

**AUDIT COMMITTEE
COUNCIL BRIEFING ROOM, CITY HALL
203 E. WHEATLAND ROAD
JULY 18, 2019 @ 8:30 A.M.**

A meeting of the Audit Committee was held on Thursday, July 18, 2019, at 8:30 a.m. with a quorum present to wit:

Patrick Harvey	Chair and Councilmember	Present
Don McBurnett	Mayor Pro Tem	Present
Joe Veracruz	Councilmember	Absent
James Talley	Commissioner	Present
Steve Rutherford	Commissioner	Present

The meeting convened in the Council Briefing Room and was called to order at 8:31 a.m. by Chair Patrick Harvey.

The following staff members were also present: Richard Summerlin, Finance Director; Tia Pettis, Asst. Finance Director; Lauren Tesmer, Accountant; Georcha West, Accountant; Jennifer Otey, Budget Analyst; Kristin Downs, City Secretary; Robert Hager, City Attorney; and Todd Pruitt, representing Pattillo, Brown & Hill, LLP.

Approval of Minutes:

A motion was made by Mayor Pro Tem Don McBurnett; seconded by Commissioner James Talley to approve the minutes from the March 25, 2019 Regular Meeting, passing 4-0 in favor.

Review audit committee policies, procedures and activities, as required annually by City of Duncanville Audit Committee Resolution 2015-111714:

Commissioner Talley showed concern on the ethics procedures; review with the City's legal counsel any legal matter that could have a significant impact on the City's financial reporting and/or financial policies and other regulatory requirements related to financial disclosures. Chair Harvey stated the Audit Committee is available and willing to help with any legal matters that may affect the budget. Mayor Pro Tem McBurnett questioned how the new software program was moving along. Director Summerlin stated the transition has been smooth; the new system is a big improvement. Director Summerlin thanked the IT Department and staff for all their help and support.

Review with the City's legal counsel any legal matter that could have a significant impact on the City's financial reporting and/or financial policies and other regulatory requirements related to financial disclosures:

City Attorney Hager provided the committee with an update on the pending legal matters and provided financial information. Chair Harvey invited City Attorney Hager to return in April of 2020 to provide an update on the ongoing lawsuits. Discussion followed on the new cap on the rollback rate and the significant impact that would result in the upcoming budget.

Discuss proposals and recommendation of CPA firm for external audit services:

Director Summerlin stated in fiscal year 2014, Pattillo, Brown & Hill, LLP was selected to perform the City's independent audit and has since completed a five-year engagement (three years, with renewal option on two years). In May 2019, the City sent out a Request for Proposal (RFP) seeking audit services for the annual independent audit. The City received seven responses to the RFP. Pattillo, Brown & Hill, LLP did not submit a proposal. Staff recommends McConnell & Jones, LLP for professional auditing services at \$130,500.00 for three years (\$43,500.00 the first year; \$43,500.00 the second year; and \$43,500.00 the third year). Commissioner Talley requested the Audit Committee can be involved in the future to help select an Auditing Firm to hear their presentations and ask questions to the firms. Commissioner Rutherford questioned if Patillo, Brown & Hill, LLP submitted an offer. Director Summerlin stated the City likes to change Auditing firms every five years and Mr. Pruitt agreed and did not submit an offer.

Mayor Pro Tem McBurnett made a motion to accept McConnell & Jones, LLP as the new auditing firm, seconded by Commissioner Talley. The vote was cast 4 for, 0 against (Councilmember Veracruz absent).

Executive Session:

Executive Session was called into session at 9:28 a.m.

The Audit Committee closed the Executive Session at 9:30 a.m.

The meeting was adjourned at 9:30:15 a.m.



Kristin Downs, City Secretary



Patrick Harvey
Audit Committee Chair

RESOLUTION NO. 2015-111714

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DUNCANVILLE, TEXAS, REPEALING RESOLUTION 2003-102109 IN ITS ENTIRETY AND ESTABLISHING A NEW CITY COUNCIL AUDIT COMMITTEE PROVIDING FOR A PURPOSE, MEMBERSHIP MEETING, DUTIES AND RESPONSIBILITIES; AND, PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Audit Committee of the Duncanville City Council has hereto been established to assist the City Council in fulfilling its financial and compliance oversight responsibilities by Resolution 2003-102109; and

WHEREAS, the Audit Committee is to be the Duncanville City Council's principal agent in ensuring the independence of the City's financial audit, the integrity of City management, and the adequacy of the financial disclosures to the public; and

