid”, Paragraph 1 – Total All-Inclusive Maximum Price, sub-paragraphs f and g

February 20, 2018

A. RFP 18-007 IS HEREBY AMENDED AS FOLLOWS:

REMOVE SUB-PARAGRAPHS F AND G (shown below) IN THEIR ENTIRETY

~~f. Total all inclusive costs for review of other financial documents (i.e. Official Statement Review).~~

~~g. A hourly average rage for extra payroll tax or employment law consultation or research.~~

B. COSTS FOR THE SERVICES CONTEMPLATED IN SUB-PARAGRAPHS F AND G WILL BE ADDRESSED AS SHOWN IN PARAGRAPH 2 ON PAGE 40 OF RFP 18-007 AND SHOULD NOT BE QUOTED IN THE PROPOSERS RESPONSE OR ON THE BID FORM.

THIS ADDENDUM MUST BE SIGNED AND RETURNED WITH YOUR BID.

Acknowledge receipt of this addendum by inserting these pages with your bid.

This addendum form is a part of the contract documents and it so modifies, amends, deletes and/or adds to the original bid document.

Name and Address of Company:

Whitley Penn, LLP

1400 West 7th Street

Fort Worth , TX 76102

FAX: 817-259-9101

Authorized Representative:

Signature: 

Name: Guadalupe R. Garcia, CPA

Title: Audit Partner

Phone: 832-573-6825

Email: Lupe.Garcia@whitleypenn.com

SAMPLE REPORTS



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of North Richland Hills, Texas (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison, pension and other post-employment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements, budget to actual schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and budget to actual schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining and individual fund statements and schedules and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February XX, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Fort Worth, Texas
February XX, 2019

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of North Richland Hills, Texas (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February XX, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fort Worth, Texas
February XX, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Report on Compliance for Each Major Federal Program

We have audited City of North Richland Hills, Texas' (the "City") compliance with the types of requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February XX, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fort Worth, Texas
February XX, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON SCHEDULE OF EXPENDITURES OF STATE AWARDS
REQUIRED BY THE STATE OF TEXAS SINGLE AUDIT CIRCULAR
UNIFORM GRANT MANAGEMENT STANDARDS**

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Report on Compliance for Each Major Federal Program

We have audited City of North Richland Hills, Texas' (the "City") compliance with the types of requirements described in the State of Texas Single Audit Circular Uniform Grant Management Standards (UGMS) that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2018. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the UGMS. Those standards and the UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the UGMS. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

Report on Schedule of Expenditures of State Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February XX, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the UGMS and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fort Worth, Texas
February XX, 2019

To the Honorable Mayor, Members of
City Council, and City Manager
City of North Richland Hills, Texas

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of North Richland Hills, Texas (the “City”) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

During our audit we identified opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February XX, 2019, on the financial statements of the City.

As a result of our audit procedures, we offer the following comments for management’s consideration.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the City’s personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City’s written response to the observations noted in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

This communication is intended solely for the information and use of the City Council, management, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Fort Worth, Texas
February XX, 2019

February XX, 2019

To the Honorable Mayor and
Members of City Council
City of North Richland Hills, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of North Richland Hills, Texas (the "City") as of and for the year ended September 30, 2018, and have issued our report thereon dated February XX, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May XX, 2018, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm, including its employees, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of depreciation expense is based on the useful lives of its capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible accounts is based on historical collection data. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other post-employment benefit (OPEB) obligation is based upon an actuarial valuation. We evaluated the key factors and assumptions used to develop the net OPEB obligation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense is based on information provided by the Texas Municipal Retirement System (TMRS). We evaluated the City's application of the information provided by TMRS in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We did not identify any such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management in a letter dated February XX, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City's, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Fort Worth, Texas
February XX, 2019

HARRIS COUNTY, TEXAS

**CHAPTER 59 ASSET FORFEITURE REPORT
BY ATTORNEY REPRESENTING THE STATE
District Attorney's Office**

For the Year Ended August 31, 2017

HARRIS COUNTY, TEXAS

Chapter 59 Asset Forfeiture Report By Attorney Representing the State District Attorney's Office

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the <i>Chapter 59 Asset Forfeiture Report by Attorney Representing the State</i> Performed in Accordance with the State of Texas Chapter 59 Code of Criminal Procedure	3
Schedule of Findings and Questioned Costs	5
Summary Schedule of Prior Audit Findings	6
Corrective Action Plan	7
Attachment - <i>FY 2017 Chapter 59 Asset Forfeiture Report by Attorney Representing the State</i>	8

INDEPENDENT AUDITORS' REPORT

To the Honorable Ed Emmett, County Judge
and Members of the Commissioners Court
Harris County, Texas

We have audited the accompanying *FY 2017 Chapter 59 Asset Forfeiture Report by Attorney Representing the State* (the "form") of the Harris County District Attorney's Office for the year ended August 31, 2017.

