

Office of the City Manager

City of Richland Hills, Texas

Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council
From: Eric Strong, City Manager
Date: July 19th, 2016
Subject: Audit Services

Council Action Requested:

Consider Resolution authorizing the City Manager to enter into an agreement with George Morgan and Sneed for audit services.

Background Information:

Our existing agreement with Patillo & Brown has expired and we need to select a new auditor. Attached are the five proposals we received. The criteria for selecting an auditor is:

1. On the basis of demonstrated competence and qualifications to perform the services; and
2. For a fair and reasonable price.

Goerge, Morgan and Sneed has worked with staff in the past and fits this criteria. As such, staff recommends authorizing the City Managar to enter into an agreement with them.

Board/Citizen Input: N/A

Financial Impact: \$32,000 per year

Staff Contacts

Eric Strong

City Manager

estrong@richlandhills.com

Attachments: Resolution
Cost Analysis
Submitted Proposals

RESOLUTION 469-16

**A RESOLUTION OF THE RICHLAND HILLS CITY
COUNCIL FOR THE PURPOSE OF AUTHORIZING
THE CITY MANAGER TO ENTER INTO AN
AGREEMENT FOR AUDIT SERVICES**

WHEREAS, the Richland Hills City Council has a fiscal, fiduciary and legal responsibility to conduct an annual audit at the conclusion of each fiscal year; and

WHEREAS, the contract of the previous firm has expired; and

WHEREAS, best practices dictate that auditing firms should be switched on a regular basis;
and

WHEREAS, City staff has solicited proposals from qualified firms to conduct the audit going forward; and

WHEREAS, George, Morgan and Sneed has a history of demonstrated competence and qualifications and the ability to provide a fair and reasonable price; and

WHEREAS, based on the proposals submitted, the references and past experience working with the firms, staff recommends council authorize the City Manager to enter into an agreement for audit services with George, Morgan and Sneed.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF RICHLAND HILLS that the City Council authorize the City Manager to enter into an agreement with George, Morgan and Sneed for Audit Services.

Passed and approved this 19th day July, 2016

Signature
Mayor

ATTEST:

Signature
City Secretary

	Year 1	Year 2	Year 3		Total hrs	Avg Cost per Hr Year 1
George, Morgan & Sneed	\$ 32,000.00	\$ 32,500.00	\$ 33,000.00	Total Maximum	330.00	\$ 96.97
BrooksCardiel, PLLC	\$ 26,325.00	\$ 27,115.00	\$ 27,930.00	Additional per hr	239.50	\$ 109.92
BKD	\$ 40,500.00	\$ 42,000.00	\$ 43,500.00	Additional per hr	350.00	\$ 115.71
Whitleypenn	\$ 38,500.00	\$ 39,700.00	\$ 40,900.00	Additional per hr	300.00	\$ 128.33
Weaver	\$ 38,050.00	\$ 39,000.00	\$ 40,000.00	Total Maximum	285.00	\$ 133.51

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Pattillo, Brown & Hill	\$ 29,950.00	\$ 30,500.00	\$ 35,250.00	\$ 32,300.00	\$ 33,250.00

PROFESSIONAL AUDIT SERVICES PROPOSAL

CITY OF RICHLAND HILLS, TX

**GEORGE, MORGAN & SNEED, P.C.
1849 WALL ST.
WEATHERFORD, TX 76086**

PHONE: 817-594-2704

www.gms-cpa.com

CONTACT: PETER MORGAN, CPA

LOCAL CPA FIRM

JUNE 30, 2016



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The Honorable Mayor,
City Council and City Manager
City of Richland Hills

George, Morgan & Sneed, P.C. (GMS) is pleased to have the opportunity to submit our proposal on professional audit services to the City of Richland Hills (the "City"). GMS has the qualifications to best serve the City's audit requirements.

As a firm that specializes in rendering professional audit services to municipal governments, we have a proven record of providing a quality audit to local governments throughout the area. We take great pride that GMS has been serving this industry for over fifty years and believe our firm's reputation and experience to be unmatched. We pride ourselves on providing quality, efficient work, while minimizing interruptions to the City's staff. We encourage you to contact any of our references.

Our proposal indicates critical aspects that separate GMS from other audit firms of local governments. Our extensive experience with municipalities from our engagement staff, our commitment to serving local governments and our competitive rates contribute to why we think our firm is best suited to serve the City of Richland Hills. In addition, our partners and staff are available year-round to address any questions you may have.

We believe GMS is the right firm for the City of Richland Hills because:

- We are experienced in governmental audits with a dedicated audit team who work exclusively on these types of engagements.
- Proposed engagement team members have the highest level of experience and expertise with value and personal attention a local firm provides.
- We have the ability to meet your immediate and future needs with our local team.
- We maintain a personalized hands-on approach with close partner involvement.
- We will provide the required services on time and within budget.

We understand the audit services will include:

- An examination of the records and financial statements of the City of Richland Hills to the degree necessary to express an opinion on the financial statements with respect to the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.
- Preparation of the Comprehensive Annual Financial Report (CAFR) from the audited trial balance and information supplied by the City. The City will provide the unaudited information required for the CAFR.

We understand that the responsibilities of our audit team will be to:

- Meet all reporting deadlines as agreed between the City and GMS. We commit to perform the audit within the time periods specified in the request for proposal.

- Carry out annual audit procedures in accordance with generally accepted auditing standards, Government Auditing Standards and Uniform Guidance, if applicable.
- Present a management letter to the City of Richland Hills, conveying issues related to internal accounting controls, operational controls, and/or other matters of material importance with respect to operations which may have been noted in the course of the audit, and providing recommendations for corrective action. Irregularities and Illegal Acts that the firm becomes aware of shall be reported in writing to the City Manager.
- Provide a list of requested client prepared schedules to the Finance Director.
- Complete auditors report along with interim management letter thirty days prior to the regularly scheduled February City Council meeting.
- Present the audit report to the City Council for the regularly scheduled February meeting.
- Comply with the City's work paper retention and access to work papers policy.

Our work will be scheduled to facilitate the needs and convenience of the City. Schedules will be coordinated with the City staff in order to fit their schedules and demands.

Our all-inclusive annual fee for these services will be \$32,000, \$32,500 and \$33,000 for fiscal years ending September 30, 2016; September 30, 2017; and September 30, 2018 respectively.

We confirm that we are independent with respect to the City of Richland Hills. None of our principals, managers, or staff has any direct or indirect financial interest in the operations of the City, and no one assigned to the engagement is related within a prohibited degree to any member of the City Council or to any administrative employee.

Peter Morgan is the engagement partner assigned to the audit and is authorized to bind the firm and enter into the contract with the City.

This proposal is a firm and irrevocable offer for ninety days from the date of submittal of the proposal or until a final contract is approved.

The City of Richland Hills's future will be filled with opportunities and challenges. Our audit team is eager to lend their experience and expertise during times of critical decision-making. Our promise to you: we will provide experienced, knowledgeable professionals who believe in delivering our accounting and advisory services in correlation with our mission. We will be responsive, meet deadlines, and deal with any issues early in the audit process. We will also ensure our partners are available when you need us. We are prepared to commit the time and resources needed to ensure that your needs are met year round. We are excited about the opportunity to serve the City and we look forward to hearing from you. Please do not hesitate to contact us should you require any additional information or clarifications.

Sincerely,

George, Morgan, & Sneed, P.C.

A handwritten signature in black ink that reads "Peter H. Morgan". The signature is written in a cursive, slightly stylized font.

Peter H. Morgan, CPA

FIRM PROFILE

We believe that George, Morgan & Sneed, P.C. (GMS) is well suited and qualified to fit your needs.

Firm Background and Experience with Government Entities

George, Morgan & Sneed, P.C., Certified Public Accountants, was established in 1959 under the name of George & Morgan, Certified Public Accountants, in Weatherford, Texas. The firm has operated continuously since that date, with the current principals being Peter H. Morgan, CPA; Patrick E. Sneed, CPA; James E. Sledge, CPA, and Roy D. Stone, CPA.

George, Morgan & Sneed, P.C. is a local firm that consists of twenty individuals including eight certified public accountants. Eleven of the staff have audit experience. The firm's current principals have a combined experience of one hundred twenty-five years in public accounting. All the principals have been involved in rendering audit, accounting, tax and management services to various governmental agencies. One principal, one audit manager and two full-time professional staff will be employed on this engagement. We strive to provide continuity with quality experience and do not anticipate there will be a change in staff assigned to the City's audit over the course of the engagement. There has been very little turnover in the audit department over the last five years.

We have extensive experience with local governments and nonprofits, presently serving approximately 40 of these types of entities including 11 cities. We believe that our proposed service team has experience auditing local governments, nonprofits, and with single audits that few other firms can offer. In-turn, this ensures quality, efficient, and effective audits with minimum disruption to the City's staff.

License to Practice in Texas

We confirm that the firm of George, Morgan & Sneed, P.C. is a state licensed Certified Public Accounting firm and additionally that all assigned key professional staff are properly licensed to practice in Texas.

The firm has not had any federal or state desk reviews or field reviews of its audits during the past five years.

The firm has never been reprimanded by the Texas State Board of Public Accountancy or other regulatory agencies.

Insurance

The firm maintains General Liability and Professional Liability insurance. Proof of insurance will be furnished to the City's Chief Financial Officer if the contract is awarded to GMS.

Equal Employment Opportunity

The firm is an equal opportunity employer. The firm agrees that during the performance of its contract we will treat all applicants and employees without discrimination as to race, color, religion, sex, national origin, marital status, age or handicap.

Mission & Views

We at George, Morgan & Sneed, P.C. believe CPA stands for “Close Personal Attention”. Our mission is to provide our clients with relevant and reliable information while nurturing a relationship based upon mutual trust and “CPA”. We will go beyond compliance issues and evaluate our clients’ needs on a proactive basis. We will dedicate ourselves to our clients, for they are the key to achieving our goals.

Scope of the Engagement

We will audit the financial statements for the City of Richland Hills as of and for the years ending September 30, 2016, September 30, 2017 and September 30, 2018. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America, generally accepted government auditing standards as outlined in the *Governmental Auditing Standards* issued by the Comptroller General of the United States, and the provisions of U.S. Office of Management and Budget Uniform Guidance, **if necessary**. Our procedures will include our examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. Our audit approach is discussed in detail within this proposal.

Experience with Single Audits

During 2014 and 2015, George, Morgan & Sneed, P.C. performed thirteen single audits in accordance with OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Our firm has experience auditing programs administered by the Texas Education Agency, Texas Water Development Board, Texas Department of Agriculture, State Department of Transportation, North Central Texas Council of Governments and U.S. Department of Justice.

CAFR Experience

The firm has current clients that receive Certificates of Achievement for Excellence in Financial Reporting annually and has assisted other governments in obtaining the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Office Association of the United States and Canada (GFOA).

Quality Control Review

Quality is at the upmost importance for our firm. We are committed and take pride in our attention to detail throughout our quality assurance program. We are required to undergo peer reviews every three years. We completed our most recent peer review in 2014 and received the highest rating available. A copy of our most recent peer review report is included with this proposal. The review included a number of specific government and nonprofit engagements, including single audit engagements. All audit partners of the firm are members of the AICPA and all staff members, including partners of the firm meet the continuing professional education requirements. All staff members specific to government engagements meet the continuing professional education requirements of Government Auditing Standards.

Furthermore, we make publically available our most recently accepted peer review letter, which is available on our website at www.gms-cpa.com.

Governmental Audit Quality Center

George, Morgan & Sneed, P.C. is a member of the AICPA Government Audit Quality Center.

Technology

Our work papers are managed using Thomson Reuters Engagement CS software that allows us to prepare, review, transfer, and manage our work in a paperless environment. By utilizing a paperless environment, it allows us to communicate with the City promptly and efficiently. It also allows us to exchange information and deliver information in various formats.

Portal Access

The firm can provide portal access to clients to handle the flow of information between the client and the firm in a secure environment.

FIRM QUALIFICATIONS

Our proposed engagement team has comprehensive experience of the government, nonprofit, and public sector. We bring years of experience in the government and nonprofit industry as the team is proficient in the complexities of Generally Accepted Government Auditing Standards and Uniform Guidance. Mr. Peter Morgan and a team of experienced professionals will be performing the audit of the City of Richland Hills, if awarded. The proposed engagement team members and their corresponding years' of experience at GMS are as follows:

Peter Morgan, Engagement Partner, CPA	40+ years
Daniel Hungerford, Audit Manager, CPA	14 years

Two other professional staff will be assigned to the engagement. All have governmental audit experience and have been with the firm from three to fourteen years.

We take a partner-led approach which delivers the highest quality of service by using short, functional chains of communications to aid decision making. Our partners and audit managers are involved throughout each stage of the audit, ensuring:

- We identify and resolve issues on a timely basis.
- We provide you with senior-level contact to address your concerns
- The audit addresses the key areas and is carried out efficiently.

Professional Audit Staff

Other professional audit staff members are all college graduates with experience in the audits of governmental agencies. All staff assigned to government audits possess the required governmental CPE hours.

Staff Assignment and Rotation

Peter Morgan is the principal responsible for the audit. Daniel Hungerford and two other professional staff will be assigned to the engagement. We believe that a continuity of knowledge is important in providing timely and cost efficient services to our clients; therefore, we do not anticipate rotating partners and managers assigned to the City's audit engagement unless requested by the City or suggested by regulatory agencies.

Continuing Professional Education

The firm uses the following methods of keeping the professional staff up-to-date on technical issues:

The American Institute of Certified Public Accountants
and Texas State Society of Certified Public Accountants
Technical seminars and courses.
Industry sponsored technical seminars and publications.
National published Technical Services.
Internal staff training programs.

The following is a list of some of the relevant continuing professional education completed during the last three years.

- The 2012 Revised Yellow Book: Government Auditing Standards
- Auditor's Risk Assessment Process: Tackling the New Risk Assessment SASs
- Fraud in the Governmental & Not-for-Profit Environments
- Governmental & Nonprofit Annual Update
- Audit Workpapers: Documenting and Reviewing Fieldwork
- Financial Statement Presentation and Disclosures – A Realistic Approach
- GASB Pension Standards Overview
- Internal Control over Governmental Financial Reporting
- GASB Statement No. 68 Audit and Accounting Workshop
- GASB Statement No. 68 In-depth Government Pension Accounting and Auditing

The firm closely monitors the CPE hours of each auditor performing audits under generally accepted government auditing standards to ensure compliance with the 24 and 80 hour requirements.

Professional Qualifications and Staffing

The following are brief biographies of the partner and senior professionals who will be assigned to the audit of the City.

PETER H. MORGAN, CPA, Audit Principal

POSITION

Audit principal with the audit department of George, Morgan & Sneed, P.C. Mr. Morgan has more than forty years' experience in the governmental and nonprofit agency audit field.

EMPLOYMENT

Mr. Morgan has been directly responsible for the financial audits for a number of nonprofits, cities and school districts, as well as having participated in various governmental agency audits since joining the firm in 1968.

EDUCATION

Bachelor of Business Administration	1966
Texas Christian University	Ft. Worth
Certified Public Accountant	1971
Certificate Number 10217	STATE OF TEXAS

EXPERIENCE

Specific governmental experience includes;

- City of Granbury (CAFR)
- City of White Settlement (CAFR)
- City of Crowley
- City of Hudson Oaks (CAFR)
- City of Mineral Wells

He has obtained professional development course experience regarding governmental and general auditing; including but not limited to Single Audits, school districts, municipalities, not-for-profits entity audits and other technical disclosure and accounting oriented professional education courses.

PROFESSIONAL

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Fort Worth Chapter of Texas Society of Certified Public Accountants

DANIEL HUNGERFORD, CPA, Audit Manager**POSITION**

Audit manager with the audit department of George, Morgan & Sneed, P.C. Mr. Hungerford has been performing nonprofit and governmental audits since 2001.

EMPLOYMENT

Audit Staff George, Morgan & Sneed, P.C.	2001 – present Weatherford, TX
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EDUCATION

Bachelor of Business Administration Tarleton State University	2001 Stephenville, TX
Certified Public Accountant Certificate Number 107455	2016 STATE OF TEXAS

EXPERIENCE

Specific governmental experience includes;

- City of Granbury (CAFR)
- City of White Settlement (CAFR)
- City of Hudson Oaks (CAFR)
- City of Mineral Wells
- Town of Pantego (CAFR)
- City of Willow Park
- City of Breckenridge

He has obtained professional development course experience regarding governmental and general auditing; including but not limited to single audits, school districts, municipalities, not-for-profits entity audits and other technical disclosure and accounting oriented professional education courses.

PROFESSIONAL

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Ft. Worth Chapter of Texas Society of Certified Public Accountants

NEREO R. MATIAS, CPA, Audit Senior

POSITION

Audit senior with the audit department of George, Morgan & Sneed, P.C.
Mr. Matias has more than ten years' experience in the nonprofit and governmental agency audit field.

EMPLOYMENT

Audit Staff George, Morgan & Sneed, P.C.	2001-Present Weatherford, TX
Audit Staff Coleman, Horton & Co.	2000-2001 Uvalde, TX

EDUCATION

Bachelor of Science in Commerce University of San Carlos	1987 Philippines
Certified Public Accountant Certificate Number 80778	1999 Philippines
Certified Public Accountant Certificate Number 79697	2001 State of Texas

EXPERIENCE

Specific governmental experience includes:

- City of Granbury (CAFR)
- City of Crowley
- City of White Settlement (CAFR)
- City of Mineral Wells
- City of Graford

He has obtained professional development course experience regarding governmental and general auditing; including but not limited to Single Audits, school districts, municipalities, not-for-profits entity audits and other technical disclosure and accounting oriented professional education courses.

PROFESSIONAL

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Ft. Worth Chapter of Texas Society of Certified Public Accountants

SIMILAR ENGAGEMENTS & REFERENCES

<u>Contact Person and Governmental Agency</u>	<u>Last Work Performed</u>	<u>Audit Principal/Office</u>	<u>Total Hours to Complete Engagement</u>
Ms. Eva Gregory, Finance Director City of Granbury PO Box 969 Granbury, TX 76048 817-573-1114	Audit of basic financial statements and the combining fund statements for the year ended September 30, 2015 Single Audit, CAFR	Peter Morgan Weatherford	410
Mr. Philip Bray Finance Director City of White Settlement 214 Meadow Park White Settlement, TX 76108 817-246-4971	Audit of basic financial statements and the combining, individual funds for the year ended September 30, 2015 CAFR	Peter Morgan Weatherford	360
Mr. John Moran Finance Director City of Mineral Wells P.O. Box 460 Mineral Wells, TX 76068 940-328-7724	Audit of basic financial statements and the combining fund statements for the year ended September 30, 2015	Peter Morgan Weatherford	340
Ms. Lori Watson Finance Director City of Crowley 201 E. Main St. Crowley, TX 76036 817-297-2201	Audit of basic financial statements and the combining fund statements for the year ended September 30, 2015	Peter Morgan Weatherford	300
Mr. Patrick Lawler City Administrator City of Hudson Oaks 210 N Lakeshore Dr. Hudson Oaks, TX 76087 682-229-2412	Audit of basic financial statements and the combining fund statements for the year ended September 30, 2015 CAFR	Peter Morgan Weatherford	250

Other references are available by request.

AUDIT APPROACH

The purpose of a financial statement audit is to provide reasonable assurance that the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles (GAAP). We focus our audit on key risks and our assessment on how these risks are managed in the context of financial reporting.

We have successfully provided services to a number of governments with similar features as the City. In accordance with your timing requirements, we have developed an audit process that focuses on the following:

Efficiency and Effectiveness – so that all risk areas are given appropriate attention

Timeliness – where deadlines are met and we turn work around quickly

Minimal Disruption – ensuring that our work is completed accurately, thoroughly and as seamlessly as possible

The conduct of our audit also affords us the opportunity to see many of your organizational processes in operation. This enables us to provide audit-derived recommendations that are based on sound experience and proven expertise.

Described below is an overview of our audit process:

ENGAGEMENT PREPARATION	RISK & CONTROLS ASSESSMENT	SUBSTANTIVE EXECUTION	EVALUATING & REPORTING
Meet with management	Assess areas of risk & significance	Perform analytical & substantive procedures	Discuss audit results with management
Understand needs & requirements	Understand & evaluate control environment	Evaluate results & findings	Form & deliver audit opinions
Obtain further knowledge of City	Perform tests of controls	Accumulate audit findings and differences	Communicate points for management consideration
Determine audit elements & process	Evaluate results & plan substantive execution		
	Discuss with management		

ONGOING:

Efficient and effective audit, year-round communication, and responsive service

Utilization of City Personnel

We will provide a list of client prepared schedules to the Finance Director. City personnel should be made available to answer questions and provide additional information as needed.

Documenting and Understanding the Organizations Internal Control

We will consider the internal control of the City sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures. We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements. No opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. We will report to the City any matters involving internal control and its operation that we consider to be significant deficiencies or material weaknesses in internal controls under standards established by the American Institute of Certified Public Accountants.

In the single audit environment, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Uniform Guidance.

Audit Sampling

Audit sampling will be used in tests of controls, test of compliance and substantive tests. Sample size will vary depending on the size of the population and other variables such as the planned assessed level of control risk, our tolerable misstatement, and expected deviations. The methodology used to select our samples will depend on the type of test we are performing.

Analytical Procedures

We will interview management in order to develop expectations of how the City's financial position has changed. We will then compare our expectations with the recorded amounts. Our analytical testing will also consist of analysis of variances between the current and prior period balances, variances between the current period actual and budget, ratio analysis and predictive tests. Analytical procedures will be performed on most revenues and expenses of the City.

Proposed Segmentation of Engagement

	Partner	Manager	Staff	Total
Planning, review and reporting	20	50	60	130
Internal controls	0	8	32	40
Cash and investments	0	3	12	15
Receivables and revenue	0	8	25	33
Payables and expenses	0	8	16	24
Payroll	0	4	16	20
Capital assets	0	8	24	32
Debt	0	4	20	24
Net Position	0	2	10	12
				0
Total hours	20	95	215	330

COMPENSATION

Audit of CAFR

Estimated Hours, Rates and Total Fee for year ending September 30, 2016

<i>Classification</i>	<i>Estimated Hours</i>	<i>Standard Hourly Rate</i>	<i>Fee</i>
Partner	20	\$150	\$3,000
Manager	95	\$105	9,975
Staff	215	\$85	18,275
Secretarial/out-of pocket expenses			750
Totals	330		\$32,000

Total Maximum All-inclusive price for the 2016 audit (**no single audit**) **\$32,000**

Estimated fees for future years' audits are:

<i>Fiscal Year Ending</i>	<i>Fee</i>
2017	\$32,500
2018	\$33,000
2019	\$33,500
2020	\$34,000

Our fee estimate is based on the assumption that we will have the assistance and cooperation of City personnel. A detail client assistance checklist will be provided to the City as part of the planning phase of the audit.

Single Audit

A single audit is required if the City expends \$750,000 or more in federal awards. **If a single audit is required an additional fee of \$4,000** will be added to the all-inclusive maximum price.

Other Assistance

We normally do not charge for assistance over the telephone or e-mails unless research or special projects are involved. Billed services would be pre-approved by the City.

PEER REVIEW LETTER

 **BUMGARDNERMORRISON**

CPAs • Tax • Audit & Accounting

June 5, 2014

System Review Report

To the Shareholders of George, Morgan & Sneed, P.C.
and the Peer Review Committee of the
Texas Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of George, Morgan & Sneed, P.C. (the firm) in effect for the year ended December 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of George, Morgan & Sneed, P.C. in effect for the year ended December 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. George, Morgan & Sneed, P.C. has received a peer review rating of *pass*.

Bumgardner, Morrison + Company, LLP



Financial Auditing Services — RFP # 2016-071

City of Richland Hills

July 1, 2016



2015-2016 7 Texas
offices
236 CPAs
\$100M in
revenues

Presented by:

Jackie Gonzalez, CPA | Partner, Assurance Services
Direct: 817.882.7758 | Email: jackie.gonzalez@weaver.com

Weaver | 2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107 | weaver.com



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Transmittal Letter

July 1, 2016

Ariel Carmona
Finance Director
City of Richland Hills
3200 Diana Drive
Richland Hills, Texas 76118

RE: Proposal to Perform External Audit Services for the City of Richland Hills (RFP # 2016-071)

With this proposal, Weaver and Tidwell, L.L.P., (Weaver) commits to providing financial auditing services that meet the City of Richland Hill's needs as described in your Request for Proposals. We offer you a respected team of experienced government auditors, several of whom are members of the Government Finance Officers Association (GFOA) Special Review Committee.

