



# City of San Antonio

## Agenda Memorandum

**File Number:**

---

**Agenda Item Number:** 7

**Agenda Date:** June 23, 2022

**In Control:** City Council A Session

---

**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

External Independent Audit Services Contract

**SUMMARY:**

This ordinance authorizes the execution of a contract with FORVIS, LLP to provide the City independent external audit services for fiscal years ending 2022, 2023, and 2024 for a total cost not to exceed \$997,000.00 in year one, \$1,027,000.00 in year two and \$1,057,300.00 in year three, with an option to extend the contract for two (2) additional one (1) year periods at a cost of \$2,209,650.00 for a total contract amount not to exceed \$5,290,950.00. Funding in the amount of \$303,090 is available in the FY 2022 General Fund Budget. Funding for subsequent years is subject to City Council approval of the annual budget.

**BACKGROUND INFORMATION:**

On November 24, 2021, the Finance Department released a Request for Proposal (RFP) for Independent External Audit Services. Firms identified in the Central Vendor Registration (CVR) and those who communicated interest in the RFP were notified of the RFP release. In addition, the

RFP was publicly advertised in the San Antonio Express News, TVSA channel, the City's Bidding and Contracting Opportunities website, and the San Antonio e-Procurement System (SAePS). The RFP contained the following major scope requirements for potential respondents:

- **Contract Term** – The RFP required a five year contract to provide Independent External Audit Services for the City's fiscal years ending September 30, 2022, 2023, 2024, 2025 and 2026.
- **Prime/Subcontractor Relationship** – The RFP required an Independent Audit Services 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. The City first utilized a prime and subcontractor arrangement in 2007 noting efficiencies in having the prime coordinate work efforts and issues as they related to staff resources, timing, quality of work, and audit work plan.
- **Mandatory Partner Rotation** – In order to maintain Auditor independence, objectivity, and credibility, the City adopted a policy of mandatory rotation of firms or audit partners (for the prime contractor) every five years, if the same firm is awarded the contract. If applicable, mandatory rotation policy will carry over from a prior City contract to the contract to be executed in connection with this RFP and will also apply to future RFPs for Independent External Audit Services.
- **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 external audit services.

On February 8, 2022, three proposals were received and deemed eligible for evaluation. The selection process included a review and evaluation of the proposals, with emphasis on experience, background, qualifications, proposed plans and pricing. The evaluation committee comprised of representatives from the City Manager's Office, the Finance Department, the City Auditor's Office, and CPS Energy.

The evaluation committee met to interview, discuss, and score all proposals on May 13, 2022. The committee recommended awarding the contract to the highest-ranked respondent, FORVIS LLP.

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 subcontractors, the City indicated M/WBE Subcontractor participation level of at least 45% would be considered in the overall proposed plan assessment. All three firms provided participation levels at or above 45%.

As these services are governed under Texas Government Code, Chapter 2254, the Local Preference

Program and Veteran-Owned Small Business Preference Program are not applicable.

Effective June 1, 2022, the certified public accounting firm Dixon Hughes Goodman, LLP (DHG) merged into the public accounting firm BKD, LLP (“BKD”), a Missouri limited liability partnership; and because the Missouri statutes do not provide for a statutory conversion of re-domestication to become domiciled in another state and it is the desire of the merged partnership to be domiciled in Delaware, BKD merged with and into FORVIS, LLP (FORVIS), setup by BKD solely for this purpose. The proposal BKD submitted remained unchanged as a result of this merger. As this contract is established after the merger, the City modified its contract negotiations to reference the new entity, FORVIS.

Contract terms negotiated with FORVIS include the following:

- Contract term of three years with two one year renewal options
- Fees of \$997,000.00 for year one, \$1,027,000.00 for year two, and \$1,057,300.00 for year three
- Two one year renewals at \$1,088,650.00 and \$1,121,000.00
- Total proposed cost over five years of \$5,290,950.00
  - City audit \$5,229,000.00
  - City of San Antonio Municipal Aides Corporation (LGC) audit \$61,950.00
- Mandatory partner rotation every five years
- Prime Contractor (FORVIS) with 48% M/WBE sub-contractors to include:
  - Britts (15%)
  - SCC (16%)
  - RJW (9%)
  - AV (8 %)
- Strengthened SBE language
- Termination for convenience
- City approval for replacement of sub-contractors

Upon completion of the evaluation process it was evident that the market for Governmental audits continues to be increasingly competitive. Therefore, a three year contract with two additional one year extensions is being proposed instead of a five year contract. This would provide for an opportunity to reevaluate the governmental audit marketplace in three years and determine whether an RFP should be issued at that time.

The Audit and Accountability Committee was briefed on the Independent External Auditor selection process at a post-solicitation meeting on June 3, 2022.

## **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, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the State of Texas Uniform Grant Management Standards (UGMS), and the Texas

Grant Management Standards (TxGMS). The City is also required to obtain an annual audit of approved Passenger Facility Charges projects, as required by the Federal Aviation Administration and Agreed Upon Procedures of the City's Financial Assurance as required by the Texas Commission on Environmental Quality for Nelson Garden.

As the City additionally is required by regulatory standards to include component units in its financial reports, an annual audit of the LGC's financial records and accounts is required to be performed by an independent certified public accountant.

#### **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:**

This ordinance authorizes the execution of a contract with FORVIS, LLP to provide the City independent external audit services for fiscal years ending 2022, 2023, and 2024 for a total cost not to exceed \$997,000.00 in year one, \$1,027,000.00 in year two and \$1,057,300.00 in year three, with an option to extend the contract for two (2) additional one (1) year periods at a cost of \$2,209,650.00 for a total contract amount not to exceed \$5,290,950.00. Funding in the amount of \$303,090 is available in the FY 2022 General Fund budget. Funding for the subsequent years is subject to City Council approval of the annual budget.

#### **RECOMMENDATION:**

Staff recommends approval of this ordinance authorizing the execution of a contract with FORVIS, LLP to provide the City independent external audit services for fiscal years ending 2022, 2023, and 2024 for a total cost not to exceed \$997,000.00 in year one, \$1,027,000.00 in year two and \$1,057,300.00 in year three, with an option to extend the contract for two (2) additional one (1) year periods at a cost of \$2,209,650.00 for a total contract amount not to exceed \$5,290,950.00.

This contract was procured by means of Request for Proposals and the Contracts Disclosure Form is attached.