Management's Responsibility for the Form

Management is responsible for the preparation and fair presentation of this form in accordance with statutory requirements as prescribed by the Texas Attorney General; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the form that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the form based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the form is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts reported on the form. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the form, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the form in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the form.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the *FY 2017 Chapter 59 Asset Forfeiture Report by Attorney Representing the State* referred to above presents fairly, in all material respects, the related Chapter 59 activity of the Harris County District Attorney's Office for the year ended August 31, 2017, in accordance with statutory requirements as prescribed by the Texas Attorney General.

To the Honorable Ed Emmett, County Judge
and Members of the Commissioners Court
Harris County, Texas

Basis of Accounting

The form is prepared on the cash basis of accounting, as required by Texas Attorney General, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Texas Attorney General. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of management, Commissioners Court, and the Texas Attorney General and is not intended to be used by anyone other than these specified parties.

Whitley Penn LLP

Houston, Texas
October 30, 2017

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL^{om}
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE CHAPTER 59 ASSET FORFEITURE REPORT BY ATTORNEY REPRESENTING THE
STATE PERFORMED IN ACCORDANCE WITH THE STATE OF TEXAS'
CHAPTER 59 CODE OF CRIMINAL PROCEDURE**

To the Honorable Ed Emmett, County Judge
and Members of the Commissioners Court
Harris County, Texas

We have audited the *FY 2017 Chapter 59 Asset Forfeiture Report by Attorney Representing the State* (the "form") of the Harris County District Attorney's Office for the year ended August 31, 2017, and have issued our report thereon dated October 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the form, we considered the Harris County District Attorney's Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the form, but not for the purpose of expressing an opinion on the effectiveness of the Harris County District's Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harris County District Attorney's Office's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's form will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Ed Emmett, County Judge
and Members of the Commissioners Court
Harris County, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harris County District Attorney's Office's form is free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations related to Chapter 59 of the Code of Criminal Procedure, noncompliance with which could have a direct and material effect on the determination of the form's amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under the Chapter 59 Code of Criminal Procedure. Our audit does not provide a legal determination of the Harris County District Attorney's compliance with those requirements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with the Chapter 59 Code of Criminal Procedure in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
October 30, 2017

HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2017

Section I. – Summary of Auditor's Results

FY 2017 Chapter 59 Asset Forfeiture Report by Attorney Representing the State

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to the form noted? No

Section II. – Findings and Questioned Costs

None reported

HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2017

I. Prior Audit Findings

None Noted

HARRIS COUNTY DISTRICT ATTORNEY'S OFFICE
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2017

I. Corrective Action Plan

Not Applicable

ATTACHMENT

**FY 2017 Chapter 59 Asset Forfeiture Report
by Attorney Representing the State**

FY 2017
CHAPTER 59 ASSET FORFEITURE REPORT
BY ATTORNEY REPRESENTING THE STATE

Agency [Harris County District Attorney](#)
Mailing Address 1201 Franklin St., Suite 600
City Houston
State TX
Zip 77002
Phone Number (713) 755-0104
Fiscal Beginning Month September
Fiscal Ending Month August
Fiscal Year 2017

NOTE: PLEASE ROUND ALL FIGURES TO NEAREST WHOLE DOLLAR

I. SEIZED FUNDS PURSUANT TO CHAPTER 59

A) Beginning Balance:	\$12,403,661.00
B) Seizures During Reporting Period:	
1) Amount seized by employees of your agency	\$4,937,593.00
2) Amount seized by other agencies:	\$10,827,769.00
C) Forfeiture Petitions Filed for All Agencies You Represent	\$15,768,170.00
D) Forfeitures Pending for All Agencies You Represent:	\$12,548,176.00
E) Interest Earned on Seized Funds During Reporting Period:	\$2,843.00
F) Amount Returned to Defendants/Respondents:	\$1,740,684.00
G) Amount Transferred to Forfeiture Account:	\$3,860,880.00
H) Other Reconciliation Items:	(\$7,153,936.00)
Description:	Funds Transferred to other agencies/ Ad-Litem/ Commissioners Court & Court Fee
I) Ending Balance:	\$15,416,366.00