Weaver offers you the perfect combination of a local Tarrant County firm that is simultaneously the largest independent CPA firm based in the Southwest — enabling us to provide the depth of skill that you need, along with responsive hometown service from an engagement team with a vested interest in your success.

Weaver is offering to audit the City's financial statements for the fiscal years ending September 30, 2016 through 2018, with up to two 1-year extensions. The audits will be performed in accordance with AICPA standards, *Government Auditing Standards*, and state and federal single audit requirements, when they apply. In addition, at least one of Weaver's experienced GFOA Special Review Committee members will review the City's CAFR for adherence to the standards for the Certificate of Achievement for Excellence in Financial Reporting. We commit to meeting your requested schedule, culminating with the final report delivered by February 15, 2017.

Our dedicated public-sector practice is recognized across Texas for its skill and experience in performing audits for municipalities, large and small. Weaver is the best choice for you because we offer:

- **Experience in municipal environments.** Weaver currently serves as auditor for more **than 120 public-sector clients, including 37 Texas cities**. Through this work, we have developed deep knowledge of the most complex governmental accounting issues, along with an appreciation for local political forces.
- **Understanding growing communities.** With numerous other clients in the 6,000–11,000 population range, such as Trophy Club, Tomball, Fairview and Jasper, we know the **unique challenges** you face.
- **A Texas-based firm.** Founded here, Weaver has **served Texas clients for more than 65 years**. Because this is our home, we have many experienced professionals whose skills we can draw upon at a moment's notice.
- **Commitment to ongoing communication.** **Frequent, effective and honest communication** is critical to a successful audit. Our partners and engagement team leadership remain accessible to you not just throughout the engagement, but throughout the year.
- **High-quality work and on-time delivery.** Weaver's reputation has been built on the **quality of our work** and our ability to work efficiently, communicate clearly, and stay **on schedule and on budget**.



Proposed All-Inclusive Fee

Weaver prides itself on offering the capabilities of a much larger firm, combined with the responsiveness and personal touch you expect from a local firm. With our streamlined operations, we can provide the knowledge and experience you need, combined with a personal touch and individual attention. Our sizable government auditing team provides significant depth, enabling us to perform your audit with cost-effective staff auditors while maintaining close partner and senior manager oversight of the work.

All-Inclusive Maximum Price	FY2016	FY2017	FY2018
Annual audit of the financial statements for City of Richland Hills for the fiscal year ending September 30	\$38,050	\$39,000	\$40,000

The rates and fees presented here are all-inclusive: Weaver does not charge for out-of-pocket expenses, printing, report production, etc. Additionally, routine meetings and accounting advice in the ordinary course of business are considered part of our role as your business partner and are not charged as a separate fee. In fact, we encourage you to communicate with us throughout the engagement, and throughout the year, with routine questions.

Authority and Independence

I, Partner Jackie Gonzalez, hereby certify that I have read all items of the RFP and fully understand the requirements listed herein. I further certify that I am an authorized agent of Weaver empowered to submit the bid and authorized to sign a contract with the City of Richland Hills. This proposal is a firm and irrevocable offer, valid for 90 days.

Weaver is not aware of any potential conflicts of interest or threats to our independence as the auditor for Richland Hills.

If you have any questions or would like to schedule a meeting, please contact me at 817.882.7758 or jackie.gonzalez@weaver.com. I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Jackie Gonzalez", is written over a faint, larger version of the signature.

Jackie Gonzalez, CPA
Partner, Assurance Services
2821 West Seventh Street, Fort Worth, Texas 76107
817.882.7758
jackie.gonzalez@weaver.com

Executive Summary

Collaboration and communication — that's how Weaver became the financial auditor for more top-100 Texas cities than any other firm, including numerous small but fast-growing suburbs.

Our clients know they can rely on Weaver to assist them with changing regulations or accounting and auditing standards. They know they can call us any day of the year to ask a question or seek advice. They know that Weaver will provide both formal and informal training to help them improve operations and stay in compliance.

With Weaver as your auditor, the City of Richland Hills can also enjoy knowledgeable auditors, reliable and personal service from a local firm, on-time completion and an efficient, effective financial audit.

Through our audit work with more than 30 cities across the state of Texas, Weaver understands the complex operational structure and the nuances of your municipal financial reporting needs. We serve several small, growing cities, and are familiar with the challenges specific to a city like Richland Hills.

Leveraging this deep, institutional knowledge enables Weaver to focus more immediately on your key areas of risk. The end result is not only increased efficiency and cost-effectiveness, but the ability to make practical, relevant and truly value-added recommendations from day one.

Understanding of Scope

With this proposal, Weaver offers to audit the City's financial statements for the fiscal year ending September 30, 2016 through 2018. The audit will include Richland Hills Development Corporation as a blended component unit, reported as a special revenue fund. The contract may be extended, at the City's discretion, for up to two additional one-year terms.

The audits will be performed in accordance with generally accepted auditing standards (GAAS) as set forth by the American Institute of Certified Public Accountants (AICPA); standards for financial audits set forth in the U.S. Governmental Accountability Office's *Government Auditing Standards* (2011); provisions of the Single Audit Act of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Grant Guidance); and the Texas Single Audit Act, as applicable.



EXPERIENCE PERFORMING MUNICIPAL AUDITS

With more than 65 years of experience, Weaver has performed audits for Texas cities of all shapes and sizes, including:

- **37 Texas city governments**
- **7 cities with populations of 6,000 to 11,000**
- **More than 150 governmental entities, approximately 100 of whom require single audits**
- **More than 50 entities who receive GFOA recognition**



Based on the results of the audit, Weaver will express opinions on the fair presentation of the City's basic financial statements and an "in relation to" opinion on the accompanying supplementary information in conformity with generally accepted accounting principles (GAAP). We will perform certain required procedures on the required supplementary information each year.

Weaver will also report on internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year being audited, in accordance with generally accepted government auditing standards (GAGAS).

GFOA Experience

Weaver is deeply involved with the GFOA. Public Sector Niche Leader ,Jerry Gaither, has served on the GFOA Special Review Committee (SRC) for more than 30 years, longer than anyone else in Texas. In all, 10 Weaver employees — including your engagement partner and technical review partner — are members of the SRC, which gives them extra insight into the requirements and expectations for the Certificate of Achievement. They will review the City's draft comprehensive annual financial reports (CAFR), along with the comments (if any) from last year's review, to make sure that it will meet the requirements for GFOA recognition.

#1 Top Firm: Southwest Region | *Accounting Today* (2016)

#4 National Leaders in Tax (*firms under \$100M*) | *Accounting Today* (2016)

2015 Top 50 Firms | *INSIDE Public Accounting*

2015 BEST of the BEST Firm to Watch | *INSIDE Public Accounting*

#3 Largest Tarrant County Accounting Firms | *Fort Worth Business Press* (2015)

#8 Largest North Texas Accounting Firms | *Dallas Business Journal* (2016)

Best and Brightest Companies to Work For® | Dallas/Fort Worth (2016) and Houston (2015)



Weaver Profile

Weaver is a regional but nationally recognized, Texas-based firm with almost 600 professionals and offices in seven major Texas cities: Fort Worth, Dallas, Houston, Austin, San Antonio, Conroe and Midland.

Size of Firm's Government Auditing Staff

Weaver has a dedicated practice focused on public-sector entities across the state of Texas. It is one of the largest industry practices in the firm, with more than 120 professionals. We perform annual financial audits for more than 150 government agencies each year, from cities to school districts to counties and state agencies.

Among our numerous public-sector audit clients are:

- 37 Texas cities in Texas
- **7 cities** of a size comparable to Richland Hills
- More than 150 government entities overall
- Approximately **100 entities** that receive federal funding sufficient for a single audit
- More than **50 entities** that receive the GFOA award for excellence in financial reporting

Weaver's teams are experienced not only with annual financial audits, but federal and state single audits, CAFR preparation for GFOA recognition, and compliance audits. In addition, we can provide public-sector clients with internal audits (both outsourced and co-sourced), risk assessments, enterprise risk management consulting, business process improvement, IT audits, data analytics and forensic accounting.

Location of Office Performing the Work

Your entire engagement team — from partner to staff — will be based out of our nearby Fort Worth office. In addition, all of Weaver's professionals work collaboratively across locations, so if engagement needs dictate we are able to draw upon additional resources and in-house subject matter advisors.



Benefits to You

Because of Weaver's depth of experience, you will gain:

- A knowledgeable engagement team that can **alert you to pending changes and coach you through them**
- Professionals at every level who **understand government auditing standards** and the special requirements of cities
- **CAFR review by staff who sit on the GFOA Special Review Committee** for the Certificate of Achievement for Excellence in Financial Reporting, including your engagement partner
- Practical guidance to help you **work more efficiently** and ensure accuracy
- **Year-round access** to consultation and advice from well-informed industry leaders
- **Free admission** to Weaver's annual day of continuing professional education designed specifically for our public-sector clients
- **Confidence in the results of your audit**



With this leveraged model, Weaver is able to offer you a customized team that can adjust dynamically and quickly to meet your needs throughout all stages of the audit season. It also enables us to provide an efficient, effective audit with added innovation, thought-leadership and insight.

Weaver's Fort Worth location — its headquarters — offers the full range of CPA services, including assurance and advisory services developed specifically to address the needs of government clients like Richland Hills.

ASSURANCE	ADVISORY	TAX
<p>181+ staff, including 55+ partners, directors and senior managers, many with Big Four backgrounds.</p> <ul style="list-style-type: none"> • Audit, Review & Compilation Services • Employee Benefit Plan Audit Services • Agreed-Upon Procedures & Attest Services • IFRS Assessment & Conversion Services • Peer Review • Public Company Services • SSAE 16/SOC 1, 2 & 3 	<p>110+ staff, including 20+ partners, directors and senior managers with a wide array of industry certifications.</p> <ul style="list-style-type: none"> • Risk Advisory Services • IT Advisory Services • Transaction Advisory Services • Public Company Services • Financial Institutions Consulting • Energy Compliance & Consulting 	<p>185+ staff, 50+ partners, directors and senior managers, many with Big Four backgrounds.</p> <ul style="list-style-type: none"> • Federal Tax Compliance & Planning • International Tax Services • Public Company Services • State & Local Tax Services • Wealth Strategies

Leveraging Technology in the Audit

Weaver has developed numerous tools and techniques that leverage technology to make the audit easier for our clients, more thorough and more efficient. City staff will see the results most directly in our **secure client portal and completely paperless audit**, which allow us to import financial information directly from your accounting system to our audit software.

Everyone on the Weaver audit team is skilled in auditing computerized systems; in addition, depending on the scope and complexity of your particular system and its implementation, the team can call upon one of Weaver's IT Advisory Services professionals to examine **IT controls, security and accuracy**. We will focus on business areas that are mission-critical to the City — areas that may impact your ability to perform financial reporting or continue operations.

During planning or audit fieldwork, we may find it would be helpful to employ "big data" analytics. Weaver Analytics is an internal data analytics team that uses **advanced computerized data-analysis techniques** (primarily ACL) to uncover irregularities that could indicate fraud, persistent or systematic errors and internal control weaknesses. We can also design continuous monitoring strategies to help you maintain vigilance over the long term.

Further details related to how we approach application security, sampling, data analytics, etc., are provided in the Approach section of this proposal (see page 21).



Reprimands

Weaver has never received a reprimand or penalty from the Texas State Board of Public Accountancy.

Other Capabilities

Weaver Analytics

Established four years ago, Weaver Analytics is an internal data analytics team that uses advanced computerized data-analysis techniques to uncover irregularities that could indicate fraud, persistent or systematic errors and internal control weaknesses. We can also design continuous monitoring strategies to help you maintain vigilance over the long term. Weaver Analytics plays an important role in services including enterprise risk management, internal audit, financial and compliance audit, and forensics and litigation support.

Technical Assistance and Education Offered Our Clients

Your engagement partner and team remain available to you throughout the year to answer questions. We also provide timely technical updates and consultation to ensure that you have the guidance and services necessary to help meet your changing needs over time.

Weaver routinely offers half-day to full-day continuing professional education (CPE) classes to targeted sectors of our client base, including governmental entities. These classes are led by the dedicated, industry-specific, professionals within our firm. We offer them at no cost to you; these opportunities are part of our commitment to add value to the audit. Weaver is a registered provider of CPE to the Texas Society of CPAs and these classes count as CPE hours for Texas-licensed CPAs.



Experience Auditing Governmental Entities



Weaver has more than 65 years of experience serving the public sector, including nonprofits, municipalities, regional governments, counties, state agencies, school districts and colleges. Public-sector clients have been among the most important to the growth of our firm since its founding in 1950.

Our public-sector group currently audits more than 150 governmental entities, giving us a large team of professionals who are deeply familiar with the operational nuances of federal grant compliance, single audits and the most esoteric requirements of government auditing.

Types of audits include annual financial audits, federal and state single audits, CAFR preparation for GFOA recognition, grant compliance and third-party grant compliance audits, internal audits (both outsourced and co-sourced), risk assessments and enterprise risk management, business process improvement, IT audits and forensic accounting. Project sizes range from small cities with populations of 1,00–10,000 people to Dallas Independent School District, the second-largest school district in Texas and fourth-largest in the nation. Weaver has established a particular niche with smaller North Texas suburbs like Richland Hills.

We are proud of our high standards and quality work product, as well as our ability to maintain excellent communication with our clients and stay on schedule. Our team is recognized for their insight and ability to effectively conduct both complex and relatively straightforward audits. We believe that no other firm can match Weaver's combination of expertise and capabilities in providing audit services to governmental entities.



Professional Affiliations

Weaver professionals are leaders in most of the prominent accounting organizations across the United States, such as these:

- American Institute of Certified Public Accountants
- Texas State Board of Public Accountancy
- Texas Society of CPAs (TSCPA)
- TSCPA Leadership Development Program
- Government Finance Officers Association (national and Texas organizations)
- AICPA Information Management and Technology Assurance (IMTA) Executive Committee
- IT Audit Task Force of the AICPA IMTA Executive Committee
- Service Organization Controls Task Force of the AICPA IMTA Executive Committee
- Institute of Internal Auditors
- Information Systems Audit and Control Association (ISACA)
- U.S. Financial Institutions Committee, Baker Tilly

With such extensive knowledge and involvement, our professionals are regularly asked to publish and present on a full spectrum of accounting topics. For example, Weaver has been asked to present classes and sessions by such organizations as the Institute of Internal Auditors, ISACA, McCombs School of Business and the Texas State Auditor's Office itself.

Leadership in the Profession

These are some of the individual leadership roles held by Weaver professionals:

- **Jerry Gaither** has served on the Special Review Committee of the Government Finance Officers Association (GFOA) for more than 30 years, longer than anyone else in the GFOA; he was also a member of the Technical Issues Committee of the AICPA as liaison to the Governmental Accounting Standards Board (2004–2007)
- **Terry Ford**, audit partner, is a member of the AICPA National Peer Review Committee, where he evaluates member firms across the nation (2010 – present)
- **Larry Edgerton** is a current member of the AICPA Tax Division and a former member of the AICPA Council (2003–2009); he was chair of the TSCPA in 2005–2006; served on the TSBPA Qualifications Committee in 2002–2003 and its Technical Standards Review Committee in 2003–2004
- **Rance Buss**, audit partner, is a member of the AICPA Employee Benefit Plan Audit Quality Center executive committee; he previously served on the AICPA 403(b) Plan Special Task Force
- **Gary McIntosh** is a lifetime member of the Board of Directors, TSCPA, as well as a former chairman; a current member of the Uniform Accountancy Act Committee, AICPA, and past co-chair of the joint committee between AICPA and NASBA; an advisory member of



the TSBPA Rules Committee and Legislative Advisory Committee, both for more than 20 years; and served for 11 years on the AICPA Council, including three years on its Board of Directors (2008–2011)

- **Alyssa Martin** is an audit committee and board member for TSCPA and a trustee for its Accounting Education Foundation
- **Greg Bailes**, audit partner, was a member of the Texas State Board of Public Accountancy (TSBPA) from 2005–2011, serving as its presiding officer in 2010–2011. He has also served on the State Board Relevance and Effectiveness Committee of the National Association of State Boards of Accountancy (NASBA), 2009–2011
- **David Duree**, audit partner, was Southwest Regional Director and audit committee chair of NASBA (2009-2010); a past member of the AICPA Auditing Standards Board (2009-2012) who served on numerous committees, including chairing the audit quality task force; and a member of the TSBPA from 2002–2009, including a term as chair in 2008–2009; since 2012, he has served on the NASBA regulatory compliance committee

GFOA and CAFR Experience

Weaver is the auditor of more than 50 entities who have received the GFOA Certificate of Achievement in each of the past two years. We are experienced with the reporting requirements of the GFOA and have the knowledge and experience to assist with reporting under these requirements.

Ten Weaver staff members currently serve on the Special Review Committee of the GFOA that evaluates CAFRs for eligibility with Certificate of Achievement Program requirements. At least one of them will review prior-year GFOA comments and the City's CAFR for compliance with GFOA requirements and standards.

- 50+ entities currently receiving the GFOA Certificate of Achievement
- 10 members on the GFOA Special
- Two members of the SRC on the engagement team for the City





External Quality Control Review

Weaver has been a member of the AICPA Center for Audit Quality and the Government Audit Quality Center since its inception in 2007. Membership in these organizations is voluntary and requires a commitment to the highest standards of professional practice. Every three years, the firm engages an independent accounting firm to determine if our quality control policies and procedures are suitably designed, and if our techniques for implementing these policies and procedures comply with professional standards.

External peer review is designed to give the public additional confidence in the quality of our audit and accounting practice. **Each peer review has included a review of governmental audit engagements, as mandated by AICPA standards and Government Audit Quality Center (GAQC) requirements.**

Weaver has received unmodified reports on every peer review to date. Our latest peer review was conducted in September 2013; Weaver received a pass rating, the highest grade possible.



System Review Report

October 4, 2013

To the Partners of Weaver and Tidwell, L.L.P.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended May 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (Service Organizations Control (SOC) 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. applicable to non-SEC issuers in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Weaver and Tidwell, L.L.P. has received a peer review rating of *pass*.

Eide Bailly LLP

www.eidebailly.com

800 Nicollet Mall, Ste. 1300 | Minneapolis, MN 55402-7033 | T 612.253.8600 | F 612.253.8600 | EDE



Weaver Philosophy and Strengths

Creating value in any engagement starts with open and regular communication — hands-on partner involvement by a leader who communicate on a regular basis. This serves as the solid foundation of every Weaver engagement and sets us apart from other firms.

Throughout the audit — and throughout our entire relationship with you — Weaver will remain in close communication with your management team. **Our philosophy is a “no-surprises” audit.** Therefore, whenever there is a question or a potential issue, we will immediately bring it to your attention, seek your confirmation of the data, and ask about any relevant circumstances.

THE WEAVER DIFFERENCE

INSIGHT: We understand an audit is more than an Auditor’s Report on the financial statements. We go beyond baseline requirements to provide **insightful services and a better overall experience.**

FOCUS: With an emphasis on serving municipalities and hands-on experience with Texas governmental entities of all shapes and sizes, we provide a **focused team of auditors** who require very little ramp-up time and provide an informed, efficient audit **from day one**

COLLABORATION: When you face unusual or complex transactions and situations, we encourage you to bring them to our attention. We can audit transactions throughout the year to **save you time** during the year-end audit and, ultimately, help educate your team along the way.

KNOWLEDGE: Weaver has served Texas government entities for more than 65 years. The depth and breadth of our **municipal experience**, combined with our **extensive local resources** means we are perfectly resourced to serve the City.

CONTINUITY: The City of Richland Hills will benefit from our ability to maintain a **stable team** and hands-on experience with your operations, systems and culture — or to rotate staff from our large team of experienced government auditors, should you wish a fresh perspective. Not only does this improve efficiency, it also enables us to offer recommendations that are relevant to your changing needs and goals over time.

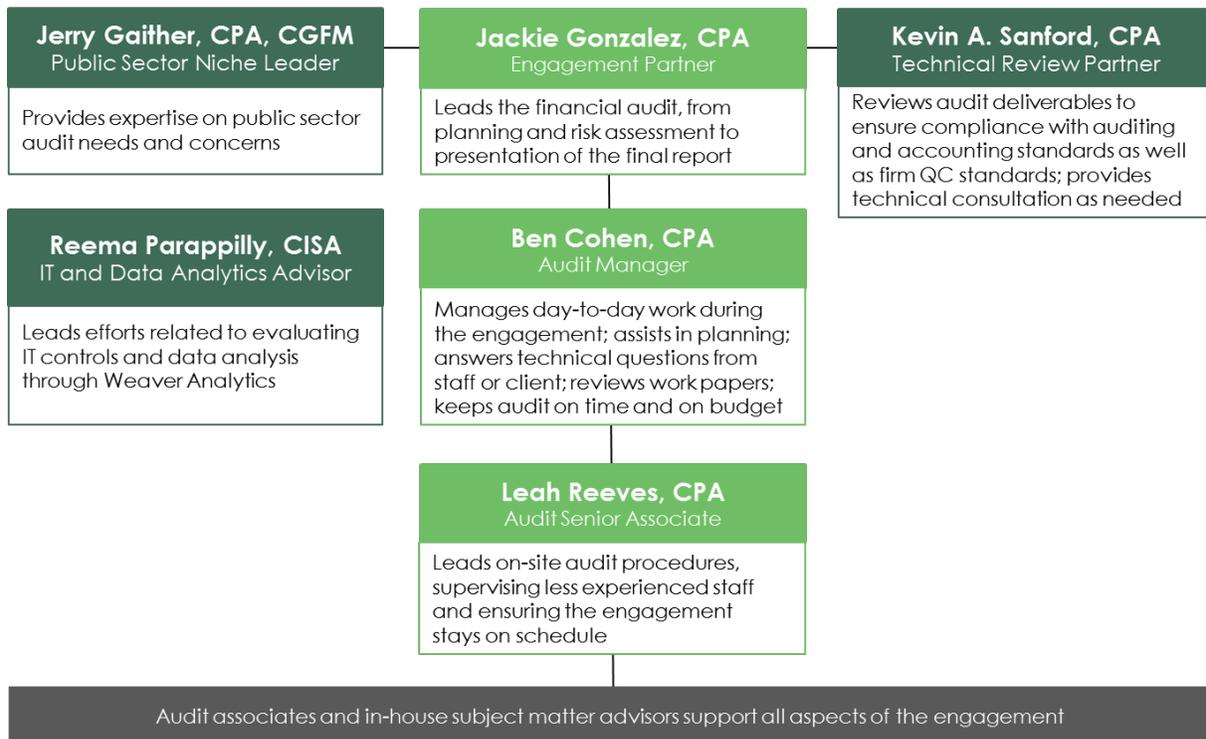


Weaver Qualifications

At Weaver, we continually strive to bring you our best and brightest. Weaver engagement teams are marked by continuity, cross-functional communication, leadership and stability — all important factors for any engagement team to be effective. As mentioned previously, your engagement partner and senior manager remain accessible to you not just during the engagement, but throughout the year.

City of Richland Hills

Engagement Team Organization



Brief descriptions of these staff follow; for detailed resumes, see Appendix A.



Team Leadership

Jackie Gonzalez, CPA | Engagement Partner

Jackie will provide overall management of the engagement, working closely with the City, partner Kevin Sanford and the engagement team to ensure the work is completed efficiently, effectively and on time. With more than a decade of experience in public accounting, Jackie focuses on financial reporting, financial statement audits and governmental regulatory compliance audits. She works with a variety of public agencies, including cities, counties, school districts and nonprofits, helping them comply with new standards such as GASB pronouncements. She has extensive experience and concentration in single audits conducted in accordance with Uniform Guidance for governmental entities, including an entity expending more than \$170 million in federal financial assistance.

Jackie is a CPA holding memberships with the AICPA, GFOA, GFOA Texas and the Fort Worth chapter of the TSCPA, as well as serving on the GFOA Special Review Committee. She also served as the vice chair for the TSCPA Relations with Educational Institutions committee and is a member of the Nonprofit Study Group. She earned a Master of Business Administration and a Bachelor of Business Administration in accounting from Texas Wesleyan University.

Kevin A. Sanford, CPA | Technical Review Partner

Kevin has more than 18 years of experience in public accounting. He has extensive experience providing services for government and nonprofit entities of all sizes, from operating budgets of \$10 million to multi-funded agencies with operating budgets exceeding \$4 billion. In addition, Kevin serves as the partner-in-charge of Weaver's financial services industry practice, serving hedge funds and private equity funds, financial institutions, broker-dealers, educational endowments and trusts, including the Permanent School Fund managed by the Texas Education Agency.

