



City of San Antonio

Agenda Memorandum

File Number:21-3558

Agenda Item Number: 19.

Agenda Date: 6/10/2021

In Control: City Council A Session

DEPARTMENT: Finance

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

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Second and Final Renewal of the Independent External Audit Services Contract

SUMMARY:

An Ordinance approving and authorizing execution of the Second and Final Renewal of the Audit Services Contract with BKD, LLP, to provide independent audit services to the City for Fiscal Year 2021, for a total fee not to exceed \$1,114,000.00. Funding in the amount of \$279,590.00 is available from the FY 2021 General Fund Budget. Funding for subsequent fiscal years is subject to City Council approval of the annual 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.

On June 18, 2020, Ordinance Number 2020-06-18-0423 was passed assigning all of Grant Thornton's right, title, and interest in the independent audit services contract to BKD, LLP effective from and after April 1, 2020, with BKD having acquired a portion of Grant Thornton's tax and audit practice in Texas, Oklahoma, and Missouri. This ordinance also executed the first extension of the audit services contract with BKD to provide independent audit services for fiscal year ending September 30, 2020.

A briefing was provided to the Audit & Accountability Committee on April 20, 2021 recommending exercising the second and final extension to BKD, LLP with an amendment to increase the fee. The contract includes a base fee for fiscal year 2021 of \$970,000 that only covers eight single audit programs tested

across the state and federal grants. Due to the continued receipt of COVID-19 grant funds, the Finance department estimates the City will see a significant increase in the single audit programs that will meet the criteria to be audited in fiscal year 2021. The contract establishes an incremental fee of \$12,000 per single audit program above the base. With the anticipated increase in COVID-19 grants over the course of the year, Finance is recommending an amendment for 12 additional single audit programs at an incremental cost of \$144,000 for a total of 20 single audit programs at an amended contract price not to exceed \$1,114,000.

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, and an Agreed Upon Procedures of the City's assertion of compliance with the local government financial test requirements under Texas Administrative Code, as required by the Texas Commission on Environmental Quality.

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 that could result in delayed issuance of the City's financial statements.

FISCAL IMPACT:

This ordinance approves the Second and Final Extension of the Audit Services Contract with BKD, LLP, to provide independent audit services to the City for Fiscal Year 2021, for an amended total fee not to exceed \$1,114,000.00. Funding in the amount of \$279,590.00 is available from the FY 2021 General Fund Budget. Funding for subsequent fiscal years is subject to City Council approval of the annual budget.

RECOMMENDATION:

Staff recommends approval of this ordinance to extend the external audit contract for fiscal year 2021 at the amended price not to exceed \$1,114,000.00.