II. FORFEITED FUNDS AND OTHER COURT AWARDS PURSUANT TO CHAPTER 59

A) Beginning Balance:	\$3,133,035.00
B) Amount Forfeited For All Agencies You Represent and Covered by Local Agreement:	
1) Amount Forfeited and Transferred to all Agencies Covered by Local Agreement:	\$6,839,029.00
2) Amount Forfeited and Received by Your Agency:	\$3,666,241.00
3) Total Amount Forfeited and Transferred to all Agencies Covered by Local Agreement:	\$10,505,270.00
C) Interest Earned on Forfeited Funds During Reporting Period:	\$23,698.00
D) Amount Awarded For All Agencies You Represent Pursuant to 59.022:	

1) Amount Awarded and Transferred
to All Agencies Pursuant to 59.022: \$0.00

2) Amount Awarded and Received by
your agency pursuant to 59.022: \$0.00

3) Total Amount Awarded For All
Agencies You Represent Pursuant
59.022: \$0.00

E) Amount Awarded For All Agencies
You Represent Pursuant to 59.023:

1) Amount Awarded and Transferred
for all Agencies You Represent
Pursuant to Article 59.023: \$0.00

2) Amount Awarded and Received by
Your Agency Pursuant to Article
59.023: \$0.00

3) Total Amount Awarded For All
Agencies You Represent Pursuant to
59.023: \$0.00

F) Proceeds Received by Your
Agency From Sale of Forfeited
Property: \$211,355.00

G) Amount Returned to Crime
Victims: \$0.00

H) Other Reconciliation Items: \$13,124.00

Description: Change in AP from prior year/ Re-imbursement for posting in newspaper- The Chronicle/ additional
revenue from post closure vehicle/ Revenue Adjustments/ Vendor refund-Overcharge/ Adjustment to
agree cash to bank recon/ Deposit in transit per bank recon

I) Total expenditures of Forfeited Funds During Reporting Period: \$1,447,800.00

J) Ending Balance: \$5,599,653.00

III. OTHER PROPERTY

A) MOTOR VEHICLES (Include cars, motorcycles, tractor trailers, etc.)

1) Pending for all agencies at beginning of reporting period: 0

2) Seized by your agency during reporting period: 5

3) New petitions filed for all agencies during reporting period: 9

4) Forfeited to your agency during reporting period: 3

5) Put into service by your agency during reporting period: 2

6) Pending for all agencies at end of reporting period: 0

B) REAL PROPERTY (Count each parcel seized as one item)

1) Pending for all agencies at beginning of reporting period: 0

2) Seized by your agency during reporting period: 0

3) New petitions filed for all agencies during reporting period: 0

4) Forfeited to your agency during reporting period:	0
5) Put into service by your agency during reporting period:	0
6) Pending for all agencies at end of reporting period:	0
C) COMPUTERS (Include computer and attached system components,such as printers and monitors, as one item)	
1) Pending for all agencies at beginning of reporting period:	0
2) Seized by your agency during reporting period:	0
3) New petitions filed for all agencies during reporting period:	0
4) Forfeited to your agency during reporting period:	0
5) Put into service by your agency during reporting period:	0
6) Pending for all agencies at end of reporting period:	0
D) FIREARMS (Include only firearms seized for forfeiture under Chapter 59. Do not include weapons disposed under Chapter 18)	
1) Pending for all agencies at beginning of reporting period:	0
2) Seized by your agency during reporting period:	14
3) New petitions filed for all agencies during reporting period:	6
4) Forfeited to your agency during reporting period:	5
5) Put into service by your agency during reporting period:	3
6) Pending for all agencies at end of reporting period:	0

E) Other Property

Description	Pending for all agencies at beginning of reporting period	Seized by your agency during reporting period	New petitions filed for all agencies during reporting period	Forfeited to your agency during reporting period	Put into service by your agency during reporting period	Pending for all agencies at end of reporting period
Movie Memorabilia	0	138	1	0	0	0
Sports Memorabilia	0	12	1	0	0	0
Currency Counter	0	1	1	0	0	0
jewelry	0	5	3	4	0	0
Gold bars	0	53	3	0	0	0
Collectable Currency	0	178	5	0	0	0