Kevin is a member of the GFOA Special Review Committee and an active member of the Texas Hedge Fund Association. He is also involved with the AICPA and the TSCPA. Kevin graduated *cum laude* with a bachelor's degree in business administration from Texas Christian University.

Jerry Gaither, CPA, CGFM | Partner-in-Charge, Public Sector Services

A Certified Government Financial Manager (CGFM) as well as a CPA, Jerry has more than 38 years of experience leading engagement teams in financial audits for the most complex government entities. In addition, he is responsible for developing Weaver's audit methodologies for financial auditing of government entities including cities, regional governments and public school districts as well as single audits meeting Uniform Guidance requirements.

Jerry has served on the GFOA of Texas for more than 30 years, longer than anyone else in the state. He served on the GFOA Special Review Committee and was formerly a member of the Technical Issues Committee of the AICPA as liaison to GASB. He graduated with a Bachelor of Business Administration in accounting from Texas Christian University.



Ben A. Cohen, CPA | Audit Manager

Ben will manage day-to-day work during the engagement. His focus will be to keep the audit on time and on budget. Ben will assist with planning and coordination between Weaver staff and the City. He will also provide answers to technical questions. As audit manager, he will review work papers.

Ben has seven years of experience with government audits. He has worked on the audits of over a dozen Texas cities, as well as several school districts, counties and other entities and has experience with single audits and preparation and review of CAFR. He is a certified public accountant with a Bachelor of Business Administration in accounting and a Master of Science in accountancy, both from the University of Houston.

Leah Reeves | Audit Senior Associate

Leah has three years of auditing experience, focused on auditing governmental and nonprofit agencies, particularly those who have been awarded federal and state grants subject to a single audit. Leah has helped lead large financial audits for agencies such as the Trinity River Authority as well as numerous city, school and nonprofit audits. She holds both bachelor's and master's degrees in accounting from Texas Christian University.

Reema Parappilly, CISA | IT and Data Analytics Leader

Reema will lead work related to IT risk evaluation and as needed, data analytics. She has more than 10 years of experience leading IT risk assessments and executing IT internal audit plans over performance and capacity management, disaster recovery and data privacy. Her focus includes IT audits, Sarbanes-Oxley Compliance, Service Organization Control (SOC) reporting, and data analytics. She leads compliance engagements, including annual documentation of controls design and testing. Her governmental clients include the City of Houston, Texas Employees Retirement System, City of Bryan, among others.

"Over the past nine years, Weaver positively impacted our financial reporting with many issues including software conversion reconciliation, new GASB requirements, capital improvement projects, research, forensic auditing and others. Their communication and interpersonal skills have developed effective business relationships throughout our organization."

—Diana Ortiz
Chief Financial Officer
City of Grand Prairie



Continuing Professional Education

The firm's CPE policy complies with the revised government auditing standards requirement regarding formal education for professionals responsible for planning, conducting or reporting on government audit engagements.

Specific CPE credits for the past three years for the leaders of the proposed audit team are summarized below:

Auditor	Continuing Professional Education (CPE) Credit Hours (Two Years)	
	Governmental Audit Environment (Yellow Book)	Total Hours
Jackie Gonzalez, CPA	64.0	97.0
Ben Cohen, CPA	99.0	105.0
Leah Reeves	56.0	84.5

Auditor Assignments and Continuity

Weaver makes engagement team continuity a client service priority; we established a formal policy years ago that states that continuity in engagement leadership should be maintained throughout a client relationship unless client interests indicate otherwise. We will not rotate partners or managers unless requested by the City, required by your policy, or required through advancement or promotion of personnel. The depth of our governmental practice ensures you will have experienced professionals from year to year.

Weaver understands that we are committing the individuals described in this proposal to actually perform the City's financial audit. If a change in staff does become necessary, we will provide you with the resume for the proposed substitute and offer the opportunity to interview that person,



Similar Auditing Experience

Weaver audits more top-100 Texas cities than any other firm. Following are engagement details for a few financial audit clients similar to Richland Hills; a comprehensive list of current government clients is provided on the following page — including notations indicating which of those clients routinely receive GFOA Certificates of Achievement for Excellence in Financial Reporting.

Client	Partner	Contact	Scope of Work	Dates	Audit Hours
City of Benbrook	Jackie Gonzalez	Maddie Schwartz Accountant 817.249.3000 mschwartz@cityofbenbrook.com	Annual financial and compliance audits, including single audit	Since 1998	400
City of Saginaw	Bob Loritz	Dolph Johnson Assistant City Manager/Finance Director 817-232-4640 djohnson@ci.saginaw.tx.us	Annual financial and compliance audits, including single audit	Since 1988	350
City of Southlake	Shawn Parker	Sharen Jackson Chief Financial Officer 817.748.8345 sjackson@ci.southlake.tx.us	Annual financial and compliance audits, including single audit. Other engagements include agreed-upon procedures of the Southlake Tennis Center	Since 1997	600
Town of Fairview	John DeBurro	Jason Weeks Chief Financial Officer 972.562.0522 jweeks@fairviewtexas.org	Annual financial and compliance audits, including single audit and GFOA submission	Since 2014	300
Town of Trophy Club	John DeBurro	Steven Glickman Assistant Town Manager/CFO 682.831.4607 sglickman@trophyclub.org	Annual financial and compliance audits, including single audit	Since 2006	400



REPRESENTATIVE GOVERNMENT AND NONPROFIT CLIENTS

Municipalities

City of Allen*/+
 City of Benbrook*
 City of Bryan*/+/#
 City of Cedar Hill#
 City of Cleveland*
 City of Conroe*/+
 City of Corpus Christi#
 City of Dallas#
 City of Denton*/+/#
 City of Euless*/+
 City of Frisco*/+
 City of Garland*/+
 City of Georgetown*/+
 City of Grand Prairie*/+
 City of Hempstead*
 City of Houston#
 City of Irving*/+
 City of Jasper*/+
 City of Killeen*/+
 City of League City*/+
 City of Lewisville*/+
 City of Odessa*/+
 City of Pflugerville*
 City of Rowlett+
 City of Saginaw*
 City of Southlake*/+/#/+
 City of Springtown*
 City of the Colony+
 City of Tomball
 City of Wortham
 City of Wylie/+
 Town of Addison*/+/#/+
 Town of Fairview+
 Town of Little Elm/+
 Town of Pecos City*
 Town of Trophy Club+
 Town of Westlake+

State Entities

Cancer Prevention and Research Institute of Texas#
 Employee Retirement System of Texas#
 Texas Board of Law Examiners
 Texas Council for Developmental Disabilities
 Texas Department of Health and Human Services#
 Texas Department of Insurance#
 Texas General Land Office
 Texas Lottery Commission
 Texas Permanent School Fund
 Texas State Auditor's Office
 Texas Veterans Land Board

Local & Regional Entities

Bethany Special Utility District
 Bryan Texas Utilities
 Central Texas Council of Governments*/+
 Dallas County#
 Dallas County Park Cities Municipal Utility District
 Dallas County Utility and Reclamation District
 Denton County Transit Authority*/+
 East Texas Council of Governments*/+
 Edwards Aquifer Authority*
 Emergency Communication District of Ector Co.
 Fort Worth Transportation Authority*
 Hardin County*
 Houston Galveston Council of Governments#
 Lake Cities Municipal Utility Authority
 Lazy River Improvement District
 MHMR of Tarrant County*
 Midland County
 Midland County TJPC
 Midland County Fresh Water Supply District No. 1
 Monahans Housing Authority*
 Montgomery County*/+
 Montgomery County Hospital District
 North Central Texas Council of Governments*/+/#/+
 North Texas Municipal Water District#
 Odessa Housing Authority*
 Odessa Development Corporation
 Parker County
 Pecos County
 Pecos County TJPC
 Polk County Juvenile Probation Dept. and CSCD
 Reeves County Commissary Funds
 Reeves County TJPC
 Tarrant Appraisal District
 Tarrant County Emergency Services District No. 10
 Tarrant County Tax Collectors Office#
 Tarrant Regional Water District#
 Texas Student Housing Authority
 Trinity River Authority+
 Walker County*/+
 Williamson County */+

Educational Entities

Abilene Christian University#
 Alamo Community Colleges#
 Alvin ISD*
 America Can! Academy
 Austin Community College#
 Burleson ISD*/+
 Cedar Hill ISD*
 Chapel Hill Academy
 College Station ISD*
 Conroe ISD*/+
 Crowley ISD
 Cypress-Fairbanks ISD*/+
 Dallas County Schools+
 Dallas ISD*/+/#
 Del Mar College#
 Dripping Springs ISD*
 East Fort Worth Academy
 Fort Worth ISD*/+/#
 Frisco ISD*/+/#
 Grand Prairie ISD*/+
 Hurst-Euless-Bedford ISD*/+
 Higher Education Servicing Corporation#
 Highland Park ISD*/+
 Irving ISD*/+/#
 Keller ISD*/+
 Klein ISD*/+
 La Porte ISD*/+
 Lamar University
 Laredo ISD */+
 Lee College#
 Mesquite ISD*
 Midland ISD*
 Midland Academy
 Midwestern State University
 Montgomery ISD */+
 North Texas Higher Education Authority
 Northside ISD*/+
 Pasadena ISD*/+
 Pflugerville ISD*/+
 Plano ISD*/+
 Rapaport Academy
 Region 4 Education Service Center*/+
 Region 6 Education Service Center*
 Region 11 Education Service Center#
 Rockwall ISD*
 Stafford MSD*/+
 Tarrant County College District*/+/#
 Texas A&M University#
 Texas Leadership Charter Academy*
 Tomball ISD*/+
 University of Mary Hardin-Baylor *
 Uplift Education*
 Waco ISD*
 Westlake Academy

* Single Audits + Recipient of GFOA Award for Excellence in Financial Reporting # Internal Control and/or IT Audit

Approach to the Audit

Overview of our Approach

Weaver's audit methodology is designed to be collaborative, comprehensive and efficient, with guidance from the engagement partner throughout. We focus on identifying potential risks that could lead to material misstatement of the basic financial statements, and tailor our audit accordingly.

When we evaluate risks, we focus not only on understanding your operations and accounting processes, but also on examining your internal control systems and the capabilities of your personnel. We also take time to properly identify major programs for single audit purposes, when appropriate, so that the audit meets requirements without wasting your time or money.

Transition: Making it Easy on City Personnel

Weaver's goal is to make the transition process seamless and efficient. Current auditing standards require us to get certain information from the previous auditor before accepting a new engagement. Once those inquiries are finished, we will coordinate the work paper review as quickly as possible and begin the planning stages of the audit, with the goal of a timely understanding of your controls and processes. This understanding enables us to tailor our request list accordingly, and ensures that we are only requesting information that has a direct impact on your financial processes.

Our objective is to allocate only those tasks to you that will result in the greatest cost-efficiency overall. Whenever possible, we attempt to minimize the audit's impact on your staff by using the information your management already prepares and uses regularly. Weaver can accept electronic data from virtually every accounting system on the market, which reduces the time required by your personnel to send us necessary information.

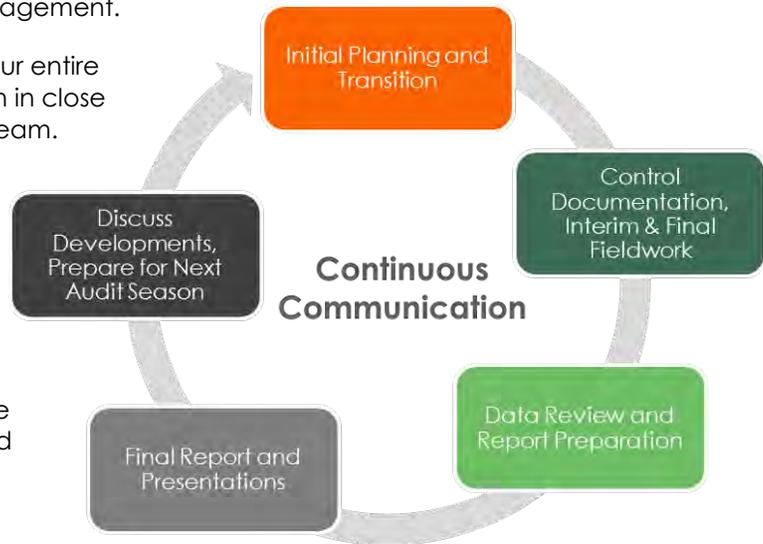
Weaver's entirely paperless audit and secure client portal also make the transition and data transfer easy on City staff and management. We designed these procedures specifically to minimize such burdens on our clients.

Communication, Technical Assistance and Advice

Creating value in any engagement starts with open and regular communication — hands-on partner involvement by leaders who communicate on a regular basis. This serves as the ever-valuable foundation in every Weaver engagement.

Throughout the audit — and throughout our entire relationship with you — Weaver will remain in close communication with your management team. Our philosophy is a “no-surprises” audit. Therefore, whenever there is a question or a potential issue, we will immediately bring it to your attention, seek your confirmation of the data, and ask about any relevant circumstances. We will also meet with you on a regular basis to:

- Facilitate a constructive exchange about work in progress and related issues
- Provide technical updates and discuss how they affect the organization
- Learn about changes in your forward-looking strategies as we look to the next season
- Understand your overall satisfaction to date



Meetings will include, at a minimum, entrance conferences with the Finance Director or other appropriate City personnel; regular progress conferences with the Finance Director and department personnel; a conference at the beginning of year-end fieldwork; an exit conference with the Finance Director and department personnel to discuss significant findings and the draft reports; and an exit conference with the Finance Director to present the final CAFR and management letter.

Phase-by-Phase Audit Approach

An overview of the key segments of our methodology is provided below. The timing indicated is based on our current understanding of your preferred schedule. We will adjust the timing as necessary to accommodate your evolving needs.

We are committed to meeting your timelines and engagement objectives; we take our commitment to you seriously and will work diligently to meet or exceed the scheduled deadlines. We will schedule our fieldwork to minimize disruption to the ongoing finance operations while adhering to your deadlines and participating in conferences as requested.

	Key Activities	Purpose	Timing
 <p>Planning & Risk Assessment</p>	<ul style="list-style-type: none"> Set a mutually agreeable schedule Review previous audit reports Identify significant transaction cycles Identify major programs for single audit (as needed) Identify areas of higher risk Request schedules for fieldwork 	<ul style="list-style-type: none"> Establish an audit structure that allocates both client and firm efforts appropriately Transition from previous auditor efficiently Provide sufficient lead time for client-provided schedules Identify and assess risks for efficient fieldwork 	PBC list no later than August 31
 <p>Control Documentation & Preliminary Fieldwork</p>	<ul style="list-style-type: none"> Prepare preliminary audit schedules Assess internal controls over significant transaction classifications Test financial accounting controls over selected transaction classifications Test controls over compliance with major program requirements for single audit, as required 	<ul style="list-style-type: none"> Confirm the effectiveness of controls and make suggestions for improvement Identify risks based on internal control processes Create a refined, tightly focused, detailed audit plan 	September
 <p>Final Fieldwork</p>	<ul style="list-style-type: none"> Prepare audit work papers Perform substantive testing and data analysis of financial statement balances Accumulate financial statement disclosure information 	<ul style="list-style-type: none"> Ensure financial statements are appropriately stated Uncover data discrepancies that could indicate errors or irregularities 	December
 <p>Financial Review & Quality Control</p>	<ul style="list-style-type: none"> Perform final analytical reviews Review results and conclusions Perform quality-assurance review Discuss preliminary report and recommendations with management 	<ul style="list-style-type: none"> Establish the accuracy and thoroughness of the audit Ensure that management has a clear understanding of any issues or recommendations for improvement 	January
 <p>Reporting</p>	<ul style="list-style-type: none"> Prepare final reports, management letter and presentation Deliver final reports Make presentations to appropriate stakeholders as requested 	<ul style="list-style-type: none"> Ensure that appropriate stakeholders have a clear understanding of the audit results and recommendations Instill confidence in the public regarding the organization's financial practices and reports 	Deliver final reports: February 15 Council Presentation: February 21

Phase 1: Planning & Risk Assessment

During the planning phase, we will meet with you to learn more about your operations and processes, find out your preferences, ask for the reports and data we will need, and set milestones and deadlines. We will also review prior-year work papers and financial statements, identify potential risks and calculate a preliminary estimate of materiality.

When learning about your operations, we will consider aspects that could affect our audit scope and approach, such as your organizational structure; governing laws and regulations; the annual budget, including sources of revenue; number of employees; and any significant events during the past year that might have affected your financial processes.

During this phase, we will develop the following key parameters and plans for the audit, including:

- Audit objectives
- Staffing and responsibilities, including manager and partner supervision
- Application of analytical procedures
- Schedules and hour budgets by audit area
- Materiality levels used for planning
- A risk assessment of internal controls

As part of audit planning, we will discuss with you the schedules the City has typically provided to its auditors (the “provided by client” or PBC list), evaluating whether those are the best, most efficient documents to produce. You will receive a final list of requested documents and schedules by August 31st.

Phase 2: Control Documentation & Preliminary Fieldwork

An “internal control” is any process you institute to make your operations more effective, to comply with regulations, to improve the reliability of your financial reports, or to reduce the risk of fraud or other loss. In Phase 2, we will examine your internal controls to make sure they are properly designed and functioning as intended.

Approach to Documenting Internal Control Structure

As an integral part of our audit planning, we will obtain an understanding of all significant transaction internal control cycles, operations and accounting processes. This in-depth understanding of the City’s operations and accounting processes will assist us in performing a more thorough, efficient and effective audit as well as enabling us to be in a better position to make value-added management comments. We will obtain an understanding of the City’s internal controls related to the control environment, risk assessment, control activities, information and communication and monitoring. The better we understand your organization, the more helpful our management comments and recommendations will be.

This will be accomplished by:

- Reviewing controls and determining whether they have been placed in operation for all significant financial internal control transaction cycles
- Assessing the materiality of the various account balances and transaction classes
- Evaluating the risk factors that could affect the scope of testing

Approach to Determining Laws and Regulations Subject to Testing

In the course of planning the engagement, we will obtain an understanding of the effects of laws and regulations that have a direct and material effect on the determination of amounts in the financial statements. These steps will be taken to determine laws and regulations subject to audit tests:

- Discuss applicable laws and regulations with City representatives and legal counsel, if indicated
- Utilize information from prior-year work papers
- Review certain grants and contracts
- Obtain written representations from management

Assessment of IT System Controls

Due to the anticipated size and scope of the City's information technology function, we will use Weaver's IT Advisory group to assist with the audit.

Weaver has significant experience providing auditing and advisory services related to major financial and business systems. Our procedures for evaluating the security and integrity of information systems typically include procedures to validate system settings and user authorizations.

A well-thought-out, scalable design of IT general and system controls at the process, transaction or application level is vital to an effective system of control. We will focus on business areas that are mission-critical — areas that may impact your ability to perform financial reporting or continue operations.

An overview of your critical business applications is necessary to complete the evaluation of the application controls, data integrity and security.

While we utilize a variety of frameworks and standards in conducting specific IT application and security audits, Control Objectives for Information and Related Technology (COBIT) provides us with a comprehensive approach and methodology underlying all of our IT audit engagements and allows us to focus on the specific requirements. We apply the COBIT framework in planning, executing and reporting the results of our IT related services.



Use of Technology in the Audit

Weaver uses cutting-edge electronic technology to improve our efficiency throughout the audit process. We were one of the first CPA firms to adopt the paperless environment. Now, over years of practice, we have organized our system to create the most efficient workflow. Our audit file software, CCH engagement, is used to store, share, review and track all items related to the engagement.

As our client, you will have access to a portal system to exchange files — no matter how large — in a secure environment. Our portal allows both our team and yours to store files for instant, secure access, creating a virtual network where the audit team can collaborate with you.

Weaver auditors also leverage instant messaging and screen-sharing tools among the team, which enables team members to look at documents together or review findings no matter where they are physically working.

Audit Sampling

The nature and size of the City's operations will require us to design procedures to include sampling applications. All sampling will be performed in accordance with AU Section 530 and the AICPA audit guide, "Audit Sampling." Sampling applications may used for these areas:

- Tests of accounting controls
- Tests of controls over compliance and compliance with requirements of major federal programs
- Substantive tests of account-balance details

The determination of tests of controls for transaction cycles will be determined by our evaluation of the design and effectiveness of your accounting controls. Our approach to tests of accounting controls will use tolerable rates of deviation and a 90 percent confidence level. The number of transactions tested will ultimately be determined by our expected rates of deviation and our control risk assessment.

Typically, for a governmental entity of your size, a sample may include 40–90 individual transactions per transaction cycle, depending on the nature of the controls. The specific items to be tested will be chosen randomly, haphazardly or judgmentally. We typically combine samples selected with the results of procedures performed by Weaver's data analytics team that analyze attributes of a population to isolate unusual results to achieve a dual-purpose result to the testing.

Substantive Tests of Account-Balance Detail

The size of samples cannot be determined in advance for substantive tests of details of account balances. Weaver uses a nonstatistical sampling approach based on statistical theory, as widely used throughout the audit profession. This methodology uses the concepts of tolerable misstatement, risk of material misstatement, other substantive procedure risk, individually significant transactions and account balance in determining the sample size.

Phase 3: Final Fieldwork

After you complete the year-end closing of accounts, our team will begin final fieldwork. This is the time when we perform most of the substantive tests on your data and prepare our audit work papers. During this time, the auditors will:

- Perform audit tests and complete preparation of audit work papers
- Complete audit programs, procedures and conclusions
- Discuss audit findings and adjusting entries with your in-house auditor or management
- Obtain attorney letters

Throughout this phase — and throughout our entire relationship with you — Weaver will remain in close communication with your management. Our goal is a "no-surprises" audit. Therefore, whenever there is a question or a potential issue, we will immediately bring it to your attention, seek your confirmation of the data, and ask about any relevant circumstances.

Substantive Procedures

Weaver determines the audit approach and the specific procedures performed for various financial statement accounts and transactions (e.g., cash and investments, long-term debt, etc.) based on our experience with similar entities. We tailor these procedures to your specific accounting system and controls in order to perform the audit thoroughly and efficiently.

The financial objectives of these procedures are to provide reasonable assurance that you will be able to accurately process, summarize and report financial data consistent with management's assertions. Those assertions cover classes of transactions, year-end account balances, and presentation and disclosure of financial data.

Analytical Procedures

During your audit, we examine more than pieces of data in isolation. We also analyze the interrelationships of financial and nonfinancial data. Our extensive use of analytical procedures offers a natural extension to the process of understanding City operations. As we develop this understanding, we determine what ratios, relationships, and internal or external data management tools will be useful in identifying and monitoring risks.

The exact analytical procedures performed for the City will be determined during the planning process, after we have examined your accounting systems and operations. Common procedures include trend analysis, ratio analysis, and predictive or "reasonableness" tests.

For example, depending on the specifics of your data and processes, we may:

- Compare financial information with comparable prior periods, taking into account any known or expected changes. For example, we will compare revenues and expenditures with comparable previous periods and balances, looking for unexpected variations
- Compare actual with anticipated results (for example, budget-versus-actual comparison of revenues and expenditures)
- Evaluate relationships among different elements within the period, such as receivables in relation to billings, or revenues in relation to costs
- Analyze financial information in light of relevant nonfinancial information (growth, political changes, new regulatory requirements, etc.)

Weaver typically pursues analytic procedures at depth in these areas:

- Property tax revenues and receivables
- Utility revenues and receivables
- Licenses, permits and fees
- Fines and forfeits
- Customer deposits
- Salaries and benefits
- Depreciation
- Revenues and expenditures

Any unexpected variations are researched for explanations, and then corroborated by reviewing supporting information.

The Power of “Big Data” in the Audit

If determine during planning or during the audit itself that it would be helpful, , Weaver can all upon its in-house Weaver Analytics practice group. This group can look at 100% of selected data sets — for example, payments made to vendors — and perform powerful automated analyses to identify potential issues for closer examination.

These data-analysis techniques to provide summarized descriptive data or to uncover irregularities that could indicate fraud, persistent or systematic errors or internal control weaknesses. The team participates in more than 100 engagements every year to allow audit and advisory engagement teams to dig deeper by reviewing all of the data available for targeted processes.

Using Analytics Results

Data analysis is the first step; the results then require review and investigation to determine whether the highlighted data are false positives or need to be acted on.

Our *descriptive analytics* provide the summarized reportable data for your review; while *outlier analytics* provide the records/transactions that require additional investigation. Information is presented graphically when that presentation makes it easier to understand the trends and impacts being described.

Phase 4: Financial Review and Quality Control

Weaver has built multi-layered quality assurance processes into its audit methodology. These layers give us repeated opportunities to check each other's work; they also ensure that the engagement partner and technical review partner are closely involved with your audit.

