



# City of San Antonio

## Agenda Memorandum

**File Number:20-3677**

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**Agenda Item Number:** 20.

**Agenda Date:** 6/18/2020

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott, CPA, Deputy Chief Financial Officer

**COUNCIL DISTRICTS IMPACTED:** City-wide

**SUBJECT:**

One Year Extension and Assignment of the Independent External Audit Services Contract

**SUMMARY:**

An Ordinance approving and authorizing execution of the First Extension and Assignment of the Audit Services Contract with BKD, LLP, to provide independent audit services to the City for Fiscal Year 2020, for a total fee not to exceed \$930,000.00. Funding is available from the Finance Department's FY 2020 General Fund Budget.

**BACKGROUND INFORMATION:**

On June 15, 2017, Ordinance Number 2017-06-15-0450 was passed executing an external audit services contract with Grant Thornton, LLP (Grant Thornton) to provide independent audit services for fiscal years ending September 30, 2017, 2018 and 2019. The contract also permitted for two separate one-year extensions for fiscal years 2020 and 2021.

Grant Thornton has informed the City that it has assigned all its rights, title and interest in the independent audit services contract to BKD, LLP as part of BKD acquiring Grant Thornton's governmental audit practice in Texas, Oklahoma and Missouri. BKD has requested the City's consent to Grant Thornton's assignment of the contract to BKD.

BKD is an audit firm created in 1923 with offices in all 50 states that provides accounting, audit, tax assurance and various advisory services to more than 830 clients. This acquisition will assist with BKD's increased focus and presence within the public service sector. Grant Thornton's Engagement and Reviewing Partners as well as one of their audit managers on the City's contract will be joining BKD and providing continuity of leadership to the engagement. Furthermore, the firms of Britt's & Associates, LLP, Armstrong, Vaughn & Associates, P.C., Robert J. Williams, CPA, and Schriver, Carmona & Carrera, PLLC will continue to be a part of the engagement team representing 48% of the external audit contract being subcontracted to local small businesses. All terms and conditions of the Grant Thornton contract remain in place during the assignment.

A briefing was provided to the Audit & Accountability Committee through a memorandum issued on June 2, 2020 recommending exercising the first extension and assignment of the contract to BKD, LLP.

The contract was structured to provide the opportunity for staff to evaluate the firm's performance upon conclusion of the initial three-year contract term. We have evaluated Grant Thornton's performance during the initial contract term and have found it to be acceptable. With the core team remaining on the engagement as part of the assignment, staff recommends amending the contract to extend the external audit contract for fiscal year 2020 at a previously approved price of \$930,000.00 and consent to the request by BKD for assignment of the contract.

## **ISSUE:**

As required by the City Charter and the Texas Local Government Code, an annual 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 on approved Passenger Facility Charges projects, as required by the Federal Aviation Administration.

## **ALTERNATIVES:**

There are limited alternatives to having an audit performed since it is legally mandated. In the event the extension is not approved with the recommended firm, a competitive process would need to be conducted for selection of a new firm to provide the independent audit services.

## **FISCAL IMPACT:**

This ordinance approves a First Extension and Assignment of the Audit Services Contract with BKD, LLP, to provide independent audit services to the City for Fiscal Year 2020, for a total fee not to exceed \$930,000.00. Funds are available in the FY 2020 Adopted General Fund Budget to cover interim testing with any remaining funds for final testing and issuance contingent upon appropriation as part of the FY 2021 Adopted General Fund Budget.

## **RECOMMENDATION:**

Staff recommends approval of this ordinance to extend the external audit contract for fiscal year 2020 at a previously approved price of \$930,000.00 and consent to the request by BKD for assignment of the contract.