



City of San Antonio

Agenda Memorandum

File Number: 17-3427

Agenda Item Number: 22.

Agenda Date: 6/15/2017

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICT(S) IMPACTED: City wide

SUBJECT: Approval of External Independent Audit Services Contract

SUMMARY:

This ordinance authorizes the execution of a contract with the firm of Grant Thornton LLP to provide the City external independent audit and related services for fiscal years 2017, 2018, and 2019 for a total cost not to exceed \$830,000 in year one, \$860,000 in year two and \$895,000 in year three, with an option to extend the contract, with City Council approval, for two (2) additional one (1) year periods.

BACKGROUND INFORMATION:

On January 30, 2017 the Finance Department released a Request for Proposal (RFP) for Independent Audit Services. Firms identified in the Central Vendor Registration (CRV), 2016 Business Journal Listing of San Antonio Accounting Firms, and those who had communicated with Finance of an interest in the RFP were invited to propose. In addition, the RFP was publicly advertised. The RFP contained the following major scope requirements for potential respondents:

- **Prime/Subcontractor Relationship** - The RFP required an Independent Audit Services Contract ("Contract") with a prime and at least 40% of the Contract award amount for subcontractor(s) who met the definition of a small Minority and/or Women-Owned Business Enterprise (M/WBE) as defined by the City's SBEDA Program.
- **Mandatory Partner Rotation** - In order to maintain Auditor Independence, Objectivity, and Credibility, the City has adopted a policy of mandatory rotation of audit partners (for the prime contractor) or a change in the lead audit firm every five years.
- **Independence** - Selected firm must comply with the independence standards and all other standards promulgated by the American Institute of Certified Public Accountants, General Accounting Office and any other standards promulgated by any authoritative body, as applicable to the performance of

independent audit services.

Six proposals were received and reviewed by the evaluation committee (“committee”). Grant Thornton LLP was selected by the committee and recommended for award. The committee based its decision on several weighted factors, to include experience, background, qualifications and proposed plan. The selection committee consisted of members from the Finance Department, City Manager’s Office, Information Technology Services Department, City Auditor’s Office, Comptroller from the University of the Incarnate Word, and an advisory member from the City Attorney’s Office.

The Goal Setting Committee established an M/WBE subcontracting goal of 40% for this contract, requiring that 40% of the work associated with this contract be completed by a certified small minority and/or woman-owned business enterprise located within the San Antonio Metropolitan Statistical Area. All audit teams met the mandatory 40% M/WBE Subcontractor participation level required to qualify for consideration. In order to promote further participation of M/WBE subcontractor up to 5 points were awarded under the proposed plan to audit teams who increased their M/WBE Subcontractor participation level above 45%. Teams received points for each percent of incremental participation above 45% up to 50%. Five of the six firms received additional points for M/WBE subcontractor participation in excess of 45%.

Based on the process described above the audit team of Grant Thornton LLP with subcontractor participation of 48% being provided by: Britts & Associates, LLP (“Britts”) at 15%; Schriver, Carmona & Carrera, PLLC (“SCC”) at 15%; Robert J. Williams, CPA (“RJW”) at 10%; and Armstrong Vaughan & Associates, PC (“AV”) at 8% received the highest overall score of 92.51.

The Audit Committee was briefed on the External Independent Auditor selection process on Tuesday, May 30, 2017.

ISSUE:

As required by the City Charter and the Texas Local Government Code, an annual external audit of the City’s financial records and accounts is to be performed by an independent certified public accountant. As the City receives financial assistance in the form of Federal and State grants, Single Audit Reports are also required in compliance with the Single Audit Act, U.S. Office of Management Budget Circulars and the State of Texas Single Audit Circular. The City is also required to obtain an annual audit of approved Passenger Facility Charges projects, as required by the Federal Aviation Administration and an Agreed Upon Procedures of the City’s Financial Assurance as required by the Texas Commission on Environmental Quality for Nelson Garden.

ALTERNATIVES:

There are limited alternatives to having an audit performed since it is legally mandated. However, the structure of the audit could be modified with a different firm or combination of firms other than the recommended firm.

FISCAL IMPACT:

The contracted annual audit fees for services provided by Grant Thornton LLP are as follows: \$830,000 for year one, \$860,000 in year two, and \$895,000 in year three for a total contract value of \$2,585,000 over the three-year term. Funds are contingent upon the adoption of the FY 2018, FY 2019, and FY 2020 budgets, respectfully, and payable from the City’s General Fund.

RECOMMENDATION:

Staff recommends approval of this ordinance.