During fieldwork and once complete, the engagement partner will review the entire engagement, with particular attention to significant audit areas. In addition, the draft report and work papers will be reviewed by the technical review partner, to determine the completeness with which the engagement has been performed. The technical review partner will determine whether judgments made by others are reasonable in relation to the supporting data and to GAAP, auditing standards, government auditing standards and firm policy.

We discuss and confirm our findings with appropriate City staff whenever we discover an area of potential concern. In addition, we will review draft findings and recommendations with you throughout the engagement. At the reporting stage, there should be no surprises.

Review and quality control tasks include:

- Engagement partner review of all work papers to ensure compliance with technical standards
- Technical review of all work papers
- Performing any final analytical procedures
- A client conference to review financial statements, the auditor's opinion and preliminary management letter comments
- Obtaining written representations from management

Phase 5: Reporting

Throughout the audit, if we become aware of irregularities or illegal acts, we will make an immediate, written report of those acts to City management.

After our internal reviews have confirmed that the audit is accurate and complete, you have reviewed the draft reports, and we have incorporated your management responses and related information, Weaver will issue the final audit documents:

- A report on the fair presentation of the financial statements in conformity with U.S. GAAP
- A report on compliance for each major federal program and report on internal control over compliance in accordance with the Uniform Guidance, when applicable
- A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*
- A management letter, if necessary

Our final reports on compliance and internal controls will detail any "significant deficiencies" in internal control (as defined by GAGAS) found during the audit. Significant deficiencies that are also material weaknesses will be identified as such in the report. Lesser deficiencies will be reported in a separate letter to management.

Weaver will present our findings to the parties you designate. At that time, we will explain our findings, present practical recommendations for improvement (if needed), and answer your questions. The engagement partner and audit manager will also bring these reports to meetings as requested, including audit committees, the governing board, or managers and administrators. This provides your leaders with the opportunity to ask questions directly and enables us to explain our recommendations and any unusual findings. After the end of the engagement, your engagement partner and manager will remain accessible to answer your questions and help you prepare for the next audit.

We will ensure the audit committee and City Council are informed of the following information, as well as any other items required by audit standards:

1. The auditor's responsibility under GAAS and *Government Auditing Standards*
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit
10. Auditor's judgments about accounting principles
11. Material written communications
12. Independence-related relationships between the firm and the City
13. Confirmation of audit independence

Weaver will address the audit reports to the Honorable Mayor, City Council and City Manager, City of Richland Hills, Texas. Electronic copies will be provided with all reports.

Utilization of Richland Hills Personnel

We recognize that the City's finance staff is in charge of the finances of a multimillion-dollar enterprise; our objective is to allocate to you only those tasks that will result in the greatest cost-efficiency overall.

For any and all requests for information, we will give your staff adequate lead time for their preparation. We will deliver a request list for our interim fieldwork no later than August 31st. When we conclude our interim fieldwork in your office, we will deliver a tailored list of schedules for final fieldwork that is unique to the City based on our understanding of controls and operations developed during the interim fieldwork. This list will likely be provided two or three months before the start of final fieldwork.

Compensation

Weaver prides itself on offering the capabilities of a much larger firm without the associated expense. With our streamlined operations, we can provide the knowledge and experience you need, combined with a personal touch and individual attention. One of the most important factors in Weaver's ability to perform cost-efficient services is our function-specific approach. Weaver can field a team with specialized experience at every level. As a result, we can apply staff time at the most cost-effective levels and rates.

Our Investment in the Engagement

The rates and fees shown on the following pages are all-inclusive: Weaver does not charge for out-of-pocket expenses, printing, report production, etc. Additionally, routine meetings and accounting advice in the ordinary course of business are considered part of our role as your business partner and are not charged as a separate fee. In fact, we encourage you to contact us throughout the engagement — and throughout the year — with routine questions.

We also will not bill you for the time spent during the first year to enhance our understanding of the nuances of your operations and to develop programs and document internal controls. We see this as an investment in continuing our long-term relationship with you.

Should it become necessary to change the existing scope of the engagement — either to supplement the services requested or to perform additional work as a result of recommendations made during the audit — we will discuss project details with you and agree upon a pricing structure before commencing additional services.

Determining Fees

Although hourly rates are a convenient measure of effort and therefore costs, Weaver considers many factors to arrive at a fair and competitive fee. Such factors include the timing of the work, availability of professionals with suitable experience, associated risk factors, characteristics of the prospective client and its operations and our interest in working with that client. The fee proposal offered here was developed with all of these factors in mind.

Itemized Annual Audit Fee

Staff Level	Hours*	Standard Hourly Rate	Discounted Hourly Rate for the City	Total
Partner	25	\$430	\$270	\$ 6,750
Senior Manager	40	\$315	\$210	8,000
Senior Associate(s)	130	\$175–195	\$110	14,300
Associate(s)	90	\$125–155	\$100	9,000
All-Inclusive, Maximum Price for 2016 Audit				\$38,050.00
All-Inclusive, Maximum Price for 2017 Audit				\$39,000
All-Inclusive, Maximum Price for 2018 Audit				\$40,000

**Hours are expected to remain consistent for all three years; Weaver does not charge for first-year hours to learn about your operations and preferences.*

Appendix A: Engagement Team Resumes

Jackie Gonzalez, CPA

Partner, Assurance Services

Professional Experience

- More than 12 years of experience in public accounting
- Practice emphasis in auditing and consulting for municipalities, school districts, state agencies, nonprofits and other public-sector entities
- Frequent speaker at governmental and related CPE events for the Government Finance Officers Association of Texas (GFOAT), the Texas Society of CPAs (TSCPA) and firm-offered events
- Auditor of a variety of government agencies, including cities, school districts and counties; experienced in single audits under both federal and Texas state guidelines and preparation of comprehensive annual financial reports (CAFRs) for submission to the Government Finance Officers Association (GFOA)
- Leads the audits for a variety of Texas governments with many different funding sources, including the highway planning and construction – pass thru toll agreement program
- Leads the annual audit for one of the top 10 largest school districts in Texas; this district regularly receives the top rating in the Comptroller's FIRST rating system as well as the GFOA Excellence in Financial Reporting recognition
- Extensive experience and concentration in single audits conducted in accordance with Uniform Guidance, including an entity expending more than \$170 million in federal financial assistance

Representative Client Experience

- Burleson ISD
- Fort Worth ISD
- Grand Prairie ISD
- Keller ISD
- Education Service Center, Region 11
- City of Benbrook
- City of Aledo
- Town of Westlake
- Parker County
- Midland County
- Dallas County Schools
- MHMR of Tarrant County
- Child Care Associates
- Boys & Girls Club of Greater Fort Worth
- United Way of Tarrant County
- Odessa Housing Authority
- Legal Aid of Northwest Texas
- Fort Worth Transportation Authority

Professional Involvement and Recognition

- Member, Texas Society of Certified Public Accountants (TSCPA), Fort Worth chapter
- Member, American Institute of Certified Public Accountants (AICPA)
- Associate Member, Government Finance Officers Association
- Associate Member, Government Finance Officers Association of Texas
- Member, Government Finance Officers Association (GFOA) Special Review Committee
- Past Vice Chair, TSCPA Fort Worth Chapter's Relations with Educational Institutions Committee
- Member, CPAs Leadership Program, Fort Worth Chapter of TSCPA
- Member, Not-for-Profit Study Group, Fort Worth Chapter of TSCPA

Jackie Gonzalez, continued

Recent Publications and Presentations

- "Statement of Functional Expenses: GAAP vs. Tax, Not-for-Profit Study Group of the Fort Chapter of TSCPA, January 2016
- "Single Audit: Recent Changes and Preparation Tips," Weaver CPE, 2015
- "Common Financial Reporting Issues for Texas Local Governments," Weaver CPE, 2014
- "GASB Update," Weaver CPE, 2013
- "Single Audit for Non-Profits," Fort Worth Chapter TSCPA Nonprofit Study Group, July 2012
- "Understanding a Risk-based Audit Approach," TSCPA School District Conference, June 2012
- "From the Big Picture to the Small Details: Financial Reporting Techniques," GFOAT Conference, 2011

Education and Certifications

- Certified Public Accountant, Texas
- Master of Business Administration, accounting, Texas Wesleyan University
- Bachelor of Business Administration, accounting, Texas Wesleyan University
- Currently meets continuing professional education required by generally accepted government auditing standards and Texas State Board of Public Accountancy

Kevin A. Sanford, CPA

Partner, Assurance Services

Professional Experience

- More than 18 years of experience in public accounting, all with Weaver
- Practice emphasis in auditing and consulting for municipalities, school districts, state agencies, nonprofits and other public-sector entities
- Frequent speaker at governmental and related CPE events for the Texas Association of School Business Officials (TASBO), the Texas Society of CPAs (TSCPAs) and firm-offered events
- Auditor of government agencies with balance sheets exceeding \$25 billion; experienced in single audits under both federal and Texas state guidelines and preparation of comprehensive annual financial reports (CAFRs) for submission to the Government Finance Officers Association (GFOA)
- Experience consulting on governmental investment funds with up to \$30 billion in assets, such as the Permanent School Fund, including preparing statements for audit by the State Auditor's Office (SAO), evaluating complex and nonroutine alternative investments such as real estate and foreign currency transactions, and performing internal control reviews over alternative assets

Professional Involvement and Recognition

- Member, Texas Society of Certified Public Accountants (TSCPA)
- Member, American Institute of Certified Public Accountants (AICPA)
- Associate Member, Government Finance Officers Association (GFOA)
- Member, Special Review Committee, GFOA

Representative Government Experience

- City of Bryan
- City of Friendswood
- City of Galveston
- City of Tomball
- Parker County
- Williamson County
- Fort Worth Independent School District
- Northside Independent School District
- Conroe Independent School District
- Burleson Independent School District
- Crowley Independent School District
- La Porte Independent School District
- Montgomery Independent School District
- Educational Service Center, Region 4
- Travis Central Appraisal District
- North Texas Higher Education Authority
- Texas Permanent School Fund
- Texas Employees Retirement System

Presentations and Publications

- "Common Issues in Governmental Audits," Texas Municipal League, April 2015
- "GASB Update," GFOA Texas (GFOAT), August 2014
- "Single Audit 2015 and Beyond," Weaver CPE, June 2014
- "Accounting for Cost-Sharing Pensions under GASB 68," TASBO webinar, April 2014

Education and Certifications

- Certified Public Accountant, Texas
- Bachelor of Business Administration, accounting, Texas Christian University, cum laude
- Currently meets continuing professional education required by generally accepted government auditing standards and Texas State Board of Public Accountancy

Jerry L. Gaither, CPA, CGFM

Partner-in-Charge, Public Sector Services

Partner, Assurance Services

Professional Experience

- More than 38 years of public accounting experience
- Extensive experience in the government and nonprofit industries providing financial audits, risk advisory services, forensic and litigation accounting support and consulting
- Directs Weaver's strategic plans for the public sector practice, including the development of staff training, audit methodology and market development
- Develops Weaver's audit methodologies for financial auditing of government entities including cities, regional governments and public school districts, providing single audits meeting the requirements of the U.S. Office of Management and Budget (OMB) A-133/Uniform Grant Guidance
- Engagement partner for four of the 25 largest Texas cities and three of the 15 largest Texas school districts
- Serves as audit engagement partner for numerous school districts, including the second-largest district in Texas, with total assets up to \$3.5 billion and total revenues up to \$1.4 billion
- Serves as audit engagement partner for governmental entities with government wide assets exceeding \$3 billion and government wide revenues exceeding \$1 billion

Representative Client Experience

- | | | |
|---------------------------------|-------------------------|--|
| ▪ Birdville ISD | ▪ City of Allen | ▪ City of Rowlett |
| ▪ Carrollton-Farmers Branch ISD | ▪ City of Denton | ▪ Town of Addison |
| ▪ Dallas ISD | ▪ City of Duncanville | ▪ Town of Highland Park |
| ▪ Fort Worth ISD | ▪ City of Garland | ▪ Town of Westlake |
| ▪ Highland Park ISD | ▪ City of Grand Prairie | ▪ North Central Texas Council of Governments |
| ▪ Hurst-Euless-Bedford ISD | ▪ City of Greenville | ▪ Central Texas Council of Governments |
| ▪ Irving ISD | ▪ City of Irving | ▪ Texas Municipal Power Agency |
| ▪ Lewisville ISD | ▪ City of Lancaster | |
| ▪ Mesquite ISD | ▪ City of Lewisville | |
| ▪ Plano ISD | ▪ City of McKinney | |
| | ▪ City of Rockwall | |

Professional Involvement and Recognition

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, Texas Society of Certified Public Accountants (TSCPA), Dallas chapter
- Member, Association of Government Accountants (AGA)
- Member, AICPA Government Audit Quality Center (GAQC)
- Member, Special Review Committee, Government Finance Officers Association of Texas
- Associate Member, Association of School Business Officials, Former member, Panel of Review
- Former Member, Technical Issues Committee to AICPA as a liaison to the Government Accounting Standards Board

Education and Certifications

- Certified Public Accountant, Texas
- Certified Government Financial Manager, AGA
- Bachelor of Business Administration, accounting, Texas Christian University
- Currently meets continuing professional education required by generally accepted government auditing standards and Texas State Board of Public Accountancy

Ben A. Cohen, CPA
Manager, Assurance Services

Professional Experience

- Seven years of experience in public accounting
- Practice emphasis in accounting and auditing for a wide array government and nonprofit entities including cities, independent school districts, counties and other entities
- Plans and performs audits in accordance with generally accepted auditing standards (GAAS), generally accepted government auditing standards (GAGAS) and with the Single Audit Act and Uniform Guidance, where applicable
- Supervises and reviews the work of engagement team staff
- Reviews and helps to prepare financial statements to receive Comprehensive Annual Financial Reporting (CAFR) Certification from the Government Finance Officers Association (GFOA) and/or meet regulatory requirements
- Ensures that financial reporting deadlines from regulatory agencies are achieved
- Advises clients on accounting adjustments
- Performs special attestation procedures on emergency service personnel payroll (fire fighters and police officers), utility billing services, procurement policies and the municipal court function

Representative Client Experience

Fourteen municipalities
Five independent school districts
Two counties
Nine other public sector clients

Education and Certifications

- Certified Public Accountant, Texas
- Master of Accountancy, University of Houston
- Bachelor of Business Administration, accounting, University of Houston
- Currently meets continuing professional education required by generally accepted government auditing standards and Texas State Board of Public Accountancy

Leah Reeves

Senior Associate I, Assurance Services

Professional Experience

- Three years of experience in public accounting
- Practice emphasis in accounting and auditing for a wide array of governmental entities, nonprofit entities and quasi-governmental entities awarded federal and state grant funds subject to single audit
- Consistently performs and takes ownership of assigned areas, small projects, and small engagements under the supervision of more experienced team members
- Provides assurance on financial statements by analyzing, testing and documenting all work in accordance with the U.S. generally accepted accounting principles (GAAP) for all audit areas
- Develops and maintains excellent working relationships with clients' management and personnel
- Conducts interviews with clients, tests design and effectiveness of internal controls, and performs substantive testing on all major balance sheets and income statement items

Representative Client Experience

- City of Midlothian
- City of Saginaw
- Dallas County Schools
- Burleson Independent School District
- Bethany Special Utility District
- Boys and Girls Club of Greater Fort Worth
- Lena Pope Home
- Tech Fort Worth
- North Texas Higher Education Authority
- Trinity River Authority

Education and Certifications

- Master of Accounting, Texas Christian University
- Bachelor of Business Administration, accounting and finance, Texas Christian University

Reema Parappilly, CISA

Senior Manager, IT Advisory Services

Professional Experience

- More than 10 years of experience in IT advisory services
- Manages engagements related to meeting regulatory compliance or industry standards: Sarbanes-Oxley (SOX) Compliance; Service Organization Controls (SOC) 1, 2 and 3; PCAOB Audits, Model Audit Rule (MAR); and HIPAA
- Leads Weaver Analytics team, who performs advisory analytic engagements and provides support to the firm's financial statement audit engagements
- Executes SOC Reports that address data center hosting and cloud services, software as a service (SaaS), accounts receivable recovery, third-party administration and billing services
- Manages pre-implementation review of system implementations, which includes monitoring planned general IT controls implementation, and implementation controls including security, data migration and testing
- Performs IT internal audit, IT governance, HIPAA and FFIEC risk assessments
- Executes internal audits including Oracle database administration, web administration, data privacy, vendor master data, application development, web administration, application IT general controls, performance and capacity management, disaster recovery, segregation of duties and vendor audits
- Executes readiness assessments for organizations with plans to IPO and for SOC attestations
- Expertise in internal controls documentation including process narratives, workflows and risk control matrices; identification, classification and impact assessment of IT issues
- Experienced in coordinating with external auditors, internal auditors and other consultants to ensure streamlined approaches to engagements
- Participates in IT and audit community through presentations on cybersecurity and analytics; data analytics; vendor risk management; and replacing accounting software

Representative Client Experience (Public Sector)

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Employee Retirement System of Texas ▪ City of Houston ▪ City of Bryan ▪ City of League City ▪ City of University Park ▪ Texas A&M University – College of Liberal Arts | <ul style="list-style-type: none"> ▪ Texas Lottery Commission ▪ Texas Department of Insurance ▪ Alamo Colleges ▪ Austin Community Colleges ▪ Montgomery ISD ▪ Williamson County |
|---|---|

Professional Involvement and Recognition

- Member, ISACA
- Member, Institute of Internal Auditors (IIA)
- Member, Insurance Accounting and Systems Association(IASA)
- Member, Cloud Security Alliance
- Member, AFCOM International
- Secretary, AFCOM, Greater Houston chapter
- Weaver CEO Action Award, 2014

Reema Parappilly, continued

Presentation and Publications

- "Public Sector: Jumping on the Data Analytics Bandwagon," Weaver Houston Government CPE Day, January 2016
- "Tackling Cybersecurity with Data Analytics Tools" – presented by Reema Parappilly and Brittany George, Dallas IIA Super Conference, October 23, 2015
- "Oil and Gas Industry: Jumping on the Data Analytics Bandwagon," Weaver Midland CPE Day, 2015
- "IT Cloud / Data Security: Vendor Risk Management Associated with Data Security" (with Brian Thomas), Austin IIA, September 2014
- "Tackling Cybersecurity with Data Analytics Tools" (with Brittany George), Austin IIA, September 2014
- "Mobile technologies and their implications for governance, risk, and controls" (with Brian Thomas), for UT Austin course MIS373, Information Technology Audit and Security, November 2013
- "Current Uses and Trends in ACL and Data Mining" (with Marlon Williams), Dallas IIA, January 2013
- "Changing Landscape of IT Regulations for Banking and Healthcare Industry," University of Texas at Austin, Summer 2013
- "Accounting Software & Your Business: Considerations Before Purchasing, Upgrading, or Transitioning Systems" (with Neil Kellen), North San Antonio Chamber of Commerce, June 12, 2013
- "Creating an Application-Based Segregation of Duties Process" (with Brian Thomas), *Oil and Gas Journal*, September 10, 2013

Education and Certifications

- Certified Information Systems Auditor
- Master of Science, Information Systems Technology, George Washington University
- Bachelor of Business Administration, Finance & Information Systems, George Washington University

Appendix B: Other Capabilities

Weaver Analytics: Electronic Data Analysis Capabilities and Experience

Weaver Analytics is an internal data analytics team that uses advanced computerized data-analysis techniques (primarily ACL) to uncover irregularities that could indicate fraud, persistent or systematic errors and internal control weaknesses. We can also design continuous monitoring strategies to help you maintain vigilance over the long term.

We execute analytics for numerous audit and advisory clients; from our experience, **we**

understand that just crunching the numbers and providing a report isn't as valuable as understanding the process and risk areas and tailoring our procedures to fit you and your processes. We also understand that results may require two different levels of reporting: one to the process owners who need the detailed information to investigate and take action, and one to management to understand the results and the potential impact to the organization.

During financial audits, Weaver can analyze 100 percent of your data for defined populations such as payroll, disbursements, vendor and human resources. We can identify potential risk areas that may require further investigation by City staff and/or the audit team. During previous engagements, our team has identified items such as bid splitting and nepotism, as well as opportunities to improve efficiencies in the disbursement process. Examples of key findings from other data analysis performed by Weaver Analytics include:

- Duplicate vendors in the master vendor file
- Duplicate invoice payments
- Concentrations in vendors and customers that may indicate fraud
- Payroll checks paid in the incorrect amounts
- Payroll checks paid to former employees
- "Ghost" employees and vendors
- Unusual overtime patterns

Giving You More for Your Audit

Providing you with an efficient and effective audit is important, and we will always strive to do that. We also understand that you need more value from the exercise than mere compliance. As your auditors, Weaver will be in a position to help you prepare for changing conditions, streamline processes and identify potential fraud or waste. These are just a few specific examples of ways Weaver can help the City receive extra value from their audits:

Weaver uses data analytics in some form on most of our audit engagements — well over 100 per year.

- Assisting you with automating financial reporting processes, particularly when implementing new GASB standards, saving your staff time in statement preparation and accelerating financial reporting timelines
- Recommending changes in financial reporting models, which can reduce unnecessary financial statement presentations and/or recommending revisions in the number of fund presentations for financial reporting purposes
- Identifying improvements in control processes that not only strengthen controls but also enhance operational efficiency
- Examining/auditing unusual or complex transactions such as refundings, potential service concession agreements, etc., before fiscal year-end in order to increase your confidence in interim financial reporting

Technical Assistance and Education Offered Our Clients

Your engagement partner and team remain available to you throughout the year to answer questions. We also provide timely technical updates and consultation to ensure that you have the guidance and services necessary to help meet your changing needs over time.

Weaver's most immediate and ongoing professional development and technical assistance offered to clients occurs in the course of our work with you, during the audit and throughout the year. **Our partners and managers will inform you of pending regulations and requirements, evolving industry standards and new best practices as we become aware of them.** We will help you plan and prepare for these changing standards so that your staff can comply with minimal disruption to your processes and routines. Additionally, we are available for technical accounting questions as needed at any time.

Weaver routinely offers half-day to full-day CPE classes to targeted sectors of our client base, including governmental entities. These classes are led by the dedicated, industry-specific, professionals within our firm. We offer them at no cost to you; these opportunities are part of our commitment to add value to the audit. **Weaver is a registered provider of CPE to the Texas Society of CPAs and these classes count as CPE hours for Texas-licensed CPAs.**

Weaver's next Public Sector CPE Day in the Dallas area — which we offer at no charge to government or nonprofit entities — is usually held in the fall. Please watch the mail for your invitation.

“We continue to be very pleased with the service Weaver provides for us. The senior manager does an exceptional job in all areas including management of the job and his staff, client communication and technical expertise. We also really value his willingness to assist us with questions that may arise throughout the fiscal year.”

—Municipal audit client

City of Richland Hills, Texas

07.01.2016

Proposal for Professional Auditing Services

Presented by

BrooksCardiel, PLLC

1095 Evergreen Circle, Suite 200
The Woodlands, TX 77380
Telephone: 281-907-9221

Contact:

Anthony Cardiel, CPA, CFE
ACardiel@BrooksCardiel.com

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Letter of Transmittal

City of Richland Hills, Texas
3200 Diana Drive
Richland Hills, TX 76118

Dear City of Richland Hills,

On behalf of BrooksCardiel, PLLC, we are pleased to have the opportunity to submit the following proposal and provide professional auditing services to the City. As you will find, we are committed to exceeding our client's expectations and have prepared the following proposal to outline our experience and services to be provided. If selected to be the City's independent auditor for the years noted we will perform the work stated in the following proposal with those services conforming in all aspects to the requirements stated therein, including the timeframe specified by the City in the Calendar of Events section of the Notice Request for Proposals.

BrooksCardiel, PLLC was created with the belief that audit services can be provided in a more efficient and cost effective manner by limiting the firm's staff to include only experienced professionals while leveraging the most recent technology. Our partners have extensive experience auditing governments of all sizes with a particular focus on cities similar to the City of Richland Hills, Texas.

We believe that we are the right choice to be the City's auditor for the following reasons;

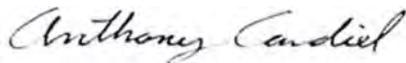
- **Timeline** – Our firm focuses solely on performing audits and is not burdened with a tax season, which can often cause delays in the issuance of audit reports. Once we establish a timeframe for your audit, report delivery, and presentation, we honor our commitment. Our firm believes in working the hours necessary to serve our clients and meet the audit schedule as further detailed in this proposal.