IV.FORFEITED PROPERTY RECEIVED FROM ANOTHER AGENCY

A) Motor Vehicles:	0
B) Real Property:	0
C) Computers:	0
D) Firearms:	0
E) Other:	0

V. FORFEITED PROPERTY TRANSFERRED OR LOANED TO ANOTHER AGENCY

A) Motor Vehicles:	0
B) Real Property:	0
C) Computers:	0
D) Firearms:	0
E) Other:	0

A) SALARIES

1) Increase of Salary,Expense or Allowance for Employees (Salary Supplements):	\$0.00
2) Salary Budgeted Solely From Forfeited Funds:	\$0.00
3) Number of Employees Paid Using Forfeiture Funds:	0
4) TOTAL SALARIES PAID OUT OF CHAPTER 59 FUNDS:	\$0.00

B) OVERTIME

1) For Employees Budgeted by Governing Body:	\$0.00
2) For Employees Budgeted Solely out of Forfeiture Funds:	\$0.00
3) Number of Employees Paid Using Forfeiture Funds:	0
4) TOTAL OVERTTIME PAID OUT OF CHAPTER 59 FUNDS:	\$0.00

C) EQUIPMENT

1) Vehicles:	\$15,150.00	
2) Computers:	\$134,097.00	
3) Firearms, Protective Body Armor, Personal Equipment:	\$0.00	
4) Furniture:	\$0.00	
5) Software:	\$62,561.00	
6) Maintenance Costs:	\$10,192.00	
7) Uniforms:	\$176.00	
8) K9 Related Costs:	\$0.00	
9) Visual Aid Equipment for Litigation:	\$0.00	
10) Other:	\$304,102.00	
Description:	Electronic/Radio equipment, Rentals/Leases	
11) TOTAL EQUIPMENT PURCHASED WITH CHAPTER 59 FUNDS:		\$526,278.00

D) SUPPLIES

1) Office Supplies:	\$233,529.00
2) Mobile Phone and Data Account Fees:	\$27,636.00
3) Internet:	\$0.00
4) Other:	\$55,658.00
Description:	postage
5) TOTAL SUPPLIES PURCHASED WITH CHAPTER 59 FUNDS:	\$316,823.00

E) Travel

1) In State Travel

a) Transportation:	\$1,735.00
b) Meals & Lodging:	\$26,168.00
c) Mileage:	\$22,214.00
d) Incidental Expenses:	\$1,913.00
e) Total In State Travel:	\$52,030.00

2) Out of State Travel

a) Transportation:	\$1,469.00
b) Meals & Lodging:	\$6,633.00
c) Mileage:	\$0.00
d) Incidental Expenses:	\$7,252.00
e) Total Out of State Travel:	\$15,354.00

3) TOTAL TRAVEL PAID OUT OF CHAPTER 59 FUNDS

Total Travel Paid Out of Chapter 59 Funds:	\$67,384.00
--	-------------

F) TRAINING

1) Fees (Conferences, Seminars):	\$57,937.00
2) Materials (Books, CDs, Videos, etc.):	\$4,774.00
3) Other:	\$5,865.00
Description:	subscriptions- Pluralsight LLC/ Hohensee Implementation
4) TOTAL TRAINING PAID OUT OF CHAPTER 59 FUNDS:	\$68,576.00

G) INVESTIGATIVE COSTS

1) Informant Costs:	\$0.00
---------------------	--------

2) Buy Money:	\$0.00
3) Lab Expenses:	\$0.00
4) Other:	\$46,273.00

Description:	Transcript, Translations, Certified Copy, Forensic Analysis
--------------	---

5) TOTAL INVESTIGATIVE COSTS PAID OUT OF CHAPTER 59 FUNDS:	\$46,273.00
--	-------------

H) PREVENTION / TREATMENT PROGRAMS / FINANCIAL ASSISTANCE / DONATIONS

1) Total Prevention/Treatment Programs (pursuant to 59.06 (d-3(6), (h), (j)):	\$0.00
2) Total Financial Assistance (pursuant to Articles 59.06 (n) and (o)):	\$0.00
3) Total Donations (pursuant to Articles 59.06 (d-2)):	\$100,000.00
4) TOTAL PREVENTION/TREATMENT PROGRAMS/FINANCIAL ASSISTANCE/DONATIONS (pursuant to Articles 59.06 (d-3(6)), (h), (j), (n), (o), (d-2)):	\$100,000.00