WHEREAS, the Duncanville City Council has developed the City of Duncanville City Council Audit Committee to continue outlining the purpose, membership, meetings, and responsibilities and duties of the Committee; and

WHEREAS, the Duncanville City Council desires to formally adopt a new and revised City of Duncanville City Council Audit Committee.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DUNCANVILLE, TEXAS:

Section 1: The City Council of the City of Duncanville hereby repeals Resolution No. 2003-102109 in its entirety and replacing it with a new City Council Audit Committee Resolution to hereby read as follows:

A. Purpose

- (1) The Audit Committee of the Duncanville City Council is hereby established to assist the City Council in fulfilling its financial and compliance oversight responsibilities. It is to be the City Council's principal agent in ensuring the independence of the City's annual financial audit, the integrity of the City management, and the adequacy of financial disclosure to the public. The Audit Committee is to serve as the focal point for communication between the City Council, the independent auditor, and City management. The Audit committee's primary duties and responsibilities are to:

- Advise the City Council and management on the selection of the independent auditor.

- Serve as an independent and objective party to monitor the City's financial and compliance reporting process and internal controls system.
- Review and appraise the audit efforts of the City's independent auditor.
- Provide an open avenue of communication among the independent auditor, financial and senior management, and the Duncanville City Council.

B. Membership

- (1) The Audit Committee shall be appointed annually at the first City Council meeting each June. The Audit Committee shall be comprised of three or more members as determined by the City Council, each of whom shall be independent and free from any relationship that, in the opinion of the City Council, would interfere with the exercise of his or her independent judgement as a member of the Audit Committee. Three of the members shall be appointed by the City Council from among its own members. Additionally, two members may be appointed who are not members of the City Council or the City staff in order to insure that the committee has the needed understanding of governmental finance, accounting, and auditing. Each member shall be appointed for a term of one year and the chairman of the Audit Committee shall be designated by the City Council. The City Council may, at its pleasure, replace any member of the committee at any time.
- (2) All members of the Audit Committee shall have a working familiarity with basic finance and accounting practices, as well as the compliance environment in which the City operates. Audit Committee members are encouraged to enhance their familiarity with governmental finance, accounting, auditing, laws and regulations by participating in educational programs.

C. Meetings

- (1) The Audit Committee shall meet initially as soon as possible after its appointment each year, at least one additional time annually, and more frequently as circumstances require. As part of its job to foster open communication, the Audit Committee should meet at least annually with management and with the independent auditor in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

D. Responsibilities and Duties

- (1) The Audit Committee is charged to review the City's financial reports and other financial information; the City's systems of internal controls and ethics policies that management and the City Council have established; and the City's auditing, accounting, financial and compliance reporting process. Consistent with this function, the Audit Committee should foster adherence to, and should encourage continuous improvement of the City's policies, procedures and practices.

- (2) The Audit Committee shall, subject to review and approval of the entire City Council, determine its own rules of order and shall develop, adopt, review annually, and maintain as a primary resource, a manual of policies, procedures, and activities that it will follow in accomplishing its charter responsibilities and the discharge of its duties.

Section 2: This Resolution shall become effective immediately upon its passage.

DULY RESOLVED AND ADOPTED by the City Council of the City of Duncanville, Texas, on the 17th day of November, 2015.

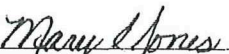
CITY OF DUNCANVILLE, TEXAS

APPROVED:



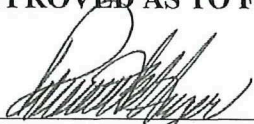
David L. Green, Mayor

ATTEST:



Mary E. Jones, City Secretary

APPROVED AS TO FORM:



Robert E. Hager, City Attorney

AUDIT COMMITTEE POLICIES, PROCEDURES AND ACTIVITIES

The audit committee of the City of Duncanville was established by Resolution 2003-102109 approved by the City Council on October 21, 2003 and amended by Resolution 2015-111714 by the City Council on November 17, 2015. The committee's operational guidelines are set down herein and may be amended by a majority vote of the members of the audit committee. The authority and responsibility of the audit committee and the appointment and terms of members are designated in Resolution 2015-111714 and are incorporated herein by reference.

Meetings

The audit committee is to meet at least two (2) times per year and as many times as the committee deems necessary.

Attendance

Members of the audit committee are to be present at all meetings. As necessary or desirable, the chairman may request that members of management and representatives of the independent auditor be present at a meeting of the committee. A quorum of members must be present in order to conduct a meeting. If the committee consists of three (3) members, a quorum would constitute two (2) members. If the committee consists of five (5) members, three (3) out of five (5) members should be present to have a quorum.