- **Experience** - The partners of BrooksCardiel, PLLC have performed approximately 400 audit engagements of approximately 100 different governmental entities including 30 different cities. We understand the challenges governmental entities face and developed our audit approach around these challenges.
- **Quality** - When you engage BrooksCardiel, PLLC, you know that experienced professionals are performing every step of the engagement and that you will have easy access to a decision maker within the firm at all times. No interns or recent college graduates will be performing your audit.
- **Customer Service** - Our customer service based audit approach has allowed us to form long lasting relationships with our clients that often extend well beyond the term of our initial engagement. Unlike larger firms, we pride ourselves on the ability to provide a personal and unique audit experience unmatched by our peers. The City will have direct access to our highest level of expertise throughout the term of the relationship; before, during, and after the audit is complete.

Our total cost for the audit of the City for the years ended September 30, 2016, 2017 and 2018 are \$26,325, \$27,115 and \$27,930, respectively. Please see cost bid section of this proposal (pg. 23) for more detail. Should you require a single audit, we will charge a flat rate of \$3,500 for the audit of one major program.

This proposal is a firm and irrevocable offer ending 120 days subsequent to the date specified for opening the proposals. If you have any questions regarding this proposal please contact Anthony Cardiel at ACardiel@BrooksCardiel.com.

Sincerely,



Anthony Cardiel, CPA, CFE
Audit Partner
BrooksCardiel, PLLC
1095 Evergreen Circle, Suite 200
The Woodlands, TX 77380
(281) 907-9221

Firm Qualification and Experience

Firm Profile

BrooksCardiel, PLLC was created with the belief that audit services can be provided efficiently while still being cost effective and maintained on a personal level. It is this conviction that sets us apart from our peers. While serving clients throughout Texas, we have performed on audits for numerous governments and have experienced the unique challenges each of our clients face. With an appreciation for these distinct issues, we approach every assignment with an individual view and adapt our methods to meet the specific needs of each of our clients. When you engage BrooksCardiel, PLLC, you can be confident that experienced professionals will perform each step of the audit process, giving you and your staff direct access to our highest level of expertise. We keep overhead low and quality high by eliminating inexperienced staff and connecting the City directly to our partners.

BrooksCardiel, PLLC is headquartered in the Woodlands, Texas. The City's assigned engagement team will consist of a lead partner, one senior auditor and second partner, who will work both onsite, at the City's location, and at the firm headquarters for the duration of interim and final audit fieldwork. No staff auditors will be utilized on the City's engagement.

Public Sector and Governmental Experience

BrooksCardiel, PLLC has dedicated professionals knowledgeable in government accounting, audit and financial reporting. With numerous years of experience in the public sector, our auditors possess the knowledge and capability to support your government's auditing and assurance needs. Our support structure, resources and training are devoted to providing governments with accurate, prompt, and efficient audits and financial related services. In addition, BrooksCardiel is a member of

AICPA's Government Audit Quality Center which provides added support to our professionals through up-to-date training and resources.

With an in depth knowledge of OMB A-133 audits, the latest GASB pronouncements, Comprehensive Annual Financial Reports and state and federal regulations we aim to provide each of our clients with the most efficient audit and long-term guidance possible. Our focus lies on exceptional customer service which we accomplish through accessibility, efficiency, quality and knowledge.

Current governmental clientele include 30 cities, 20 economic development districts, 2 counties, and 15 water and special purpose districts.

Single Audit (OMB Circular A-133)

All government and non-profit entities that spend more than \$500,000 a year in federal funds are required by the Office of Management and Budget (OMB) to submit to an A-133 audit. Our partners have extensive experience with (OMB) Circular A-133 and have performed yellow book and single audits for numerous governments on a variety of federal grant programs including, funds received under the American Recovery and Reinvestment Act. ARRA funds include additional compliance requirements increasing the amount of data to be reported and analyzed. We will review the City's accounting records and determine the need for a single audit meeting the criteria noted above. As part of our single audit, we will evaluate the City's internal controls over grant compliance and the financial statements. We will develop a risk based audit program and determine if the City is meeting all compliance and financial requirements associated with their federal grants. Once complete, we will assist the City with the submission of their single audit reporting package to the Federal Audit Clearinghouse or other required authoritative body. We will provide the City with a bound single audit report which will include our findings, schedule of expenditures of federal awards, and Auditor's opinion under Circular A-133, Governmental Auditing Standards.

Continuing Professional Education

Each of our professionals are in compliance with the CPE requirements of the AICPA, Texas State Board of Public Accountancy and Generally Accepted Government Auditing Standards (Yellow Book). Each professional receives a mandatory 40 hours of continued education credits annually with at least 24 hours of governmental specific training biennially through the firm CPE program which is both internal and external. These CPE records are open to our clients for review and will be made available upon request.

Participation in Professional Organizations

We believe that it is essential to participate in professional organizations to stay abreast of industry trends and changes. Our firm's commitment to the public sector is evidenced through our active participation/memberships in the following professional organizations:

- AICPA -American Institute of Certified Public Accountants
- AICPA - Government Audit Quality Center
- TSCPA -Texas Society of Certified Public Accountants
- ACFE -Association of Certified Fraud Examiners
- GFOA -Government Finance Officers Association

In addition, we are members of the GFOA Special Review Committee and encourage and assist local governments to go beyond the minimum requirement of generally accepted accounting principles.

Systems Capabilities

BrooksCardiel, PLLC has the capability to audit computerized systems and does so where necessary. BrooksCardiel will sample computerized transactions, but will focus on source documents outside of the computerized system.

Certificate of Achievement for Excellence in Financial Reporting

As members of the GFOA (Government Finance Officers Association) Special Review Committee, we assist local governments in going beyond the minimum requirements of generally accepted accounting principles to achieve the Certificate of Achievement for Excellence in Financial Reporting. We understand the importance of this highly regarded award and will go to great lengths to work with the City to achieve this on an annual basis. The partners at BrooksCardiel, PLLC will prepare your CAFR and assist in the preparation of the City's response to all GFOA comments, if any.

The following is a sample of current BrooksCardiel audit clients who have recently submitted a CAFR to the Certificate of Achievement Program of the GFOA:

- City of Azle, Texas
- City of Sachse, Texas
- City of Heath, Texas
- City of Taylor, Texas
- City of Gonzales, Texas
- City of Denison, Texas
- City of Lucas, Texas
- City of Sansom Park, Texas

Services Offered

Audit and assurance services include:

- CAFR preparation
- Yellow Book Audits
- OMB A-133 Audits
- Annual Financial Statement Audits
- Franchise Tax Audits
- Hotel/Motel Tax Audits
- Fraud Examinations/Investigations
- Sales Tax Allocation Audits
- GASB 54 through 72 implementation

Statement of Reprimand and Disciplinary Action

BrooksCardiel, PLLC has never been under terms of a public or private reprimand by the Texas Stated Board of Public Accountancy, SEC or State Society nor have we been the object of any disciplinary action.

Quality Control and Peer Review

BrooksCardiel, PLLC participates in the Texas State Board of Public Accounting's peer review program. Firms can receive a rating of pass; pass with deficiency (ies) or fail. The firm underwent peer review according to the Statement on Quality Control Standards No. 8, A Firm's System of Quality Control, effective as of January 1, 2012 in March 2013. BrooksCardiel, PLLC received the highest rating possible under the program. The System Review Report is located on the following page for your review.



Accounting & Consulting Group, LLP
Certified Public Accountants

System Review Report

March 5, 2013

To the Partners of Brooks, Cardiel & Company, PLLC
And the Peer Review Committee of the Texas Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Brooks, Cardiel & Company, PLLC (the Firm) in effect for the year ended November 30, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans..

In our opinion, the system of quality control for the accounting and auditing practice of Brooks, Cardiel & Company, PLLC, in effect for the year ended November 30, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respect. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Brooks, Cardiel & Company, PLLC has received a peer review rating of *pass*.

Accounting & Consulting Group, LLP

Accounting and Consulting Group, LLP

Partner and Staff Background



Anthony Cardiel, CPA, CFE

Audit Partner

Acardiel@BrooksCardiel.com

Anthony began his career at a regional accounting firm based in Texas that specializes in auditing governmental and not-for-profit entities. His experience included governmental entities with over \$250 million dollars in assets and revenues, sovereign nations, and an extensive list of cities, counties, and other governmental entities. Anthony later served as CFO for a leading oil and gas information company and brokerage. In past experience he acted as operations manager for UPS as well as for the United States Army.

Educational Background

- Certified Public Accountant, State of Texas
- Certified Fraud Examiner, State of Texas
- BS in Accounting, Northwest Missouri State University

Experience

- 10 years of private sector and public accounting experience
- Completed or assisted with the completion of approximately 150 public sector audits
- Completed over 30 single audits in accordance with OMB Circular A-133
- Implementation of GASB 54 through 72

Professional Organizations

- Government Finance Officers Association
- GFOA Special Review Committee
- Association of Certified Fraud Examiners – Houston Chapter
- American Institute of CPAs (AICPA)
- Texas Society of Certified Public Accountants (TSCPA)



Mike Brooks, CPA

Audit Partner

Mbrooks@BrooksCardiel.com

Mike began his career at a regional accounting firm that specializes in auditing governmental and not-for-profit entities. As part of the management team, Mike completed or assisted in the completion of approximately 200 audits for governmental and non-profit clients.

Mike later joined a leading SEC auditing firm where he specialized in public sector clients, small-cap publicly traded companies and other complex accounting issues while leading the firm's public sector practice.

Educational Background

- Certified Public Accountant, State of Texas
- BBA in Accounting, Sam Houston State University
- Certified Six Sigma Greenbelt

Experience

- Over 10 years of private sector and public accounting experience
- Completed or assisted with completion of approximately 200 public sector audits
- Completed over 50 single audits in accordance with OMB Circular A-133
- Implementation of GASB 54 through 72

Professional Organizations

- Government Finance Officers Association
- GFOA Special Review Committee
- American Institute of CPAs (AICPA)



Louis Breedlove

Audit Senior

LBreedlove@BrooksCardiel.com

Louis began his career at a regional accounting firm that specializes in auditing governmental and not-for-profit entities. Louis also has experience auditing public sector clients, small-cap publicly traded companies as well as large Fortune 500 and international companies while employed at PriceWaterhouseCoopers.

Educational Background

- BBA in Accounting, Southwestern Assemblies of God University

Experience

- 4 years of private sector and public accounting experience
- Implementation of GASB 54 through 72
- CPE – Yellow Book Compliant

Professional Organizations

- Government Finance Officers Association
- GFOA Special Review Committee

Similar Engagements and References

Proprietary & Confidential Information

Gov't Name	Most Recent Audit	Scope	Hours	CAFR	Partners	Principal Contact
City of Pilot Point	9/30/2015	Audit	205	Awarded Prepared by BrooksCardiel	Anthony Cardiel & Mike Brooks	Jan Messman Finance Director (940) 686-4338 jmessman@cityofpilotpoint.org
City of Heath	09/30/2015	Audit	220	Awarded Prepared by BrooksCardiel	Anthony Cardiel & Michael Brooks	Laurie Mays, Finance Director (972) 771-6228 lmays@heathtx.com
City of Sachse	9/30/2015	Audit	250	Awarded Prepared by BrooksCardiel	Anthony Cardiel & Mike Brooks	Teresa Savage Finance Director (469) 429-4760 tsavage@cityofsachse.com
City of Lucas	09/30/2015	Audit	240	Awarded Prepared by BrooksCardiel	Anthony Cardiel & Mike Brooks	Liz Exum Finance Director (972) 912-1201 lexum@lucastexas.us
City of Shenandoah	9/30/2015	Audit	225	N/A	Anthony Cardiel & Mike Brooks	Jennifer Calvert Finance Director (832) 585-8161 jcalvert@shenandoahtx.us

Specific Audit Approach

Audit Segmentation and Staff Hours

Financial Audits	Experienced Associate	Senior Associate	Partner	Reviewing Partner
Risk Assessment and Planning	16 hours	16 hours	24 hours	4 hours
Cash and Investments	8 hours	2 hours	1 hour	0.5 hour
Receivables & Revenues	6 hours	12 hours	4 hours	0.5 hour
Capital Assets	24 hours	8 hours	4 hours	1 hour
Accounts Payable & Expenditures	8 hours	8 hours	2 hours	0.5 hour
Long-Term Liabilities	-	16 hours	6 hours	1 hour
Deferred Revenue	2 hours	2 hours	1 hour	0.5 hour
Net Position/Fund Balance	-	4 hours	1 hour	0.5 hour
CAFR Preparation	-	28 hours	24 hours	4 hours
Total Hours	239.50 hours			

Knowledge Based Audit Approach

BrooksCardiel uses a knowledge-based audit methodology to efficiently and effectively perform financial statement audits of governmental entities in accordance with auditing standards generally accepted in the United States of America (GAAS). This is accomplished by obtaining an understanding of the City and its environment to

sufficiently assess the risk of material misstatement. Audit procedures are then designed and performed in response to the risk of material misstatement.

All audit procedures performed will be done so by the professionals of BrooksCardiel, PLLC who are dedicated to maintaining a presence throughout the audit process. Their goal in this is to reduce the burden on City staff while adhering to the established budget and timeline. These procedures are more fully detailed in the Audit Approach section of this proposal and will be conducted in accordance with the following standards:

- Generally Accepted Auditing Standards established by the American Institute of Certified Public Accountants.
- Financial Audit Standards established by the General Accounting Office's Government Auditing Standards.
- All provisions of the Single Audit Act and the U.S. Office of Management and Budget Circular (OMB) A-133 audits of states, local governments and not-for-profit organizations.

Planning

The planning phase involves developing the overall audit strategy for the expected activities, organization, and staffing of the audit. We will plan the audit to respond to the assessment of the risk of material misstatement based on our understanding of the City, its environment, and internal controls.

Our understanding of the City and its environment will include the following:

- Industry, regulatory, and other external factors;
- Nature of the City;
- Objectives, strategies and related risks that may cause material misstatement of the financial statements;
- Measurement and review of the City's financial performance;
- Internal controls

Prior to our first day of field work, we will schedule a meeting to discuss the desired timeframe, estimated report delivery, and extent of management and auditor responsibilities as it relates to the audit.

Internal Control Evaluation

Audit standards require that we obtain an understanding of the City sufficient to evaluate the design of the internal controls and to determine whether they have been implemented. Our understanding of the City's internal controls will include the control environment, risk assessment, information and communication systems, control activities, and monitoring controls. Our risk assessment and control evaluation will include:

- Conducting interviews of selected management and staff;
- Evaluating the City's financial reporting and management policies, budget documents and process, and informational systems;
- Documenting our understanding of the City's entity wide control environment and activity level controls;
- Testing the design and implementation of selected key controls by performing a walk-through of the selected transaction class;
- Testing the operating effectiveness of selected controls.

The results of our risk assessment will allow us to identify and assess the risk of material misstatement within the City and design the extent, nature, and timing of our substantive audit procedures and develop our audit plan. Any control deficiencies identified during the planning phase and interim audit will be communicated to management immediately.

Fieldwork and Substantive Testing

Based on the results of our risk assessment and internal control evaluation, a specific audit plan will be designed to focus expanded procedures on areas with the greatest risk of material misstatement, error, and fraud. We will use tests of details, substantive

analytical procedures, or a combination of the two to conclude on the reasonableness of the given transaction class or account balance. Typical substantive procedures include:

- Agreeing the financial statement elements to the underlying accounting records including year-end account balances and transaction activity occurring throughout the year;
- Confirming cash held in bank and investment accounts, accounts receivable, inventory held by others, and material grants;
- Perform specific analytical procedures - considering historical trends and events within the City.

Statistical Sampling and Sample Sizes

The extent to which statistical sampling will be used and related sample sizes will be determined based on the results of our risk assessments.

Electronic Data Processing

BrooksCardiel, PLLC will utilize current technology to complete your audit. Electronic data processing will be used throughout the audit to extract data from your City's accounting software. The data will be processed with our audit software to ensure the efficiency of your audit.

Analytical Procedures

Analytical procedures will be used throughout the engagement in almost every aspect of the audit. Procedures will include comparing balances, activities and ratios to historical data, comparative entities, as well as local and regional trends.

Completion

At the conclusion of every audit, we will decide whether sufficient audit evidence has been accumulated to warrant the conclusion that the financial statements are fairly stated

in accordance with generally accepted accounting principles (GAAP). Prior to issuing our audit report we will perform the following procedures:

- Evaluate the sufficiency and appropriateness of audit evidence obtained;
- Perform an overall analytical review;
- Evaluate and conclude on the results of audit procedures, adjustments, and unadjusted misstatements;
- Provide all adjusting entries noted during the audit to the City Council and management;
- Prepare or assist in the preparation of the City's Comprehensive Annual Financial Report;
- Communicate any audit findings and issues with management and those charged with governance.

Compliance with Laws and Regulations Approach to Compliance Testing

Compliance with laws and regulations, including, but not limited to the Public Funds Investment Act, Texas State Government Code and grants received. Compliance testing will be performed as required by Circular A-133 and the Single Audit Act, grant agreements, financing agreements, or any other compliance requirements as applicable.

Expectations from City Staff

We will expect the City to provide commonly requested schedules such as a schedule of receivables due at year end, a schedule of capital assets that includes additions and disposals, a schedule of cash accounts, a schedule of prepaid insurance and a long-term debt schedule as applicable. We will also expect assistance with the preparation of confirmations to banks, attorneys, debt holders, etc.

Progress Meetings

Prior to beginning fieldwork, BrooksCardiel will schedule an initial planning meeting with management to discuss the anticipated time frame, audit requests, and client involvement needed to accomplish our goal. During the fieldwork, we anticipate having additional meetings to discuss the audit progress to date, as needed. In addition, we will immediately schedule a consultation should unforeseen issues and audit findings come to our attention. Prior to the conclusion of the audit, we will provide management a copy of any draft findings and welcome client feedback before final issuance of our report and management letter.

Identification of Anticipated Potential Audit Problems

We do not anticipate any potential audit problems during our proposed engagement.

Quality Control Procedures

Every audit engagement undergoes an initial partner and second partner review process. We have structured our firm around audit quality and take great pride in our ability to offer our clients accurate, efficient, and timely audits. We do not employ any staff auditors. Your audit will be performed by an audit partner and a directly supervised audit senior. With this approach, we are able to minimize mistakes, address issues immediately, and give our clients access to the most experienced personnel in our firm, should they have any questions or concerns. Prior to issuance, our clients are provided with the draft financial report and letters for review.

Proposed Timeline

Financial Statement Audits	Proposed scheduling
Interim Audit Work Completed	Prior to September 30 of each year.
Completion of Field Work	Prior to January 15 of each year.
Draft Reports and Management Letter	Prior to January 31 of each year.
Final Reports and Management Letter	Prior to February 15 of each year.
Final Presentation to City Council	February meeting of each year.

Cost Bid

Total All-Inclusive Maximum Price

Name of Firm: BrooksCardiel, PLLC

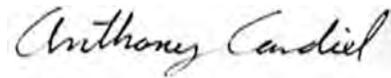
Certification that the person signing this proposal is entitled to represent the Firm and authorized to sign a contract with the City of Richland Hills, Texas.

So Certified,

Name: Anthony Cardiel, CPA, CFE

Title: Partner

Signature:



Total all-inclusive maximum fees for:

Fiscal Year	Financial Statement Audit - City
2016	\$26,325
2017	\$27,115
2018	\$27,930

Schedule of Professional Fees and Expenses

We understand that cost is not the only factor considered when making your auditor selection but we also understand the budgetary constraints affecting most governments during the current economic environment. As you are aware, we see the City of Richland Hills as an important client and one that we would like to do business with into the future. As such, we will offer unlimited technical assistance and guidance at no cost throughout the year.

Financial Statement Audit	Audit Staff	Audit Senior	Partner	Second Partner	TOTAL
Risk Assessment and Planning	16	16	24	4	60.00
Cash & Investments	8	2	1	0.5	11.50
Revenues & Receivables	6	12	4	0.5	22.50
Capital Assets	24	8	4	1	37.00
Accounts Payable & Expenditures	8	8	2	0.5	18.50
Long-term Liabilities	-	16	6	1	23.00
Deferred Items	2	2	1	0.5	5.50
Net Position/Fund Balance	-	4	1	0.5	5.50
CAFR Preparation	-	28	24	4	56.00
Quoted hourly rates	\$75	\$100	\$150	\$150	
Extended fees at quoted	\$4,800	\$9,600	\$10,050	\$1,875	
				Total Hours	239.50
				Estimate (Total Not to Exceed Cost)	\$ 26,325
Single Audit Procedures (if necessary)					\$ 3,500

*Discount offered for multi-year engagement & long-term relationship with City.

Rates for Additional Professional Services

If it should become necessary for the City to request the auditor to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an additional contract between City of Richland Hills and the firm. Any such additional work agreed to by the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost fee.

Single Audit

We will work with you to identify any federal awards that might meet the criteria for an (OMB) Circular A-133 audit. Should you require a single audit, we will charge a rate of \$3,500 for a single audit of one major (>300k) program.

Manner of Payment

BrooksCardiel, PLLC will bill hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost fee proposal. The invoice shall provide detail, including number of hours completed per individual and billing rate. Interim billing shall cover a period of not less than a calendar month.



DEMONSTRATING FISCAL TRANSPARENCY & COMPLIANCE THROUGH QUALITY AUDIT SERVICES PERFORMED BY A LOCAL, TOP-TIER FIRM

CITY OF RICHLAND HILLS

NOTICE REQUEST FOR PROPOSAL
RFP NO. 2016-071

Submitted by **BKD, LLP**
14241 Dallas Parkway // Suite 1100 // Dallas, TX 75254
Phone: 972.702.8262
Kevin Kemp, CPA // Partner & Regional Industry Leader
Firm Size: Approximately 2,400 CPAs, Advisors & Staff
July 1, 2016

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C. TRANSMITTAL LETTER

July 1, 2016

Ms. Ariel Carmona, CGFO

Finance Director
City of Richland Hills
3200 Diana Drive
Richland Hills, TX 76118

DEAR MS. CARMONA:

Sustaining a prosperous community often depends on a city's ability to maintain a sound financial house, as well as anticipate and provide public services that meet the needs of current and future residents. The City of Richland Hills (the City) is well acquainted with these and other factors that help drive economic development and success. As you know, part of that success involves substantiating your ability to act as a responsible steward of the public resources to which you are entrusted. However, with the governmental accounting environment continuously shifting, it can be challenging to monitor the industry landscape for new trends amid focusing on your daily operational initiatives. It is important to work with a reputable CPA and advisory firm with a strong understanding of the governmental sector that can keep you at the forefront of the regulations specifically affecting you. With attentive professionals who focus much of their time on serving municipalities across our state and region, **BKD, LLP** can help the City reinforce your commitment to fiscal accountability through an in-depth audit approach.

With BKD, the City can benefit from our experience gained from serving similar-sized cities in Texas and hundreds of other governmental clients nationwide. Our commitment to governmental clients includes participating in national and state associations, such as the Government Finance Officers Association (GFOA), Government Finance Officers Association of Texas (GFOAT) and the National League of Cities, as well as supporting the Governmental Accounting Standards Board fellow program. BKD's Texas offices also offer roundtable discussions and lead GFOAT sessions to communicate specific industry developments as part of a shared dialogue between peer entities. In addition, several of our professionals in these offices serve on the Special Review Committee for the GFOA, which affords them specialized knowledge of the governmental accounting and reporting standards affecting you. Through this hands-on industry involvement, the City can be confident we are well equipped to serve you.

1. Briefly state the firms understanding of the work to be completed and provide clear commitment to perform the work within the time periods specified under Calendar of Events – Key Dates.

BKD understands the City seeks a Financial Statement Audit in Accordance with *Government Auditing Standards* for the years ending September 30, 2016 through 2018. If BKD is engaged, we are committed to performing your requested services within the time periods specified under the Calendar of Events section in your Request for Proposal.

2. State the all-inclusive fee by fiscal year for which the work will be completed for examining the City's financial statements and required supplementary information included in the CAFR.

Our proposed all-inclusive fees for fiscal year 2016 are \$40,500, \$42,000 for 2017 and \$43,500 for 2018. More detailed fee information is provided on page 27.

3. State the name of the person who will be authorized to make representation for the firm, their title, address and telephone number.

If BKD is engaged, Partner Kevin Kemp will be the City's primary contact. As a partner of the firm, Kevin is authorized to make representation for the firm. His contact information is provided below and on the letterhead of this document.

4. State the person signing the transmittal letter is authorized to bind the firm and enter into contract with the City.

As a partner of the firm, Kevin Kemp is authorized to bind BKD and enter into a contract with the City.