I) FACILITY COSTS

1) Building Purchase:	\$0.00
2) Lease Payments:	\$0.00
3) Remodeling:	\$0.00
4) Maintenance Costs:	\$0.00
5) Utilities:	\$0.00
6) Other:	\$0.00
Description:	
7) TOTAL FACILITY COSTS PAID OUT OF CHAPTER 59 FUNDS:	\$0.00

J) MISCELLANEOUS FEES

1) Court Costs:	\$0.00
2) Filing Fees:	\$0.00
3) Insurance:	\$0.00
4) Witness Fees (including travel and security):	\$35,743.00
5) Audit Costs and Fees (including audit preparation and professional fees):	\$0.00
6) State Bar Dues and Legal Association Dues:	\$92,488.00
7) Legal Library Supplies and Access Fees:	\$136,406.00
8) Other:	\$20,408.00
Description:	Towing/Storage, Notary Service, Judgment Fee

9) TOTAL MISCELLANEOUS FEES PAID OUT OF CHAPTER 59 FUNDS: \$285,045.00

K) PAID TO STATE TREASURY / GENERAL FUND / HEALTH & HUMAN SERVICES COMMISSION

1) Total paid to State Treasury due to lack of local agreement pursuant to 59.06 (a): \$0.00

2) Total paid to State Treasury due to participating in task force not established in accordance with 59.06 (q)(1): \$0.00

3) Total paid to General Fund pursuant to 59.06 (C-3) (c) (Texas Department of Public safety only): \$0.00

4) Total forfeiture funds transferred to the Health and Human Services Commission pursuant to 59.06 (p): \$0.00

5) TOTAL PAID TO STATE TREASURY/ GENERAL FUND/ HEALTH & HUMAN SERVICES COMMISSION OUT OF CHAPTER 59 FUNDS: \$0.00

L) TOTAL PAID TO COOPERATING AGENCY(IES) PURSUANT TO LOCAL AGREEMENT

TOTAL PAID TO COOPERATING AGENCY(IES) PURSUANT TO LOCAL AGREEMENT: \$0.00

M) TOTAL OTHER EXPENSES PAID OUT OF CHAPTER 59 FUNDS WHICH ARE NOT ACCOUNTED FOR IN PREVIOUS CATEGORIES

TOTAL OTHER EXPENSES PAID OUT OF CHAPTER 59 FUNDS WHICH ARE NOT ACCOUNTED FOR IN PREVIOUS CATEGORIES: \$37,421.00

Description: Fleet Services, parking, Fedex

N) TOTAL EXPENDITURES

TOTAL EXPENDITURES: \$1,447,800.00

AUDITOR/ TREASURER/ACCOUNTING PROFESSIONAL/PREPARER CERTIFICATION

By pressing "Save" below using your email address and password account access, and pursuant to the terms of service, you certify that you swear or affirm that the Commissioners Court, City Council or Head of Agency (if no governing body) has requested that you conduct the audit required by Article 59.06 of the Code of Criminal Procedure and that upon diligent inspection of all relevant documents and supporting materials, you believe that the information contained in this report is true and correct.

AUDITOR/ TREASURER/ ACCOUNTING PROFESSIONAL/ PREPARER SIGNATURE:

Christopher Breaux

TITLE:

Independent Auditor - Partner

HEAD OF AGENCY CERTIFICATION

By pressing "Submit" below using your email address and password account access, and pursuant to the terms of service you swear or affirm, under penalty of perjury, that you have accounted for the seizure, forfeiture, receipt, and specific expenditure of all proceeds and property subject to Chapter 59 of the Code of Criminal Procedure, and that upon diligent inspection of all relevant documents and supporting materials, this asset forfeiture report is true and correct and contains all information required by Article 59.06 of the Code of Criminal Procedure. You further swear or affirm that all expenditures reported herein were lawful and proper, and made in accordance with Texas law.