Specific Duties

Financial Reporting

The audit committee is to:

1. Review with management and the independent auditor the City's policies and procedures to reasonably ensure the adequacy of internal controls over accounting, administration, compliance with laws and regulations, and financial reporting.
2. Have familiarity, through the individual efforts of its members, with the accounting and reporting principles and practices applied by the city in preparing its financial statements. Further, the committee is to make, or cause to be made, all necessary inquiries of management and the independent auditor concerning established standards of conduct and performance, and deviations there from.
3. Review, prior to the start of the annual audit, the scope and general extent of the independent auditor's planned examination, including its engagement letter. The auditor's fees are to be arranged with management and summarized annually for committee review. The committee's review should entail an understanding from the independent auditor of the factors considered by the auditor in determining the audit scope, including:
 - Risk characteristics of the City;

- External reporting requirements;
 - Materiality of the various segments of the City's combined activities;
 - Quality of internal accounting, administrative, and compliance controls;
 - Extent of the internal auditor's involvement in audit examination; and
 - Other areas to be covered during the audit engagement.
4. Review with management the extent of non-audit services planned to be provided by the independent auditor in relation to the objectivity and independence needed in the audit.
 5. Review with management and the independent auditor instances where management has obtained "second opinions" on accounting and financial reporting policies from other accountants.
 6. Review with management and the independent auditor, upon completion of its audit, financial results for the year prior to their release to the public. The audit committee's review is to encompass the City's annual financial report, including the financial statements and footnote disclosures and supplemental disclosures required by generally accepted accounting principles, including:
 - a) Significant transactions not a normal part of the City's operations;
 - b) Selection of and changes, if any, during the year in the City's accounting principles of their application;
 - c) Significant adjustments proposed by the independent auditor;
 - d) The process used by management in formulating accounting estimates and the independent auditor's conclusions regarding the reasonableness of those estimates;
 - e) Any disagreements between the independent auditor and management about matters that could be significant to the City's financial statements or the auditor report;
 - f) Difficulties encountered in performance of the audit;
 - g) Management consultation with other accountants with respect to accounting policies or their applications; and
 - h) Major issues discussed between auditor and management prior to retention of auditor.

The audit committee shall also:

1. Evaluate the cooperation received by the independent auditor during its audit, including its access to all requested records, data and information. Also, elicit the comments of management regarding the responsiveness of the independent auditor to the City's needs. Inquire of the independent auditor whether there have been any disagreements with management that, if not satisfactorily resolved, would have caused the independent auditor to issue a nonstandard report on the City's financial statements.
2. Discuss with the independent auditor the quality of the City's financial and accounting process and any recommendations that the independent auditor may have. Topics to be considered during this discussion include improving internal

- financial controls, controls over compliance with laws and regulations, the selection of accounting principles, and management reporting systems.
3. Review written responses of management to "letter of comments and recommendations" from the independent auditor and discuss with management the status of implementation of prior-period recommendations and corrective action plans.
 4. Discuss with management the scope and quality of internal accounting, administrative, compliance and financial reporting controls in effect.
 5. Apprise the City Council, through minutes and special presentations as necessary, of significant developments in the course of performing the above duties.
 6. Recommend to the City Council any appropriate extensions or changes in the duties of the committee.
 7. Recommend to the City Council the retention of the independent auditor.
 8. Report annually to the City Council on the discharge of these responsibilities.

System of Internal Controls

The audit committee is to:

1. Review the City's process for assessing significant risks or exposures and the steps management has taken to minimize such risks.
2. Consider and review with management and the independent auditors:
 - The effectiveness of, or weaknesses in, the City's internal controls, including the status and adequacy of management information systems and other information and security, the overall control environment, and accounting and financial controls.
 - Any related significant findings and recommendations of the independent accountants, together with management's response thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls.
3. Review internal processes for determining and managing key financial statement risk areas.
4. Review the City's process for determining risks and exposures from asserted and unasserted litigation and claims and from non-compliance with laws and regulations.

Ethics

The audit committee will:

1. Establish, review and update periodically a code of ethical conduct and ensure that management has established a system to enforce this code.
2. Review management's monitoring of compliance information disseminated to governmental organizations and to the public to satisfy legal and/or regulatory requirements.