5. Identify and discuss any potential conflict of interest of which the firm is aware.

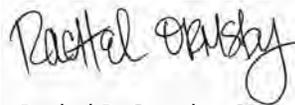
BKD is independent with respect to the City as defined by the Code of Professional Conduct of the American Institute of CPAs and the United States Government Accountability Office's *Government Auditing Standards*. We are not aware of any relationship or conflict of interest that would impair our independence.

We believe our proposal will help you select our firm for timely, efficient and objective services delivered by experienced professionals. Should you have any questions about this proposal, you may reach us at 972.702.8262 or via email as provided below.

Sincerely,



Kevin Kemp, CPA
Partner & Regional Industry Leader
kkemp@bkd.com



Rachel R. Ormsby, CPA
Manager
rormsby@bkd.com

EXECUTIVE SUMMARY

Beyond keeping the City of Richland Hills's (the City) financials in order, city council expects fiscal transparency and compliance with state and national regulations. With increasingly complex reporting requirements and new Governmental Accounting Standards Board (GASB) pronouncements always on the horizon, engaging a CPA and advisory firm that can help you address and implement these new standards will be critical as you plan for the future.

The specific approach to your external audit, including areas of primary emphasis and the proposed timing of the work, also is an important consideration. Experienced advisors who know the specific nuances of similar-sized cities can provide confidence in the fair presentation of the City's financial statements by avoiding a one-size-fits-all approach and focusing on the important areas specific to your operations. With local, responsive professionals who can provide the assistance you need, **BKD, LLP** can assist you with demonstrating accurate financial reporting.

We will not claim to know your operations as well as you do. However, we will seek to develop an understanding of the City's needs and draw upon our experience gained from our work with approximately 500 governmental entities in Texas and nationwide to provide focused solutions.

THE CITY'S DESIRED OUTCOMES

The City seeks a qualified CPA and advisory firm to provide a fresh look and express an opinion on the fair presentation of the City's financial statements and supplemental information, as well as provide proactive communication through the audit engagement. You also desire:

- ▶▶ Timely services that meet annual reporting requirements, including the February 2017 deadline for the comprehensive annual financial report (CAFR)
- ▶▶ A tailored audit scope that encompasses such areas as debt covenants and enterprise funds
- ▶▶ Proactive communication and training regarding implementing forthcoming GASB statements
- ▶▶ A depth of national and local industry resources and continuing professional education (CPE) opportunities specific to the governmental industry available throughout the year
- ▶▶ A smooth transition and audit process led by attentive professionals

Through the sharing of best practices gained from working with governments and municipalities in Texas and nationwide, **BKD** can help the City **experience insight**. With our commitment to delivering unmatched client service, your proposed engagement team is ready to offer the dedicated Texas governmental resources of a national firm backed by the personal attention and focus you deserve.



Experience insight from a national firm that serves approximately 500 governmental entities.

SOLUTION FOR THE CITY

The City has requested information and a fee quote for a Financial Statement Audit in Accordance with *Government Auditing Standards* for the years ending September 30, 2016, 2017 and 2018.

With the qualified CPA and advisory firms you are considering, it can be challenging to make a decision. Your selection may come down to the engagement team you believe is most capable of helping you meet your current and future needs. Providing personal attention and frequent communication to our clients is what drives us—and delivering value transcending the basic service approach is among our top priorities.

Please see the Proposing Firm’s Approach to Examination section beginning on page 19 for a detailed explanation of our audit service approach.

WHY CHOOSE BKD

DELIVERING VALUE

It is important to monitor expenditures and receive exceptional value for your investments. However, informed consumers understand value is about more than just price. Value from a professional CPA and advisory firm is about the quality of the work and the merit of the advice. Expect BKD’s work to be accurate and insightful. We stand behind it. Our Public Company Accounting Oversight Board (PCAOB) inspections and American Institute of CPAs (AICPA) peer reviews demonstrate the firm’s record of excellence.



As evidenced by our inclusion in **INSIDE Public Accounting’s** Best of the Best Firms list for the last five years, we also offer long-term consistency, exceptional performance and a national network of support and resources. BKD is large enough to help the City address a variety of financial issues. At the same time, we pride ourselves on hard work and low overhead, which keep our fees competitive. With our reputation, size, service and experience, you can consider us a good value.

GOVERNMENTAL INDUSTRY EXPERTISE

BKD National Governmental Group works with hundreds of governmental clients nationwide, including public utilities, counties and state agencies, airports and approximately 90 municipalities. We can leverage best practices learned from working with other government entities to help the City **experience clarity** in areas that may require additional attention to help increase operational efficiencies.

In addition, our commitment to governmental entities includes being a leader in national and state associations, as well as in the development of governmental accounting and auditing standards. Our experience also has enabled us to establish connections with the:

- ▶▶ AICPA Governmental Audit Quality Center, as a member
- ▶▶ Government Finance Officers Association (GFOA)
- ▶▶ Government Finance Officers Association of Texas (GFOAT)
- ▶▶ Governmental Accounting Standards Board (GASB)
- ▶▶ Office of Management and Budget
- ▶▶ U.S. Government Accountability Office

experience
clarity

“BKD has been a great resource for the City of Lincoln in accomplishing our financial reporting goals. They have provided us with prompt and sound technical and accounting guidance throughout our affiliation. The BKD audit teams have always been professional, friendly and accessible.”

Peggy Tharnish

City Controller
City of Lincoln, Nebraska

“BKD, LLP demonstrated excellent customer service in meeting our needs. Their technical knowledge was excellent and extremely valuable to our organization. I highly recommend them to any governmental entity.”

Clint Mercer

Chief Accountant
City of Norman, Oklahoma

TEXAS GOVERNMENTAL EXPERIENCE

Services from BKD's Texas offices compose approximately 18 percent of our firmwide not-for-profit and government industry practice. Professionals in these offices provide audit or other professional services to approximately 15 municipalities and their component units as well as approximately 200 municipal utility districts. This experience, along with our involvement with the Government Finance Officers Association of Texas (GFOAT), means we understand Texas laws and other regulations to which our government clients must adhere, and we can offer the knowledge and resources the City deserves.

TIMELY SERVICES TO HELP APPLY FOR YOUR GFOA CERTIFICATE

We understand the City intends to issue a CAFR and apply for the GFOA Certificate of Achievement for Excellence in Financial Reporting (CAFR Program). BKD can help you with this process by reviewing your reports. A review includes the evaluation of your reports using our independently prepared checklists designed to aid in financial reporting and disclosure accuracy and completeness. Your proposed engagement partner and manager are members of the GFOA's Special Review Committee and will work with you to help resolve identified discrepancies and reduce exceptions when your reports are returned.

As you know, GFOA certification increases transparency in financial reporting and can lend credibility to the City's stewardship of funds. The short window for completing annual audits to meet the established GFOA deadlines make timely and accurate services vital. A core service philosophy at BKD is Responsive Reliability, which means you can count on our service process to follow the established timeline. You can expect timely delivery of reports to help you meet GFOA deadlines and retain you certificate, as well as timely communications with your trustees and interested third parties.

COMMITMENT TO OUR CLIENTS

We invite you to speak with our references, many of whom have recently switched to BKD, regarding the quality of our work and commitment to meeting their professional service needs. After speaking with them, we hope you will discover our client-first attitude drives our practice and accounts for the dedication of our team to the deadlines and needs of our clients. We are committed to helping our clients address their operational needs within our code of ethics and the law.

HIGH-QUALITY, VALUE-ADDED PROFESSIONAL SERVICES

As demonstrated by our AICPA peer reviews and PCAOB inspections, BKD provides high-quality accounting services. We can consistently deliver this level of service because of our approach to staffing, experienced personnel and the high standards we expect of our professionals.

We believe this approach also provides a great deal of value for the City. We are committed to containing the costs of our professional services. Accordingly, BKD employs a variety of strategies to keep our costs competitive. These include, first and foremost, an emphasis on quality that has rewarded us with one of the best litigation histories in the accounting profession and reduced professional liability and insurance costs. This focus on quality extends beyond BKD's internal operations to everything we do to efficiently deliver services to our clients.

experience
confidence

"BKD just completed the first year audit engagement with the City. The transitional year went extremely smooth. BKD's staff did an excellent job working with our staff during the transition. During the engagement, BKD provided knowledgeable support and guidance. The audit was completed on schedule, and BKD always completed their deliverables on time."

Allen Herink
City Comptroller
City of Omaha, Nebraska

"After going out for bid, we interviewed numerous firms and selected BKD because of their experience, their competitive price and their professional and knowledgeable accountants. By working with BKD, we have a relationship with an accounting firm that is knowledgeable of government accounting standards and has resources to address challenging issues."

Cherie Sanchez
Accounting Manager
City of Westminster, Colorado

■ YEAR-ROUND SOLUTIONS TO HELP AVOID UNWANTED SURPRISES

Through frequent contact during the year, we can provide solutions to help you avoid unwanted surprises during the year-end audit. Periodic meetings with the City's management team are standard protocol for our audit approach. This knowledge sharing between your team and ours can prove beneficial in helping identify effective solutions early in the audit process. Involving your audit team prior to executing transactions gives you the flexibility to restructure transactions and evaluate the options.

■ A FRESH LOOK FROM AN EXPERIENCED TEAM

Our experienced engagement team will work with the City to identify areas you believe may warrant a fresh look. An essential component of a successful transition is proper planning and communication during the information-gathering process. We will get to know your financial team members as soon as possible with little disruption to your operations. As a result, we can help identify and resolve potential issues before they become critical business concerns.

■ THOUGHT LEADERSHIP

BKD advisors are serious about reinforcing and strengthening their positions as thought leaders in the industries they serve. To help keep you informed about emerging issues in your industry, as well as changes in regulations and accounting and tax methods, we provide **BKD Thoughtware**[®] webinars, seminars and articles. Many of these are eligible for CPE credit. Topics include:

- ▶▶ June 2016 GASB Update
- ▶▶ Lease Accounting for State & Local Government
- ▶▶ Pursuing Operational Excellence in the Public Sector
- ▶▶ New Tax Abatement Disclosure Requirements for State & Local Governments

500+

Experience ideas from a firm that offers more than 500 articles, videos, webinars & presentations annually.

UNMATCHED CLIENT SERVICE

You want trusted advisors who will deliver exceptional client service, focus on your needs and take the time to address your unique challenges. BKD understands. We take our commitment so seriously, we penned five standards of unmatched client service and supporting guidelines in **The BKD Experience: Unmatched Client Service**, a book that articulates the firm's philosophy and sets expectations for serving clients. Our five standards are:

INTEGRITY FIRST

We work hard to do what is right for you. You can rely on us to tell you what you need to hear.

TRUE EXPERTISE

From BKD, you can expect trained, capable staff and a high level of supervision by partners and experienced personnel.

PROFESSIONAL DEMEANOR

You can depend on prepared and attentive advisors to help meet your needs and provide new ideas.

RESPONSIVE RELIABILITY

Accurate and thorough work, combined with timely delivery, is what you require, and at BKD, we do not want it any other way.

PRINCIPLED INNOVATION

We want you to succeed. For the City, that means looking for new ideas to streamline a process, better document work, train your staff and improve your effectiveness.

You can count on BKD's commitment to our 5 standards of unmatched client service:



Integrity First



True Expertise



Professional Demeanor



Responsive Reliability



Principled Innovation

bkd.com/5

RFP RESPONSE

For your convenience, we have structured our proposal according to the questions in your Request for Proposal (RFP). We believe our proposal will demonstrate our qualifications to serve the City.

INFORMATION WHICH BKD ASSERTS AS CONFIDENTIAL AND/OR BUSINESS PROPRIETARY INFORMATION WITHIN THIS PROPOSAL SHALL BE DESIGNATED WITH AN ASTERISK (*).

D. PROFILE OF THE RESPONDING FIRM

1. State whether the firm is local, regional, national or international.

BKD is one of the largest national CPA and advisory firms in the United States.

2. State the location of the office from which the work is to be performed and the number of partners, managers, supervisors, seniors and other professional staff employed at the office.

LOCATION

If BKD is engaged, the City’s requested services will be primarily provided by our Dallas, Texas, office.

BKD, LLP
14241 Dallas Parkway // Suite 1100
Dallas, TX 75254

TOTAL LOCAL STAFF

As of June 2016, BKD’s Dallas office has approximately 81 client service personnel.

Staff Level	Total Personnel
Partner	11
Managing Director, Director	9
Senior Manager, Manager	16
Senior Associate/Senior Associate II	25
Associate	20

3. Describe the range of activities performed by the local office such as auditing, accounting, tax, or management services.

BKD offers clients a variety of services in accounting, audit and assurance, tax, risk management, technology, corporate finance, wealth management and forensics and valuation services. In addition to the audit services we can provide to the City from BKD’s Dallas office, we have an extensive list of other resources and services available to the City, many of which are unique to the governmental industry. BKD is a full-service firm that concentrates its efforts in this industry; therefore, special projects or needs that arise from the City’s management can be addressed by BKD.

BKD National Governmental Group advisors offer specialized skills and expertise, including:

- ▶▶ Single Audit professionals
- ▶▶ Internal auditors
- ▶▶ Tax, human resources and fringe benefit advisors
- ▶▶ Internal controls and risk assessment advisors
- ▶▶ Employee benefit plan professionals
- ▶▶ Finance advisors
- ▶▶ Litigation support professionals
- ▶▶ Forensic advisors
- ▶▶ Strategic planners
- ▶▶ IT professionals

Services we can assist the City with include:

- ▶▶ Process reviews for numerous functional areas, *e.g.*, grant management
- ▶▶ Forensic investigations, fraud risk assessments and accounting consulting
- ▶▶ Financial and operational risk analysis, assessment and management
- ▶▶ Continuous auditing and analytics
- ▶▶ Data analytics
- ▶▶ Litigation consulting/digital forensics
- ▶▶ Employee compensation and benefits consulting
- ▶▶ IT audit, risk assessment and management
- ▶▶ Cybersecurity
- ▶▶ Arbitrage calculations
- ▶▶ Internal audit
- ▶▶ Agreed-upon procedures
- ▶▶ Regulatory filings and government reports
- ▶▶ Due diligence/special investigations
- ▶▶ Benchmarking and assistance creating dashboard reports

4. Describe the local office's capacity to audit computerized systems, including the number and classifications of personnel skilled in computer applications who will work on the audit.

As the CPA and advisory firm of choice for approximately 90 municipalities, BKD is experienced with a wide variety of accounting software packages and relational database systems. We have IT specialists throughout the firm—including Karen Schultz, a proposed IT resource to the City's engagement team—who can help the audit team review the City's IT controls. In addition, BKD professionals are trained in using computer-assisted auditing techniques (CAAT) to help improve efficiencies. We have significant experience using these state-of-the-art technologies, including ACL data analysis software, to facilitate data transfer, conversion, mining and analysis. We have trained more than 500 professionals throughout our firm as software champions.

5. Describe any reprimands or penalties that the firm may have received in recent years from the Texas State Board of Public Accountancy.

BKD is not currently under terms of a public or private reprimand by the Texas State Board of Public Accountancy or licensing boards of any other state.

6. State the firm's experience in auditing utilities and governmental entities.

PUBLIC POWER & UTILITY INDUSTRY EXPERTISE

BKD provides audit, financial reporting, tax and consulting services to approximately 250 utility clients nationwide, including joint action agencies, public power organizations and rural electric cooperatives. Firmwide, our advisors can offer their expertise to help you remain current on issues affecting public power and utilities while also helping you navigate challenges presented by increased environmental legislation and Federal Energy Regulatory Commission (FERC) and Rural Utilities Services (RUS) rulemaking guidance.

We also work with clients that utilize the Uniform System of Accounts for Public Utilities prescribed by the FERC, which provides for familiarity with the City's chart of accounts. We believe our understanding of the dynamics and governance of utility entities, along with our involvement with the American Public Power Association (APPA), can bring added value to the City.

Because we work with a variety of energy clients, including municipal utilities, our team is armed with the knowledge necessary to offer practical solutions that can help you increase efficiencies and identify areas that may require attention within your organization.

BKD NATIONAL GOVERNMENTAL GROUP

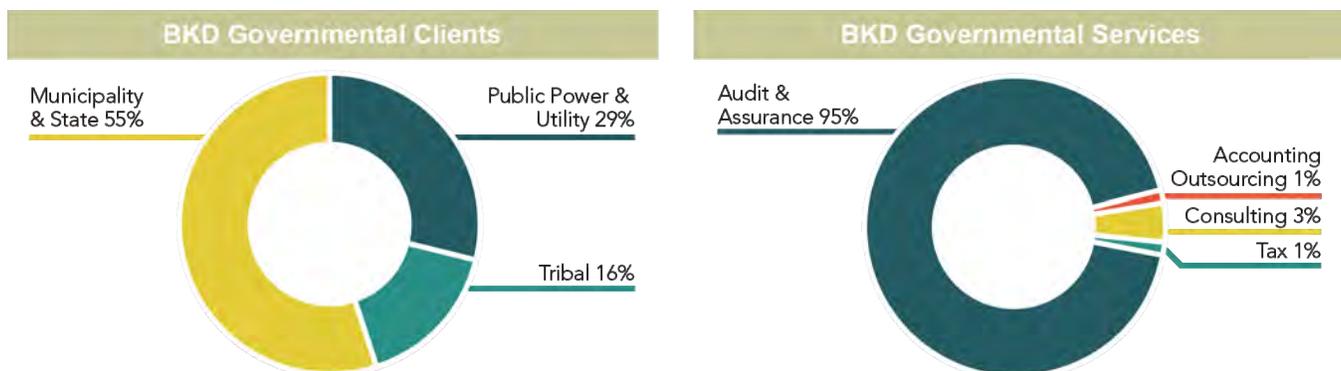
As previously stated, approximately 500 governmental entities in Texas and nationwide depend on BKD as their CPA and advisory firm of choice for audit, tax and various other consulting services. The dedicated advisors in BKD National Governmental Group have the experience and commitment the City requires as you look for help determining the most effective way to deliver services and meet fiduciary and regulatory requirements.

SUCCESS STORIES

- ▶ A municipality that had been underserved wanted a fresh start from a CPA and advisory firm with industry expertise and breadth of talent. The municipality hired BKD National Governmental Group, which possessed the attributes they desired. Although the first year of the engagement included restatements, audit adjustments, weaknesses in internal controls and other accounting processes for the city, they were pleased with the level of attention they received from BKD and our willingness to help them understand the audit process, while delivering the audited financial statements more timely. The city was able to implement controls during the audit because of BKD's proactive and frequent communication.
- ▶ A municipality that recently hired a new director of finance wanted to issue its CAFR within six months of the year-end, which was not accomplished in several years. The municipality selected BKD National Governmental Group because of its expertise, local presence and commitment to providing unmatched client service, to issue the financial statements within their desired timeline. Despite being engaged later by the client, being a new engagement and having several accounting issues, BKD met the deadline and management received much-deserved accolades from the city council. During the audit, BKD also identified several internal control issues and corresponding ideas for improvement, which the municipality is currently implementing.

OUR CLIENTS & SERVICES

Geographically spread throughout the United States, our significant client base reflects the diversity of governmental entities, in both size and type of organization. The following graphs demonstrate the clients we serve and the services we provide.



7. State the firm's professional affiliations and the results of the latest peer review.
8. Affirm that the firm has completed external quality review with unqualified opinion.

PROFESSIONAL AFFILIATIONS

Our commitment to the industry and accounting profession expands to involvement on national industry committees, such as the GASB and AICPA.

Mike Wolfe, the firm's chief risk officer, has been appointed to the AICPA Governmental Audit Quality Center Executive Committee. He previously served as BKD's liaison to the center, which helps raise awareness about the importance of improving governmental audit quality for entities receiving federal funding.

Chief Operating Officer Eric Hansen has been selected to serve as chair of the AICPA Board of Directors. He will serve one year as vice chair beginning November 1, 2016, followed by a year as board chair and then another year as past chair, concluding his three-year rotation on October 31, 2019. Eric began serving a three-year term on the AICPA Board of Directors, effective November 1, 2013. The board acts as the executive committee for the AICPA's Governing Council, which includes elected and appointed members from all 50 states, the District of Columbia and other U.S. territories. Eric previously served on the Governing Council and continues to serve on the AICPA Task Force on the Future of Learning—a group exploring next-generation learning.

Chris Telli, a partner in our Colorado Springs office, has been appointed as an advisor to the Government Finance Officers Association's Committee on Accounting, Auditing, and Financial Reporting (CAAFR). This committee works closely with the GASB, the AICPA and other organizations and recommends best practices for effective government finance operations.

Amy Shreck, senior manager in our Omaha office, accepted a Practice Fellowship with GASB. She is serving a two-year term at the GASB headquarters as a project manager to help formulate standards and assist with technical inquiries.

Andy Richards, partner in our Little Rock office, was a member of the GASB's Comprehensive Implementation Guide Advisory Committee from 2012 to 2014. The 11-member committee advises GASB on its Comprehensive Implementation Guide, which helps financial statement preparers apply a number of GASB pronouncements. Andy also was involved with the governmental accounting standards-setting process as a Practice Fellow with the GASB in Norwalk, Connecticut. He was a member of the AICPA State & Local Government Expert Panel from October 2010 to October 2013, which identifies state and local government financial reporting and auditing issues and works to achieve resolutions benefiting the public interest.

Jim Brown, retired BKD partner, was appointed January 12, 2012, to the seven-member GASB. He is serving a five-year term on the board that commenced on July 1, 2012. In this capacity, Jim is helping develop and improve the financial accounting and reporting standards used by state and local governments across the country. He specialized in government accounting and auditing for approximately 40 years and served as a BKD partner for more than 25 years before retiring in May 2011. He was responsible for quality control and training for BKD's government and not-for-profit practice and acted as the firm's principal contact with GASB. Since retirement, he has been serving as a continuing education instructor for the AICPA. He also has been a member of AICPA's Auditing Standards Board and Board of Examiners.

PEER REVIEW REPORT

BKD is committed to providing quality audit services to our clients. We submit our work to external reviewers who challenge our approach and findings. We are proud of the findings from these reviews, which indicate our process works. A copy of our most recent AICPA peer review report is included in the Appendix. That report contained a rating of "Pass," which is the best peer review rating available under the current peer review standards.

90

Experience confidence with a national firm that serves approximately 90 municipalities.

E. SUMMARY OF PROPOSING FIRM'S QUALIFICATIONS

1. Identify the partner, audit manager, and supervisors who will work on the audit, including staff from other than the local office. Resumes including relevant experience and continuing education for each individual assigned to the audit should be included. (Resumes may be included as an appendix).

The most critical factor in providing high-quality service is choosing your engagement team. We take team selection seriously and have the appropriate team of advisors to meet your needs.

ENGAGEMENT TEAM ORGANIZATIONAL CHART



ENGAGEMENT TEAM EXPERIENCE



Kevin Kemp, CPA
Partner & Regional Industry Leader

Kevin is a regional industry leader for BKD National Governmental Group and is a member of the firm's Not-for-Profit & Government Committee. He leads the Dallas office's governmental group and his team is responsible for providing audit services to approximately 12 municipalities in Texas and Arkansas, including the cities of Mesquite, North Richland Hills and Roanoke, Texas, as well as Little Rock, Arkansas. In addition, Kevin serves utility clients, including Texas Municipal Power Agency and Brazos Electric Power Cooperative. Kevin also assists with other large governmental clients across the firm, including Cherokee Nation, Denver International

Airport and the City of Indianapolis, Indiana.*

He has more than 20 years of experience providing audit and management consulting services to a client base that includes municipalities and their component units, counties, utilities, state agencies and numerous service-related entities receiving government assistance. His team performs more than 75 Single Audits annually.

Kevin serves clients in obtaining tax-exempt financing, analyzing expansion opportunities and improving internal controls. He has served as primary contact for numerous clients, provided review services for Single Audit engagements and maintained contacts with regulatory agencies. In addition, he has recruitment and training responsibilities.

His professional affiliations include membership in the Government Finance Officers Association (GFOA), Government Finance Officers Association of Texas, American Institute of CPAs and Texas Society of Certified Public Accountants. He is a licensed CPA in Arkansas and Texas and serves on the Special Review Committee of the GFOA.

Kevin is a graduate of University of Central Arkansas, Conway, with a B.B.A. degree.