HEAD OF AGENCY SIGNATURE:

Kim K. Ogg

TITLE:

Harris County District Attorney

DATE:

10/30/2017

Comments

See Independent Auditors' Report

To the Honorable Mayor, Members of City
Council, and City Manager



May 30, 2018

Page 1

Fort Worth Office
1400 West 7th Street
Suite 400
Fort Worth, Texas 76102
817.259.9100 Main

whitleypenn.com

May 30, 2018

To the Honorable Mayor, Members of City
Council, and City Manager
City of North Richland Hills, Texas

Scope of Services

The City of North Richland Hills (“You,” “Your,” or “City”) has requested that Whitley Penn, LLP, (“We,” “Us,” “Our,” or “WP”) provide you with the following attest and nonattest services:

- 1) Audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, 2019, and 2020 and for the years then ended and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents;
- 2) Draft the related notes to the financial statements for the City’s review;
- 3) Report on internal controls;
- 4) Review the City’s prepared Chapter 59 Asset Forfeiture Report and provide concurrence as to its accuracy prior to signature by the City Manager;
- 5) Review the City’s prepared Equitable Sharing Agreement and Certification Annual Report and its associated pricing and provide concurrence as to its accuracy prior to signature by the City Manager;
- 6) Prepare the Comprehensive Annual Financial Report (“CAFR”) for the City’s review.

Items 1-6 above are herein collectively referred to as the “Document”.

In addition, we will audit the City’s compliance over major federal and state award programs for the years ended September 30, 2018, 2019, and 2020. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the City’s major federal and state award programs.

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, pension information, and other post-employment benefit information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management’s responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America:

- 1) Management’s Discussion and Analysis;
- 2) Pension Information;
- 3) Other Post-Employment Benefit (OPEB) Information; and
- 4) Budgetary Comparison Schedules.

Supplementary information other than RSI will accompany the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial

statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- 1) Combining and Individual Fund Statements and
- 2) Budgetary Comparison Schedules.

Also, the Document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- 1) Introductory Section
- 2) Statistical Section

Schedule of Expenditures of Federal and State Awards

We will subject the schedule of expenditures of federal and state awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal and state awards is presented fairly in all material respects in relation to the financial statements as a whole.

Data Collection Form

Prior to the completion of our engagement, we will complete the Data Collection Form ("DCF") for the Federal Single Audit and, after the City has reviewed and certified, we will submit the DCF and the reporting package to the federal audit clearinghouse on the City's behalf. The DCF will summarize our audit findings, amounts and conclusions. The reporting package shall include financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and a corrective action plan. The financial reporting package shall be text searchable, unencrypted, and unlocked. You may request from us copies of our report for your records.

The Data Collection Form is required to be submitted within the earlier of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Single Audit Circular *Uniform Grant Management Standards* (UGMS). *Government Auditing Standards*, the Uniform Guidance, and the UGMS require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America and in accordance with the Uniform Guidance and the UGMS. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the City's basic financial statements. Our report will be addressed to the governing body of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

We also will issue a written report on the City's compliance with the Uniform Guidance and the UGMS as it related to each of the major federal and state awards upon completion of our audit.

Audit of Major Program Compliance

Our audit of the City's major federal and state program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; the Uniform Guidance, and the UGMS and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and the UGMS and other procedures we consider necessary to enable us to express such an opinion on major federal and state award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance and the UGMS requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal and state award programs. Our procedures will consist of determining major federal and state programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major federal and state programs. The purpose of those

procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major federal and state programs in our report on compliance issued pursuant to the Uniform Guidance and the UGMS.

Also, as required by the Uniform Guidance and the UGMS, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the City's major federal and state award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the City's major federal and state programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
3. For safeguarding assets;
4. For identifying all federal and state awards expended during the period including federal awards and funding increments received prior to December 26, 2014, and those received in accordance with the Uniform Guidance generally received after December 26, 2014;
5. For preparing the schedule of expenditures of federal and state awards (including notes and noncash assistance received) in accordance with the Uniform Guidance and the UGMS requirements;
6. For the design, implementation, and maintenance of internal control over compliance;
7. For identifying and ensuring that the City complies with laws, regulations, grants, and contracts applicable to its activities and its federal and state award programs and implementing systems designed to achieve compliance with applicable laws, regulations, grants, and contracts applicable to activities and its federal and state award programs;
8. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
9. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
10. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
11. For reviewing and certifying the DCF;
12. For making the auditor aware of any significant vendor/contractor relationships where the vendor/contractor is responsible for program compliance;

13. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal and state award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. The City agrees to provide access to persons within the City from whom we determine it necessary to obtain audit evidence. However, the City reserves the right to deny access to any WP personnel for safety reasons, or other instances where the law requires limited access or it is deemed in the best interest of the City to deny access. With consent of the City, WP personnel who need access to City personnel who work in restricted access areas may be escorted by appropriate City personnel, or those employees working in restricted areas will be made available to WP personnel outside of restricted areas.
14. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
15. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets; and
16. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

The City and WP agree that the final audited financial statements as delivered by WP to the City are public documents under the Texas Public Information Act, Chapter 552 of the Texas Government Code (the "Act") and shall not require WP's approval for reproduction, publication or disclosure in accordance with the Act. However, if you intend to incorporate the final financial statements and make reference to our firm in another document that contains information other than the final financial statements, you agree to include a disclaimer that the respective financial statement is an excerpt from the Document and is not intended to be a complete statement of the City's financial condition, such statement being in the form of Appendix A attached hereto. In addition, you agree to provide us with a copy of the final reproduced material upon request.

Fees and Timing

The timing of each fiscal year's audit will be scheduled for performance and completion as follows:

Document internal control and preliminary tests	September or earlier upon written mutual agreement
Mail confirmations	October
Perform year-end audit procedures	December
Issue audit reports	February

We anticipate meeting these deadlines barring any delays that may be caused by the City's actions or omissions.

Our fee for the audit services will be based on the amount of time required and the difficulty of the work involved which we estimate to be:

	Fiscal Year Ending 9/30/2018	Fiscal Year Ending 9/30/2019	Fiscal Year Ending 9/30/2020
Financial Audit & CAFR	\$99,360	\$101,300	\$103,400
Single Audit	16,640	17,000	17,300
Annual Total	\$116,000	\$118,300	\$120,700

These fee estimates are based on anticipated cooperation from the City's personnel and the assumption that unexpected circumstances will not be encountered during the audits. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly upon your written mutual consent.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. You agree to pay reasonable attorney fees and collection costs incurred relating to collection of fees for services performed under the terms of this engagement. In accordance with Whitley Penn, LLP policy, work may be suspended if your account becomes 30 days or more past due and will not resume until your account is paid in full. In addition, invoices not paid in full by the last day of the month will be assessed interest at a rate of one percent per month. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been complete even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. Our final auditors' report will be released upon final payment of any outstanding invoices.

Additional Services

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you concerning the scope of the additional services and the estimated hours and fees. Fees for additional services shall be as set forth in Exhibit B, Auditor's Response to the RFP. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Fee Estimates

We would like to make the following comments regarding the fee estimates:

1. Our fee estimates have not considered the effects of any changes to auditing standards and accounting principles, which may be promulgated by the AICPA, Congress, or any other regulatory body in the future

and are unknown to us at this time. If significant additional time is necessary resulting in increased fees, we will endeavor to notify you of any such circumstances as they are assessed.

2. The City's personnel are responsible for the preparation of all items requested in the Prepared by Client ("PBC") listing and received by the date requested. City will notify WP of any anticipated delays and the City and WP will mutually agree on any necessary changes to the project schedule. Any delays caused by not preparing the items when requested may result in additional fees, as well as the possibility of postponing our fieldwork. The PBC listing will be provided to you during the planning process of the engagement.
3. Time incurred for Audit Adjustments identified during our audit and the related additional testing required has not been considered in our fee estimates. Prior to performing any additional testing, we will notify you of the exceptions and obtain approval for any additional fees which may be incurred. For purposes of this engagement, Audit Adjustment shall mean journal entries recorded on the general ledger, after the production and submission to us of the final trial balance for the City, the significance of, if not recorded, would have a material impact on the audited financial statements and, possibly, the auditor's opinion.
4. Our fee estimates are based on all general ledger sub ledgers being reconciled to the general ledger balance and any adjustment necessary should be recorded to the general ledger prior to our fieldwork start date.

The ethics of our profession prohibit the rendering of professional services where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services. Accordingly, it is important that our bills be paid promptly when received. If a situation arises in which it may appear that our independence would be questioned because of significant unpaid bills, we may be prohibited from issuing our auditors' report.