3. Review with the City's legal counsel any legal matter that could have a significant impact on the City's financial reporting and/or financial policies and other regulatory requirements related to financial disclosures.
4. Establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, auditing and reporting practices.
5. Establish and maintain procedures for the confidential, anonymous submission by employees regarding questionable accounting, auditing or reporting matters.

City of Duncanville Finance Department
203 E Wheatland Road
Duncanville, TX 75116
972.780.5094 P | 972.780.5077 F
www.duncanville.com



Memo

Date	07/18/2019
To	Audit Committee Members
From	Richard Summerlin, CPA, CGFO, Finance Director Tia Pettis, CGFO, Assistant Finance Director
Subject	Staff Recommendation for Audit Services- McConnell & Jones, LLP

Message:

Section 2.18 of the Home Rule Charter requires an annual independent audit. The term "independent auditor" refers to a certified public accountant or firm who examines the financial records and transactions of an organization that he/she is not affiliated with. To maintain transparency and integrity of the audit, it has been the City's practice to change audit firms at least every five years.

In fiscal year 2014, Pattillo, Brown & Hill, LLP was selected to perform the City's independent audit and has since completed a five-year engagement (three years, with renewal option of two years.) In May 2019, the City sent out a Request for Proposal (RFP) seeking audit services for the annual independent audit. The City received seven responses to the RFP. Pattillo, Brown & Hill, LLP did not submit a proposal.

Staff has reviewed the proposals with the selection of the most advantageous proposal based upon the overall scoring of pre-determined evaluation criteria such

as demonstrated experience, qualifications, and professional activities of the audit team and the firm **(Up to 40 Points)**; cost **(Up to 40 Points)**; responsiveness of the proposal **(Up to 10 Points)**; and commitment to Governmental Accounting and Auditing **(Up to 10 Points)**. The final scoring resulted in the top three proposals of McConnell & Jones, LLP (91.6); BrooksWatson & Co., PLLC (91.2); and Weaver (86.0). The final scoring of all firms is included in the attached matrix.

The top two scoring firms, McConnell & Jones and BrooksWatson & Co, were further evaluated by staff. Both firms were contacted to answer follow up questions and professional references were confirmed. Staff met several times to discuss qualifications and McConnell & Jones LLP continued to be the top firm.

McConnell & Jones offers a local office in Dallas and an experienced professional staff. McConnell & Jones possesses a strong background in auditing public sector entities including many Texas municipalities similar in size and scope of the City of Duncanville. The partner in charge, Marlon Williams, has over 22 years of experience. At his previous firm, Marlon audited the City of Duncanville for two separate five-year engagements and has in depth knowledge of Duncanville's operations and processes. McConnell & Jones also provides a heavy emphasis on the use of technology and has extensive knowledge in financial and data systems. The firm has experience specifically with Tyler Munis, which is the financial system the City implemented in fiscal year 2019; and utilizes CCH Engagement audit software, which the City uses to prepare the Comprehensive Annual Financial Report. Finally, McConnell & Jones, LLP is registered with the State of Texas as a Historically Underutilized Business (HUB).

Based on the factors above, as well as the competitive pricing offered, staff recommends McConnell & Jones, LLP for professional auditing services at \$130,500 for three years (\$43,500 the first year; \$43,500 the second year; and \$43,500 the third year).

City of Duncanville

2019 Professional Auditing Services RFP Review

Evaluation Matrix Scores (Staff Scores Averaged)

	McConnell & Jones, LLP	BrooksWatson & Co., PLLC	Weaver	Whitley Penn, LLP	BKD, LLP	Crowe, LLP	Baker Tilly Virchow Krause, LLP
Demonstrated Experience (Including government), Qualifications & Technical Experience of Supervisory Staff (Max. 40 pts)	37.0	34.6	37.6	36.8	36.0	37.8	28.0
Evaluated Cost (Max. 40 pts)	36.4	39.6	29.4	30.6	25.0	21.2	29.2
Did the proposal clearly state an understanding of the work to be performed? Was it complete and thorough? (Max. 10 pts)	9.2	9.0	10.0	9.4	9.2	9.8	8.4
Demonstration of firm's commitment to governmental issues such as membership in GFOA or TML and offer of CPE training to City Staff (Max 10 pts)	9.0	8.0	9.0	5.6	9.6	9.4	6.4
Total Score	91.6	91.2	86.0	82.4	79.8	78.2	72.0

Total 3 Year Cost for Audit

\$130,500

\$122,090

\$173,625

\$153,000

\$185,925

\$209,200

\$169,500