Kevin Kemp, CPA

Date	CPE Course Completed	Hours
02/23/2016	Not-For-Profit Forum (EL-378)	1.5
04/19/2016	Pursuing Operational Excellence in the Public Sector (EW-417)	1.0
04/21/2016	Coaching Activity - Master My Stories	0.0
05/12/2016	New & Emerging Regulatory Compliance Risks in Higher Education (EL-394)	3.0
05/20/2016	Independence Update (IW-416)	1.0
01/30/2015	BKD 990connect User Training (IW)	1.0
05/15/2015	Audit Considerations & Disclosures for GASB Pensions (IW-118)	1.0
06/17/2015	Opening General Session	4.0
06/17/2015	Annual Partner/Managing Director Business Meeting	4.5
06/18/2015	Not-for-Profit & Government	9.5
06/19/2015	Closing General Session (including Ethics)	2.0
06/19/2015	Not-for-Profit & Government	2.5
07/24/2015	2015 Compliance Supplement & Uniform Grant Guidance for Single Audits (IW-164)	1.5
08/21/2015	BKD STI: Building & Using Case Studies for Success (IW-163)	1.5
08/21/2015	BKD STI: Building a Powerful & Persuasive Presentation (IW-211)	1.5
08/28/2015	SKY Professional Development Series: Developing Your Personal Board of Directors	2.0
09/18/2015	Effective Use of Substantive Analytics (IW-230)	1.0
09/18/2015	BKD STI: Putting Your Power Message to Work (IW-239)	1.5
09/18/2015	Fraud Series: Segregation of Duties - What Could Go Wrong? (IW-246)	1.0
10/01/2015	CAFR/GASB	8.0
10/16/2015	BKD STI: The Art & Science of Proactive Calling (IW-279)	1.5
10/16/2015	Audit Requirements for the Uniform Guidance (IW-272)	1.0
11/05/2015	Using Forecasting & Long-Range Financial Planning to Support Strategic Objectives (EL-261)	3.0
11/06/2015	2015 A&A Annual Update	7.5
11/08/2015	Quarterly Coaching Activity - Get Unstuck	0.0
11/13/2015	Trusted Advisor Training (IW-271)	2.0
11/13/2015	BKD STI: Using Your SWAP Documents in Client Pursuits (IW-286)	1.5
11/19/2015	Arkansas State Board of Accountancy Laws and Rules	1.0
12/27/2015	Coaching Activity - Start with Heart	0.0
01/26/2014	Organizational Trust - Building a High-Trust Organization	1.0
02/26/2014	An Update on IRS Form 990 (External Webinar)	1.0
03/04/2014	Managing Risk in Higher Education Institutions (Live External)	2.5
04/15/2014	GFOAT Spring Institute	10.5
05/08/2014	BKD Sales Training Institute - Refresher	4.0
06/09/2014	Single Audit Monitoring Results & Best Practices	8.0
06/13/2014	BKD STI: KEYnet Sales Opportunity Tracking Tool	1.5
06/18/2014	Opening General Session (including Ethics)	4.0
06/18/2014	Annual Partner/Managing Director Business Meeting	4.5

Kevin Kemp, CPA

Date	CPE Course Completed	Hours
06/19/2014	Not-for-Profit & Government	9.5
06/20/2014	Not-for-Profit & Government	2.5
06/20/2014	Closing General Session (including Ethics)	2.0
07/08/2014	Personal and Professional Ethics for Texas CPAs (Video)	4.0
07/25/2014	Identifying, Communicating & Responding to Fraud Risk Factors (Internal Webinar)	1.0
07/25/2014	SEC Independence Rules (Internal Webinar)	1.0
07/25/2014	BKD STI: Prospect & Client Strategies for Success	1.5
08/14/2014	OMB's Super Circular (External Webinar)	1.0
08/22/2014	COSO 2013 Internal Control - Integrated Framework (Internal Webinar)	1.0
08/22/2014	BKD STI: Overview of SWAP	1.5
10/17/2014	BKD STI: Moving Opportunities Forward	1.5
10/17/2014	Information Technology Update for Auditors	1.0
10/17/2014	Effective Use of Interim Procedures and a Preview of BKD's Client Risk Rating Project	1.0
10/22/2014	AICPA National Governmental and Not-for-Profit Training Program	23.0
11/07/2014	A&A Annual Update - Dallas	7.0
11/14/2014	Municipal Advisors Rule (Qualifies for Regulatory Ethics)	1.0
11/14/2014	Firmwide SKY Training	1.0
11/14/2014	BKD STI: Building Your Buyer's Table	1.5
11/14/2014	Quarterly Fraud Series - Data Analysis	1.0
11/26/2014	BKD Coach Excellence	1.5
12/03/2014	Scholarships & Grants: Untangling the Tax Web (External Webinar)	1.0
12/03/2014	BKD Guide to Billing & Realization Best Practices	2.0



David M. Coleman, CPA
Partner

David is a member of BKD National Governmental Group. He has more than 14 years of experience providing audit and consulting services to a variety of governmental and not-for-profit organizations, including municipalities and their component units, utilities and other service-related entities that receive federal and state assistance. He has engagement oversight and review responsibilities for numerous governmental and not-for-profit organizations subject to Single Audit requirements.

He leads BKD's audit team on several Texas municipalities, including City of El Paso, City of Lubbock (and Lubbock Power and Light), City of Greenville, City of Lancaster, City of McKinney and Town of Highland Park. David also serves San Diego County Regional Airport Authority and West Texas Municipal Power Authority.*

David is a member of the American Institute of CPAs, Texas Society of Certified Public Accountants and Government Finance Officers Association of Texas. He is licensed in Arkansas and Texas.

He is a graduate of Henderson State University, Arkadelphia, Arkansas, with a B.B.A. degree in accounting.

David M. Coleman, CPA

Date	CPE Course Completed	Hours
03/01/2016	Quarterly Coaching Activity - Get Unstuck	0.0
04/07/2015	Lease Accounting for State & Local Government (EW)	1.0
05/15/2015	Audit Considerations & Disclosures for GASB Pensions (IW-118)	1.0
05/15/2015	BKD STI: Developing Existing Accounts	1.5
06/16/2015	New Partner/Managing Director Orientation	5.0
06/16/2015	New Partner Orientation	3.5
06/17/2015	Annual Partner/Managing Director Business Meeting	4.5
06/17/2015	Opening General Session (including Ethics)	4.0
06/18/2015	Not-for-Profit & Government	9.5
06/19/2015	Closing General Session (including Ethics)	2.0
06/19/2015	Not-for-Profit & Government	2.5
07/24/2015	2015 Compliance Supplement & Uniform Grant Guidance for Single Audits (IW-164)	1.5
08/11/2015	AICPA Governmental Accounting and Auditing Conference	15.0
08/21/2015	BKD STI: Building a Powerful & Persuasive Presentation (IW-211)	1.5
08/21/2015	335 Training	1.5
09/18/2015	Effective Use of Substantive Analytics (IW-230)	1.0
09/18/2015	BKD STI: Putting Your Power Message to Work (IW-239)	1.5
10/01/2015	CAFR/GASB	8.0
10/16/2015	Audit Requirements for the Uniform Guidance (IW-272)	1.0
10/22/2015	Best Practices Conference 2015	13.0
11/06/2015	2015 A&A Annual Update	7.5
11/13/2015	Trusted Advisor Training (IW-271)	2.0
11/13/2015	BKD STI: Using Your SWAP Documents in Client Pursuits (IW-286)	1.5
11/20/2015	Personal and Professional Ethics for Texas CPAs	4.0
11/20/2015	Arkansas State Board of Accountancy Laws and Rules	1.0
12/11/2015	BKD STI: A Refresher on the EDGE Process (IW-304)	1.5
01/18/2014	Fraud Detection in Attest Engagements - Quarterly Fraud Webinar (Internal Webinar)	1.0
04/15/2014	GFOAT Spring Institute	10.5
05/23/2014	Ponzi Schemes, Investment Fraud & Beyond (Internal Webinar)	1.0
05/30/2014	Single Audit Monitoring Results & Best Practices	6.0
06/03/2014	Governmental Accounting Basics Training (Local Firmwide)	3.5
06/18/2014	Opening General Session (including Ethics)	4.0
06/19/2014	Not-for-Profit & Government	9.5
06/20/2014	Closing General Session (including Ethics)	2.0
06/20/2014	Emerging Leaders Academy Class of 2017	2.5
08/14/2014	OMB's Super Circular (External Webinar)	1.0
08/22/2014	COSO 2013 Internal Control - Integrated Framework (Internal Webinar)	1.0
08/22/2014	BKD STI: Overview of SWAP	1.5

David M. Coleman, CPA

Date	CPE Course Completed	Hours
09/26/2014	BKD STI: EDGE Questioning Process	1.5
09/26/2014	Internal Controls - What Can Go Wrong? (Internal Webinar)	2.0
10/17/2014	Effective Use of Interim Procedures and a Preview of BKD's Client Risk Rating Project	1.0
10/17/2014	Information Technology Update for Auditors	1.0
10/17/2014	BKD STI: Moving Opportunities Forward	1.5
10/22/2014	AICPA National Governmental and Not-for-Profit Training Program	22.0
11/07/2014	A&A Annual Update - Dallas	7.0
12/19/2014	BKD STI: Developing Your Existing Accounts & Clarifying the Mystery of Accounting Firm "Alliance" vs. "Network" & Praxity's Perspectives	1.5



Rachel R. Ormsby, CPA
Manager

Rachel has five years of experience providing accounting and audit services to governmental and not-for-profit organizations, including extensive experience in Single Audits. As a member of BKD National Governmental Group, she currently serves as the audit manager for numerous clients, including the cities of El Paso, Mesquite, North Richland Hills, Lancaster and Roanoke, Texas.*

As an audit in-charge, she leads the client engagement process, including the supervision and training of the audit team, review of audit workpapers and communication with the client and audit partner. In addition, Rachel has conducted presentations, providing continuing professional education for local roundtables and regional chapters of the Government Finance Officers Association of Texas (GFOAT).

Rachel is a member of the American Institute of CPAs, Texas Society of Certified Public Accountants and GFOAT. She recently began serving on the Government Finance Officers Association's Special Review Committee.

She is a 2010 graduate of Stephen F. Austin State University, Nacogdoches, Texas, with B.B.A. and M.P.A. degrees.

Rachel R. Ormsby, CPA

Date	CPE Course Completed	Hours
02/23/2016	Not-For-Profit Forum (EL-378)	1.5
05/03/2016	Effective Training Skills	1.5
04/07/2015	Lease Accounting for State & Local Government (EW)	1.0
05/15/2015	Audit Considerations & Disclosures for GASB Pensions (IW-118)	1.0
05/15/2015	Employee Benefit Plan Audits - 2015 Annual Update	2.0
05/15/2015	SKY Professional Development Series: Developing Your Personal Brand	2.0
05/15/2015	BKD STI: Developing Existing Accounts	1.5
06/08/2015	Go for Extraordinary: Choice 2 of the 5 Choices of Extraordinary Productivity	1.0
06/16/2015	Schedule the Big Rocks: Choice 3 of the 5 Choices to Extraordinary Productivity	1.0
06/16/2015	Rule Your Technology: Choice 4 of 5 Choices of Extraordinary Productivity	1.0
06/17/2015	Opening General Session (including Ethics)	4.0
06/18/2015	Not-for-Profit & Government	9.5
06/19/2015	Not-for-Profit & Government	2.5

Rachel R. Ormsby, CPA

Date	CPE Course Completed	Hours
06/19/2015	Closing General Session (including Ethics)	2.0
06/22/2015	Fuel Your Fire: Choice 5 of the 5 Choices to Extraordinary Productivity	1.0
06/22/2015	Business Development for BKD Senior Associates	0.0
07/24/2015	2015 Compliance Supplement & Uniform Grant Guidance for Single Audits (IW-164)	1.5
07/28/2015	Making the Right Call - Evaluating Potential Fraud & Other Misdeeds	1.0
08/21/2015	335 Training	1.5
08/21/2015	Proper Planning	1.5
08/28/2015	SKY Professional Development Series: Developing Your Personal Board of Directors	2.0
09/18/2015	Effective Use of Substantive Analytics (IW-230)	1.0
09/18/2015	Fraud Series: Segregation of Duties - What Could Go Wrong? (IW-246)	1.0
10/01/2015	CAFR/GASB	8.0
10/12/2015	Quarterly Coaching Activity - Get Unstuck	0.0
10/16/2015	Audit Requirements for the Uniform Guidance (IW-272)	1.0
11/06/2015	2015 A&A Annual Update	7.5
04/15/2014	GFOAT Spring Institute	10.5
04/22/2014	Employee Benefit Plan Audits Annual Update (Internal Webinar)	2.0
05/01/2014	Fraud in Governmental Entities: Lessons from the Trenches (External Webinar)	1.0
05/23/2014	Ponzi Schemes, Investment Fraud & Beyond (Internal Webinar)	1.0
05/30/2014	Single Audit Monitoring Results & Best Practices	6.0
08/13/2014	Act on the Important: Choice 1 of the 5 Choices to Extraordinary Productivity	1.0
08/14/2014	OMB's Super Circular (External Webinar)	1.0
08/22/2014	COSO 2013 Internal Control - Integrated Framework (Internal Webinar)	1.0
09/26/2014	BKD STI: EDGE Questioning Process	1.5
09/26/2014	Internal Controls - What Can Go Wrong? (Internal Webinar)	2.0
09/28/2014	Business Development for BKD Managers (self-study)	0.0
09/28/2014	2014 SEC and PCAOB Update Part 1 of 2 (Self-study)	1.0
10/01/2014	Audit & Tax Level 5	24.0
10/17/2014	Information Technology Update for Auditors	1.0
10/17/2014	Effective Use of Interim Procedures and a Preview of BKD's Client Risk Rating Project	1.0
11/07/2014	A&A Annual Update - Dallas	7.0
11/14/2014	Quarterly Fraud Series - Data Analysis	1.0
11/14/2014	Municipal Advisors Rule (Qualifies for Regulatory Ethics)	1.0
11/14/2014	Firmwide SKY Training	1.0
11/14/2014	BKD STI: Building Your Buyer's Table	1.5
11/18/2014	Annual Experienced ACL User Conference	15.5
11/19/2014	Project Management Training	6.0
12/19/2014	BKD STI: Developing Your Existing Accounts & Clarifying the Mystery of Accounting Firm "Alliance" vs. "Network" & Praxity's Perspectives	1.5



Donald F. Ewalt, CPA
Senior Associate II

As a member of BKD National Governmental Group, Donald provides audit services to a variety of governmental and not-for-profit entities, including municipalities and their component units, as well as colleges, foundations and charities. He is experienced with Single Audit requirements, including the Community Development Block Grant Program, HOME Investment Partnerships Program and other U.S. Department of Housing and Urban Development programs. Don currently serves as the audit in-charge on the City of Lubbock, Texas, and the City of El Paso Employee Pension Plan.*

He is a member of the American Institute of CPAs.

Donald is a 2009 graduate of Texas Tech University, Lubbock, with a B.B.A. degree in accounting.

Donald F. Ewalt, CPA

Date	CPE Course Completed	Hours
01/12/2016	BKD Coach Training	0.5
01/25/2016	BKD Coach Excellence	1.5
01/25/2016	Coaching Activity - Start with Heart	0.0
04/19/2016	Pursuing Operational Excellence in the Public Sector (EW-417)	1.0
04/20/2016	Coaching Activity - Master My Stories	0.0
05/12/2016	New & Emerging Regulatory Compliance Risks in Higher Education (EL-394)	3.0
05/12/2016	Student Financial Aid Basics (IW-433)	3.5
05/20/2016	Independence Update (IW-416)	1.0
03/16/2015	Personal and Professional Ethics for Texas CPAs (video)	4.0
04/07/2015	Lease Accounting for State & Local Government (EW)	1.0
05/20/2015	Level 5	24.0
06/26/2015	Making the Right Call: Fraud and Other Misdeeds (IW-145)	1.0
07/24/2015	2015 Compliance Supplement & Uniform Grant Guidance for Single Audits (IW-164)	1.5
01/15/2014	2013 AICPA Not-for-Profit A&A Guide (External Webinar)	1.0
05/01/2014	Fraud in Governmental Entities: Lessons from the Trenches (External Webinar)	1.0
05/07/2014	Audit Level 4 (July '11)	24.0
05/23/2014	Ponzi Schemes, Investment Fraud & Beyond (Internal Webinar)	1.0
05/30/2014	Single Audit Monitoring Results & Best Practices	8.0
07/25/2014	SEC Independence Rules (Internal Webinar)	1.0
07/25/2014	Identifying, Communicating & Responding to Fraud Risk Factors (Internal Webinar)	1.0
08/14/2014	OMB's Super Circular (External Webinar)	1.0
08/21/2014	Act on the Important: Choice 1 of the 5 Choices to Extraordinary Productivity	1.0
08/22/2014	COSO 2013 Internal Control - Integrated Framework (Internal Webinar)	1.0
08/26/2014	Go for Extraordinary: Choice 2 of the 5 Choices of Extraordinary Productivity	1.0
08/29/2014	Schedule the Big Rocks: Choice 3 of the 5 Choices to Extraordinary Productivity	1.0
09/03/2014	Rule Your Technology: Choice 4 of the 5 Choices of Extraordinary Productivity	1.0
09/03/2014	Fuel Your Fire: Choice 5 of the 5 Choices to Extraordinary Productivity	1.0
09/26/2014	Internal Controls - What Can Go Wrong? (Internal Webinar)	2.0

Donald F. Ewalt, CPA

Date	CPE Course Completed	Hours
10/17/2014	Effective Use of Interim Procedures and a Preview of BKD's Client Risk Rating Project	1.0
10/17/2014	Information Technology Update for Auditors	1.0
11/07/2014	A&A Annual Update - Dallas	7.0
11/14/2014	Quarterly Fraud Series - Data Analysis	1.0
11/14/2014	Municipal Advisors Rule (Qualifies for Regulatory Ethics)	1.0
11/14/2014	Firmwide SKY Training	1.0
11/18/2014	Annual Experienced ACL User Conference	15.5

ADDITIONAL FIRMWIDE RESOURCES



Deborah E. Beams, CPA
Director

Deborah has more than 10 years of accounting and auditing experience working primarily in the not-for-profit and government industries. She also has extensive experience with Single Audits. As an auditor with an international firm, her clients included public and private institutions of higher education, private schools, municipalities, religious organizations and health and welfare organizations. She now serves as accounting and auditing assistant director for BKD's Dallas office, performing quality control reviews and assisting audit teams with technical matters.

She spent three years as a practice fellow at the Governmental Accounting Standards Board. During that time, she worked on projects leading to the issuance of GASB Statements on nonexchange financial guarantees, fair value and external investments pools. She also originated and led the GASB project on leases, which involved collaboration with Financial Accounting Standards Board staff and presentations to the Federal Accounting Standards Advisory Board.

Deborah is a member of the American Institute of CPAs and Texas Society of Certified Public Accountants.

She is a *summa cum laude* graduate of University of North Texas, Denton, with a B.S. degree as well as a 2005 graduate with an M.S. degree, where she was named Outstanding Masters Student.



Michael S. Brink
Director

Mike focuses on operational excellence and data analytics in the public sector. He has approximately 20 years of experience working on public sector issues from positions within government, management consulting and the business process outsourcing industry. He has worked in a range of business transformation roles involving sales, quality, technology implementation, process re-engineering, managed competition, project management and sourcing.

Previously, working as an analyst for a major city, Mike assisted with implementing and managing a number of the city's competitive government initiatives. In addition, he led management reviews of the city's largest services contracts, developed performance improvement plans and trained teams to conduct management audits.

Mike completed Six Sigma black belt training with a major international manufacturer and led sourcing, business process re-engineering and custom software development projects as a component of the company's Oracle enterprise resources planning (ERP) software implementation initiative. He also helped develop an e-commerce procurement strategy and manage the rollout to hundreds of suppliers.

With a different international manufacturer, Mike led the capture team on one of the company's largest state and local industry wins and spearheaded the company's internal pay for performance, best management practices and at-home worker initiatives. As a consultant for the last six years, he has worked with numerous state and local clients, leading projects that have helped clients improve service quality while reducing service cost.

He is a graduate of Truman State University, Kirksville, Missouri, with a bachelor's degree and a graduate of Indiana University's School of Public and Environmental Affairs, Bloomington, with an M.P.A. degree. He served for eight years in the U.S. Navy Reserve.



Karen Schultz, CPA, CISA®
Senior Managing Consultant

Karen has eight years of IT audit experience. She has served as the in-charge accountant for financial and information systems audits at a national CPA and advisory firm and as the manager for information systems audits at an international financial services company. In addition, she has network and system administration experience.

She is a member of the American Institute of CPAs, Pennsylvania Society of Public Accountants and the Information Systems Audit and Control Association.

Karen is a graduate of Drexel University, Philadelphia, Pennsylvania, with a B.S. degree in business administration and a 2012 graduate of Palm Beach State College, Lake Worth, Florida, with an A.S. degree in network administration.

2. Describe the most recent local office auditing experience similar to the type of audit being requested. Include the reference list of local government audit client and any GFOA Certificates of Achievement for Excellence in Financial Reporting awarded.

REFERENCES*

Our clients are our best ambassadors, and we encourage you to contact them about their satisfaction with our services. The scope of work we perform for the following clients most closely resembles that on which we are proposing for the City—these clients have consented to discussing BKD's services and service delivery with you at your convenience.

City of Lubbock, Texas

Mr. Brad Bullock
Accounting Supervisor
806.775.2147
Lubbock, TX
Scope of Work: Financial Statement Audit, Single Audit & Agreed-Upon Procedures

City of North Richland Hills, Texas

Mr. Kent Austin
Director of Finance
817.427.6167
North Richland Hills, TX
Scope of Work: Financial Statement Audit & Single Audit

City of Mesquite, Texas

Ms. Debbie Mol
Director of Finance
972.216.6287
Mesquite, TX
Scope of Work: Financial Statement Audit, Single Audit & Agreed-Upon Procedures

City of Roanoke, Texas

Ms. Vicki Rodriguez
Director of Fiscal & Administrative Services
817.491.2411
Roanoke, TX
Scope of Work: Financial Statement Audit

REPRESENTATIVE CLIENTS*

BKD is proud to work with municipalities who received a GFOA Certificate of Excellence in Financial Reporting, including:

City & County of Denver, Colorado	City of Little Rock, Arkansas
City of Aurora, Colorado	City of Lubbock, Texas
City of Balch Springs, Texas	City of McKinney, Texas
City of Bedford, Texas	City of Mesquite, Texas
City of El Paso, Texas	City of North Richland Hills, Texas
City of Fort Smith, Arkansas	City of Roanoke, Texas
City of Greenville, Texas	City of Springdale, Arkansas
City of Indianapolis & Marion County, Indiana	City of Springfield, Missouri
City of Kansas City, Missouri	City of Texarkana, Arkansas
City of Kerrville, Texas	City of Westminster, Colorado
City of Lincoln, Nebraska	Town of Highland Park, Texas

F. PROPOSING FIRM'S APPROACH TO EXAMINATION

1. Submit a work plan to accomplish the scope of services required. The work plan should include the time estimates for each significant segment of the work and the staff level position.

FINANCIAL STATEMENT AUDIT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS SERVICE DESCRIPTION

BKD's audit approach focuses on areas of higher risk—the unique characteristics of the City's operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

These principles make up the foundation of BKD's audit approach:

- ▶▶ The team working on your engagement have been trained in the government industry. You will not have to train our people on the issues that affect the governmental industry, such as net position/fund balance classifications, cash and investment disclosures, debt covenants and arbitrage compliance, net pension liabilities and other post-employment benefit obligations.
- ▶▶ We provide a high level of engagement executive involvement so you receive high-quality service with little interruption. We recognize we have to be flexible because not all audits go as planned. Because our partners and managers are in the field, we can adapt quickly to circumstances that arise.
- ▶▶ Communicating the results of our audit procedures and sharing ideas to help your accounting processes are integral parts of your engagement. In addition, you will find communication does not end when the audit is completed. We strive to keep in contact with your management team throughout the year. Continued communication means you can receive an efficient and effective audit.

Using our five-phase approach, we will work with you to develop an audit plan tailored to your specific circumstances and risks.

PHASE 1: PLANNING

BKD will work closely with your city council and management team early during the audit, as required by auditing standards, giving the group an overview of the scope and timing. We ask that your city council and management team let us know about any risk issues, any areas where they would like us to perform additional procedures or anything else material to the audit.

During the planning phases of the audit, we will:

- ▶▶ Review predecessor auditors' workpapers
- ▶▶ Meet with your management team to examine changes that have occurred during the current year
- ▶▶ Discuss expectations of the audit process and team members
- ▶▶ Document and test internal controls
- ▶▶ Perform a comparison of prior year audited financial statements with current year interim financial statements to gain an understanding of the current year's activities
- ▶▶ Read city council meeting minutes to understand events occurring during the year
- ▶▶ Obtain permanent file information, such as organizational charts, bylaws, debt and lease agreements
- ▶▶ Design a timetable for the audit procedures that meets your reporting deadlines and is specifically tailored to your entity's accounting process and transactions

PHASE 2: RISK ASSESSMENT

BKD will follow standards established by the Auditing Standards Board of the AICPA. These auditing standards affect the amount and type of information BKD will gather to perform your audit.