Key Personnel

Guadalupe R. Garcia, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Whitley Penn, LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

If for any reason Guadalupe Garcia is removed or reassigned from this engagement, We agree to provide You with an equally qualified partner from our staff to serve as the supervisor for this engagement, to which we agree to allow you to provide input; however we reserve the right to make the final decision on a replacement of the engagement partner. Upon execution of the Agreement, We agree to provide You with a list of all Key Personnel who will be assigned to this engagement. "Key Personnel" shall mean the positions of (1) Engagement Partner; (2) Concurring Partner; (3) Audit Manager; and (4) Senior Auditor in Charge. You shall have the right to request the removal of any Whitley Penn Key Personnel (except the Engagement Partner) who, in Your reasonable opinion and judgment, does not possess the requisite skill to perform his or her duties under this engagement, or whose work does not encourage a positive or productive environment to accomplish the goals of this engagement.

Dispute Resolution

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, the City and Whitley Penn, LLP agree not to demand a trial by jury in any action, proceeding or counterclaim arising out of or relating to our services and fees for this engagement. Any controversy, dispute, or questions arising out of or in connection with this agreement or our engagement shall be determined by arbitration conducted in accordance with the rules of the American Arbitration Association, and any decision rendered by the American Arbitration Association shall be binding on both parties to this agreement. The costs of any arbitration shall be borne equally by the parties. Any and all claims in arbitration relating to or arising out of this contract/agreement shall be governed by the laws of the State of Texas and to the extent any issue regarding the arbitration is submitted to a court, including the appointment of arbitrators or confirmation of an award, the District courts in Tarrant County shall have exclusive jurisdiction. Any action arising out of this agreement or the services provided shall be initiated within three years of the service provided.

The agreements contained in this engagement letter shall survive the completion or termination of this engagement.

To ensure that Whitley Penn, LLP's independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel. However, this provision shall not apply if any of our personnel respond to a general announcement for employment duly posted by you.

Other Matters

During the course of the engagement, we may communicate with you or your personnel via e-mail and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The audit workpapers and documentation, which does not include the final reports, for this engagement are the property of Whitley Penn, LLP and constitute confidential information. However, we may be requested to make certain audit documentation available to your pass-through regulatory entity, federal and state agencies, and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Whitley Penn, LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. WP acknowledges that the City is a governmental entity under the laws of the State of Texas and all documents held by the City or which the City has a right of access to are subject to disclosure under the Act. If the City is required to disclose any documents that may reveal any WP confidential information to third parties under the Act, or by any other legal process, law, rule or judicial order by a court of competent jurisdiction, the City will, unless otherwise prohibited by law or regulation, notify WP prior to disclosure of such documents. The City shall not be liable or responsible in any way for the disclosure of such information if disclosure is required by the Act or any other applicable law or court order. In the event there is a request for such information under the Act, it will be the responsibility of WP to submit reasons objecting to disclosure. A determination on whether such reasons are sufficient will not be decided by the City, but by the Office of the Attorney General of the State of Texas, or by a court of competent jurisdiction.

Further, We will be available during the year to consult with you on financial management and accounting matters of a routine nature. Cost for any such routine matters shall be included as a part of the base pricing for the services and you shall not be billed any additional cost or hours for this service.

With respect to any nonattest services we perform, the City's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities. Nonattest services may include our assistance with preparation of the financial statements, assistance with the pension-related journal entries and related note disclosures.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our reports.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to City Council the following significant findings from the audit:

- Our view about the qualitative aspects of the City's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal and state award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

To the Honorable Mayor, Members of City
Council, and City Manager

May 30, 2018
Page 10

RESPONSE:

This letter correctly sets forth the understanding of City of North Richland Hills, Texas.

CITY OF NORTH RICHLAND HILLS, TEXAS

Mark Hindman, City Manager

Date: _____

Approved to Form and Legality:

Maleshia B. McGinnis, City Attorney

Attest:

Alicia Richardson, City Secretary

SYSTEM REVIEW REPORT

June 25, 2015

To the Partners of Whitley Penn LLP and the
National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Whitley Penn LLP (the Firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organization Control (SOC) 1 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of Whitley Penn LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2015, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Whitley Penn LLP has received a peer review rating of *pass*.

Olsen Thielen & Co., Ltd.

Olsen Thielen & Co., Ltd.

APPENDIX A
EXCERPTS FROM THE
CITY OF NORTH RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, _____

The information contained in this Appendix consists of excerpts from the City of North Richland Hills, Texas Comprehensive Annual Financial Report for the Year Ended September 30, _____, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.