We will:

- ▶▶ Obtain an understanding of your business and business environment, significant risks you face and how you mitigate those risks. This will include examining how you measure and manage financial performance, as well as your internal control over financial reporting.
- ▶▶ Evaluate where your financial statements might be susceptible to material misstatement due to error or fraud.
- ▶▶ Consider if internal controls have been implemented and assess the general controls around your IT systems.
- ▶▶ Assess risk of material misstatement for the most significant financial statement amounts and disclosures.

To help facilitate the testing of internal controls, we use questionnaires specific to the governmental industry, which expedite gathering your control information. Based on the documentation of your controls, we will test the key controls of your organization.

We expect to interview your personnel and review prior city council meeting minutes as part of our information-gathering process.

experience
professionalism

"BKD's personnel from staff to partner that I've worked with are very professional and consider the operations and timelines of the agency personnel in their planning. They are willing to discuss issues and accounting treatments in an open method while ensuring that the standards are met. The comments and recommendations are helpful and have assisted the city in making improvements."

Beth Machann
City Controller
City & County of Denver,
Colorado

PHASE 3: FIELDWORK, TESTING & FURTHER AUDIT PROCEDURES

Based on our assessment of risks of material misstatements and determination of further audit procedures to be performed, we will design audit tests that take advantage of strengths in your internal control system.

During fieldwork, we will:

- ▶▶ Perform substantive tests on material account balances
- ▶▶ Evaluate significant unusual transactions
- ▶▶ Ask management to further explore and clarify any identified potential misstatements
- ▶▶ Evaluate the materiality of those misstatements, if applicable
- ▶▶ Conclude whether all identified risks of material misstatement have been addressed
- ▶▶ Test compliance with certain provisions of laws, regulations, contracts and grant agreements
- ▶▶ Hold a formal exit conference with management to share findings and preliminary deliverables

BKD also will perform some tests from these alternatives:

- ▶▶ Test key items – Some items within an account may be large enough by themselves to involve significant risk of material misstatement. These key items can be audited individually.
- ▶▶ Sampling – A detailed audit of representative individual items (a sample) selected from a population.
- ▶▶ Analytical procedures – Taking a closer look at a grouping of information by examining it as it relates to other accounts, historical trends or other measures.
- ▶▶ CAAT – BKD uses ACL as one of the primary tools to apply CAAT. The use of ACL allows us to analyze data electronically, handle large amounts of data and increase the effectiveness and efficiency of audit procedures.

As needed, our firmwide industry partners serve as technical resources with expertise to deal with particularly challenging or unique situations that may arise in the course of your audit.

We know a great deal of audit information often comes from third parties. Sometimes information from those parties is not received on time. To keep your report timely, we will keep you informed of the status of outstanding items.

PHASE 4: REPORT & COMMUNICATIONS DELIVERY

A cornerstone of the quality of our audits is the use of a concurring reviewer before the issuance of any reports. Another member of our assurance team, who has otherwise not been involved in the engagement, reviews the financial statements and workpapers before issuing the report.

Generally accepted auditing standards establish requirements and provide guidance on our communication with those charged with governance. In addition, if applicable, we will issue a report to management and those charged with governance of any significant deficiencies or material weaknesses identified during the audit.

OUR FIVE-PHASE APPROACH TO FINANCIAL STATEMENT AUDITS

1 » Planning

2 » Risk Assessment

3 » Fieldwork, Testing &
Further Audit Procedures

4 » Report &
Communications Delivery

5 » Presentation

Our commitment to a smooth engagement also includes the timely delivery of our audit report. A draft of the audit report, management letter and any other deliverables will be provided to you for your review and comments. After completing our fieldwork, we generally deliver our audit report and other communications within three weeks.

PHASE 5: PRESENTATION TO THE CITY COUNCIL

We welcome the opportunity to share your audit results with the city council and your management team and answer their questions. We will be available as requested.

TIMING & YOUR BKD TEAM

Overall, we plan to spend about three weeks in your office, approximately one week on planning/gathering information to design our audit approach and two weeks on final fieldwork at year-end. We will coordinate the scheduling of your audit with you to both accommodate your schedule and to allow for the timely completion of deliverables. A more detailed breakdown of timing is included below and on the following page.

Your BKD team will include an experienced engagement in-charge and one or two associates, who will be on site performing further audit procedures and gathering the information we need to support our opinion. In addition, your BKD team will be led by a partner with experience in the government industry, who will direct our staff's audit approach, review their work and communicate audit results.

Time Estimates

Task/Event	Proposed Timing	Assigned Personnel
Planning		
Review of prior auditor workpapers (initial year only)	August 2016	Partner & Manager
Delivery of internal control forms	August 2016	Manager
Delivery of detailed audit plan & list of schedules to be prepared by the City	August 2016	Manager
Pre-audit planning meeting/entrance conference with management	August 2016	Partner & Manager
Risk Assessment		
Pre-audit communication to those charged with governance	September 2016	Partner & Manager
Client completion of internal control questionnaires	September 2016	The City
Planning & interim fieldwork	September 2016	All Audit Professionals
Review & walk through of internal controls, including IT	September 2016	All Audit Professionals
Completion of planning forms, including preliminary analytics, interviews with key management, confirmation work & review of governing body meeting minutes	September 2016	Manager & Senior Associate II

Task/Event	Proposed Timing	Assigned Personnel
Fieldwork, Testing & Further Audit Procedures		
Entrance conference with assistant city manager & finance director	December 2016	Partner & Manager
Cash & investments		
Receivables		
Inventory		
Capital assets		
Other assets		
Accounts & retainage payable		
Accrued liabilities		
Long-term debt		
Net pension liability & other post-employment benefits liability		
Net position/fund balances		
Revenues & expenses		Partner/Manager/ Senior Associate II/ Associates
Supervision & review	December 2016 - January 2017	
Weekly progress reporting		
Exit conference with assistant city manager & finance director	January 2017	Partner & Manager
Report & Communications Delivery		
Delivery of deliverable drafts	January 2017	Partner & Manager
Concurring reviewer independent final review	February 2017	Partner
Delivery of final financial statements, management letters & other communications to those charged with governance	February 2017	Partner & Manager
Presentation		
Presentation to the city council	February 2017	Partner & Manager

AREAS OF PRIMARY EMPHASIS

Based on our experience with similar municipal governments and a preliminary review of your financial statements, areas of higher risk for the City's audit, and BKD's audit approach to those areas, will likely include:

Cash & Cash Equivalents

We will verify the existence of significant cash accounts through third-party confirmations, review bank account reconciliations, perform cutoff procedures related to interbank transfers and test compliance with Governmental Accounting Standards Board Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures*, disclosure requirements.

Investments

This is a significant audit area due to the risks associated with the proper and timely valuation of investments. We employ a variety of audit procedures in this area, including the use of third-party confirmations, obtaining an understanding of management's assessment of fair values, fair market value testing to published sources and obtaining Service Organization Control (SOC) 1 reports. In addition, we evaluate the disclosure requirements and help determine the adequacy of completeness and accuracy of the disclosures.

Accounts Receivable & Unearned Revenue/Deferred Inflows

These areas are often a significant risk due to the subjective nature of the City's estimate for the allowance for doubtful accounts and the proper recognition of revenue for funds that report using the modified accrual basis of accounting and the current financial resources measurement focus that is consistent with the City's policy. We will test the cutoff of various revenue sources, such as taxes, government grants and customer utility accounts, and review the revenue journal both before and after year-end. We may confirm significant accounts receivable, as well as a sample of others to test both existence and proper classification, if considered necessary. In addition, we will test unearned revenue/deferred inflow accounts by reviewing subsequent collections and perform various analytical procedures to test both completeness and proper classification of the balances, consistent with the City's policy of recognizing revenue on the modified accrual basis of accounting.

Capital Assets

We will audit the capital asset roll forward activity of each opinion unit, focusing on significant additions and disposals during the year. Current year additions will be tested to appropriate supporting documentation. A review of repair and maintenance accounts will be performed to help verify material additions have been capitalized. New lease agreements will be reviewed to determine whether they have been accounted for properly, as either capital or operating. Depreciation expense also will be tested for reasonableness and certain analytical procedures will be performed on the capital outlay line items for governmental funds associated with the conversion to governmentwide reporting.

Accounts & Retainage Payable & Accrued Liabilities

Accounts payable cutoff will be tested by reviewing subsequent disbursements. Retainage payable will be recalculated on invoices as required by contracts between the City and your contractors. Accrued liabilities, such as compensated absences, will be detail tested and analytical testing will be used to help determine that proper accruals have been made. Due to/from funds will be reviewed and evaluated for collection within the next operating cycle and the intent of the fund to help satisfy the obligation to determine proper classification.

Long-Term Debt

This is typically a risk due to the presence of one or more significant debt covenants. We review the associated debt documents to help gain an understanding of the flow of funds prescribed for any pledged revenues. We review the covenants and obtain evidence through inquiry and other means, including the recalculation of any financial covenants, to support the conclusion that all covenants have been met and that all debt service payments have been made timely. We also will confirm the annual payment activity and ending balances of certain bonds, notes and leases payable with trustees. In the case of any refunded debt in the year being audited, we will recalculate the accounting gain or loss by reviewing trustee statements and bond documents to test for proper classification and footnote disclosures. We also will inquire about your policy on reviewing each bond and note for applicable IRS arbitrage requirements, prepare a list of bonds and notes subject to IRS arbitrage requirements and the most recent arbitrage calculation prepared for each bond and challenge the calculation performed to test for completeness and obligations of the City.

Net Position/Fund Balances

Procedures we perform in this area include vouching (or cross-indexing to work performed in other areas) of significant increases and decreases to net position, recalculation of net investment in capital assets for enterprise funds and governmentwide activities, review documentation supporting the establishment and classifications of new accounts and testing of various nonspendable, restricted, committed and assigned fund balance accounts based on supporting documentation of donor and grantor agreements, enabling legislation, formal actions of city council, such as ordinances and resolutions and other formal policies.

Revenues & Expenses

Revenues and expenses will be subjected to analytic review procedures. In addition, we will confirm property and sales tax revenues. We will agree various revenue and expense amounts, *e.g.*, investment income, depreciation and interest expense, from other testing areas to recording in the general ledger.

Significant Accounting Estimates

There are a number of significant accounting estimates used in preparing the financial statements, including estimates involving the discount rates to be applied to pension liabilities, the fair value determination of investments, the estimated useful lives of property and equipment and the allowance for uncollectible receivables. These estimates are often significant and have a certain amount of inherent risk associated with them. We generally gather information supporting the City's rationale for significant estimates recorded, gain an understanding of how the estimates were prepared and document our understanding and conclusions regarding reasonableness. We also employ certain analytical procedures, including the review of relevant historical data.

Revenue Recognition

Professional standards include a rebuttable presumption, that for each audit, there is a risk of material misstatement due to fraud relating to improper revenue recognition. Our approach is to gain an understanding of the revenue recognition criteria and policies and then perform a variety of inquiry, analytical and substantive audit procedures to confirm our understanding.

Risk of Management Override of Controls

The Auditing Standard's Boards AU-C 260, *Consideration of Fraud in a Financial Statement Audit*, requires that auditors consider this area to be a risk of material misstatement in every audit. Procedures include interviews of selected individuals in the City, an audit team brainstorming session and the selection and application of unpredictable audit procedures. We may add additional areas to this list based on our review of the City's internal control environment or our preliminary analytical review procedures.

Utility Receivables & Unbilled Revenues

We will use several methods to audit your receivables and the estimate of unbilled revenues, including using look-back reports, review of historical collection methods and assessment of the aging and payor mix of your accounts receivable detail. We will analytically review key ratios such as days in accounts receivable and charge-off rates compared to industry averages and prior year results to help us reach our audit conclusions. We will work with your team before year-end on the allowance to see that we are comfortable with your methodologies and conclusions. Finally, we use ACL to test subsequent billings and receipts and the accuracy of revenue cut-off to help validate the year-end accounts receivable balance and any unbilled revenue amounts.

IT

We will use IT audit professionals and employ audit procedures to test the controls within your IT environment sufficient to allow us to rely on the information generated by your IT platform. These tests will include identification of critical internal controls, detailed walkthroughs of transactions, testing of the key IT controls identified to determine whether the controls are functioning, review of change management protocols, access controls and overall IT security.

2400

Experience perspective
from a firm with
approximately 2,400 CPAs,
advisors & dedicated staff
committed to providing
unmatched client service.

2. State purpose and degree of utilization of City of Richland Hills personnel.

In working with organizations similar to the City, we have developed an efficient approach that helps avoid wasted effort. We plan our work to facilitate client participation to help control costs, reduce unnecessary disruptions and meet deadlines.

The City plays a major role in timely completion of the audit. We need your staff to maintain records in good condition, provide the necessary schedules and cooperate with our audit team. Most organizations routinely prepare these records and schedules during their normal monthly or annual closing process.

Assistance from your personnel may include:

- ▶▶ Preparing a complete and accurate general ledger trial balance by account, to which very few adjustments are needed
- ▶▶ Preparing accurate audit schedules to support all significant balance sheet and certain other accounts
- ▶▶ Responding to auditor inquiries
- ▶▶ Preparing confirmation and other letters
- ▶▶ Pulling selected invoices and other documents from files
- ▶▶ Helping to resolve any differences or exceptions noted
- ▶▶ Completing documentation of internal controls
- ▶▶ Completing report and footnote information

We will provide a list of the needed schedules well in advance of any deadlines, as well as spreadsheet templates for many of these schedules. We also will meet with your staff, as needed, to help them clearly understand what we need. In addition, we will have weekly status update meetings during planning and final fieldwork so your management is on the same page with our audit team.

WHAT IS THE BKD EXPERIENCE?

The BKD Experience is about working with a professional who can provide more than just accounting solutions. Day in and day out, you can count on our integrity, expertise, professionalism, responsiveness and innovation. Our trusted professionals serve a diverse client base that includes main street businesses, international corporations and everything in between. Experience how BKD can assist with a variety of needs and help you make accounting, tax and other important decisions with confidence.

experience **BKD**
CPAs & Advisors

G. COMPENSATION

State the total hours and hourly rate required by staff classification and the resulting all-inclusive maximum not-to-exceed fee amount for which the requested work will be completed.

BKD knows our clients do not like fee surprises. Neither do we. Our goal is to be candid and timely, and we want to answer your questions about fees upfront. We determine our fees by evaluating a number of variables: the complexity of the work, the project's scope, the time we will spend and the level of professional staff needed.

PROPOSED ALL-INCLUSIVE MAXIMUM FEES

City of Richland Hills

	2016			2017			2018		
Financial Statement Audit in Accordance with <i>Government Auditing Standards</i> for the Years Ending September 30									
Staff Level	Hours	Hourly Rate	Total	Hours	Hourly Rate	Total	Hours	Hourly Rate	Total
Partner/ Director	20	\$210		20	\$215		20	\$220	
Manager & Senior Associate II	115	\$110 - \$130		115	\$115 - \$135		115	\$120 - \$140	
Staff & Administrative Personnel	215	\$50 - \$105		215	\$50 - \$110		215	\$50 - \$115	
Subtotal	350		\$39,000	350		\$40,450	350		\$41,900
Expenses			1,500			\$1,550			\$1,600
Total	350		\$40,500	350		\$42,000	350		\$43,500

The proposed fees include travel costs and an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs, such as computer processing, software licensing, research and library databases, and similar expense items. Our fees may increase if our duties or responsibilities change because of new rules, regulations and accounting or auditing standards. We will consult with you should this happen.

Our estimate of fees does not include any time that may be required to address a restatement of the previously audited financial statements. Accordingly, any such work will be billed based on our quoted hourly rates.

“Unmatched client service isn’t
just a slogan at BKD; it’s the
backbone of our culture.”

Theodore D. Dickman, CPA
Chief Executive Officer | BKD, LLP

APPENDIX

AICPA PEER REVIEW LETTER



American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

November 10, 2014

Theodore D Dickman, CPA
BKD, LLP
910 E Saint Louis St Ste 400
Springfield, MO 65806

Dear Sir/Madam:

It is my pleasure to notify you that on October 31, 2014 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is November 30, 2017. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in cursive script that reads "Larry Gray".

Larry Gray
Chair, National Peer Review Committee
nprc@aicpa.org 919 402.4502

cc: Candace E Wright; L Douglas Bennett

Firm Number: 10002800

Review Number 361333

Letter ID: 937515

T: 1.919.402.4502 | F: 1.919.402.4876 | nprc@aicpa.org

BKD PEER REVIEW REPORT



A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

System Review Report

To the Partners of BKD, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (SOC 1).

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BKD, LLP has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
September 19, 2014

BKD FIRM PROFILE

experience **insight** // BKD, LLP, a national CPA and advisory firm, can help individuals and businesses realize their goals. Our dedicated professionals offer audit, tax and consulting services to clients in all 50 states and internationally. BKD and its subsidiaries combine the insight and ideas of multiple disciplines to provide solutions in a wide range of industries.

ABOUT BKD



CLIENT SERVICE

The **BKD Experience** is a commitment to unmatched client service that is shared by CPAs, advisors and dedicated staff members who take your business personally. We are so dedicated to the idea that we wrote a book—**The BKD Experience: Unmatched Client Service**.



INTERNATIONAL SOLUTIONS

BKD is the largest North American member of Praxity, AISBL*, a global alliance of independent firms serving clients in approximately 100 countries. We offer multinational clients a gateway to the global marketplace with services delivered by alliance firms committed to the highest standards required in international business.



PROFESSIONAL AFFILIATIONS

BKD is a member of the American Institute of CPAs and its three quality centers: Center for Audit Quality, Employee Benefit Plan Audit Quality Center and Governmental Audit Quality Center.

BKD is registered with the Public Company Accounting Oversight Board, which is required to serve as an independent auditor of public companies. BKD audits approximately 80 U.S. Securities and Exchange Commission registrants, including approximately 30 benefit plans.



MISSION STATEMENT

The mission of BKD is to always strive for excellence in providing services to clients, create rewarding career opportunities and maintain sound professional, business and financial standards.



QUICK FACTS

- **Clients:** Individuals and private and publicly traded businesses in the health care, manufacturing, distribution, financial services, construction and real estate industries, as well as not-for-profit and governmental entities
- **Total Personnel:** Approximately 2,400
- **Partners & Principals:** Approximately 260
- **Net Revenues:** \$496 million
- **Fiscal Year-End:** May 31
- **Founded:** 1923
- **Locations:** 34 offices serving clients in all 50 states and internationally

*Praxity, AISBL is a global alliance of independent firms. Organised as an international not-for-profit entity under Belgium law, Praxity has its executive office in Epsom. Praxity – Global Alliance Limited is a not-for-profit company registered in England and Wales, limited by guarantee, and has its registered office in England. As an Alliance, Praxity does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The Alliance does not constitute a joint venture, partnership or network between participating firms. Because the Alliance firms are independent, Praxity does not guarantee the services or the quality of services provided by participating firms.

BKD SERVICES

Audit & Assurance

Tax

Business Succession Planning

Employee Benefit Plans

Forensics & Valuation Consulting

Information Technology

Risk Management

State, Local & International Tax

Wealth Management

And more

COMMITMENT TO PROFESSIONAL DEVELOPMENT

BKD is committed to creating rewarding careers and equipping our professionals with the tools they need to serve our clients. We take professional growth and development seriously and offer numerous programs and training so we are prepared to help meet your professional services needs.



AWARD-WINNING TRAINING

BKD's commitment to lifelong learning and professional development is highlighted by our recognition as a top-tier training organization. BKD has earned the distinction of **Training** magazine's Training Top 125 for the past three years. In 2014, BKD also earned the **Chief Learning Officer** magazine's LearningElite award.



PROGRESSIVE PROGRAMS & INITIATIVES

BKD is dedicated to creating and implementing programs and initiatives to help our professionals achieve their full potential. Programs include SKY, a firmwide initiative to emphasize and strengthen diversity in our firm. SKY focuses on recruiting, retaining and developing women for the sustainable growth of BKD. Through the collaboration of men and women, BKD aims to foster a culture that recognizes and supports maximizing the potential of all.



REWARDING CAREERS

As part of a recent employee engagement survey, BKD employees ranked us within the 90th percentile of professional services companies, indicating they find BKD to be an exemplary platform from which to serve clients.

BKD PRIDE VALUES

WHAT'S IMPORTANT TO YOU? // A commitment to excellence? Independence and objectivity? A broad skill set? Exceeding expectations? At BKD, these are all essential. That's why every day you can see our partners and employees "living the PRIDE." These values—passion, respect, integrity, discipline and excellence—are the hallmarks of BKD and guide us as we provide solutions for your business and financial needs. Experience what BKD PRIDE values can mean for you.



P

PASSION

- For service to others
- For making tomorrow better than today

Experience how our dedication and enthusiasm for making tomorrow better than today can help you make informed decisions to help improve business and financial outcomes.

R

RESPECT

- For the differences that make our team strong
- For our legacy and the benefits of change

Experience how our respect for diversity can provide a variety of skills and talents to meet your needs. Respecting the lessons of our legacy and yours, we can help you capitalize on the opportunities change inevitably offers.

I

INTEGRITY

- To do the right thing
- To be objective and independent

Experience how our integrity and objectivity can help you make smart business decisions. You want an advisor to tell you what you need to know, not just what you want to hear.

D

DISCIPLINE

- In process and innovation
- To balance professional and personal commitments

Experience how our well-established protocols and low-risk approaches can help resolve issues and advance your goals.

E

EXCELLENCE

- In skills and competencies
- In our quest to be the best

Experience how our ambition, knowledge, commitment to lifelong learning and drive to improve technical and analytical skills can work to consistently surpass your expectations.

BKD

BKD THOUGHTWARE

BKD's expertise spans a wide variety of industries and subjects, and our professionals share their knowledge in print, online and in person to help advance your organization. Use the QR code below to sign up for **BKD Thoughtware®** emails.



// articles



// emails



// presentations



// videos



// webinars



BKD^{LLP}
CPAs & Advisors

bkd.com



1400 West 7th Street, Suite 400
Fort Worth, Texas 76102
817-259-9100

Christopher L. Breaux, CPA
Christopher.Breaux@whitleypenn.com
713-906-0250

July 1, 2016
RFP No. 2016-071
Whitley Penn, LLP - 350 Professionals

City of Richland Hills, Texas
Request for Proposal for Independent Financial Audit Services



An Independent
Member of



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Transmittal Letter

July 1, 2016

To the Honorable Mayor,
City Council and City Manager
City of Richland Hills, Texas

We are pleased to submit our proposal to objectively provide financial statement audit services for the City of Richland Hills, Texas (the “City”) for the fiscal years ending 2016 through 2018. Our firm welcomes this opportunity to describe our capabilities and to provide evidence of our sincere desire to serve you. We believe our proposal demonstrates our resources, governmental accounting experience and philosophy of providing superior service to our clients.

Whitley Penn, LLP, established in 1983, has become one of the region’s most distinguished accounting firms by providing exceptional service that reaches far beyond traditional accounting. The firm has consistently received high marks for its practice and management. The success of the firm allows us to bring qualified and experienced personnel to this and all of our governmental engagements. With a dedicated Public Sector team, Whitley Penn is qualified and ready to provide the requested services.

Our Public Sector staff has extensive experience with governmental auditing and financial reporting, federal and state program auditing and compliance, and dealing with federal and state agencies overseeing a wide variety of grants. We bring over 30 years of broad based experience in government auditing and federal compliance. Whitley Penn is also a member of the Government Audit Quality Center of the American Institute of Certified Public Accountants. All of our Public Sector staff receives required training in accordance with GAO guidelines for federal auditing, agreed upon procedures, and performance audits, a total of 40 instructional hours annually.

The all-inclusive annual not-to-exceed maximum fee amount for each of the 3-year contract term for fiscal years ending September 30, 2016, September 30, 2017, and September 30, 2018 are listed below.

FY 2016	\$38,500
FY 2017	\$39,700
FY 2018	\$40,900

In order to give the City a chance for a fresh perspective, we have provided in the body of our proposal the biographies of a number of our partners, senior managers and seniors who are all at your disposal to provide professional services tailored to the City’s needs and circumstances. We are committed to perform the work within the time periods specified under Calendar of Events—Key Dates of the RFP document.

Transmittal Letter

We appreciate the opportunity to introduce our firm to serve the City and we look forward to meeting with you and discussing further our service philosophy, approach, and methodology. We hope to be able to partner with you, in fulfilling your fiduciary responsibilities by providing you with the highest level of service to better equip you to meet the challenges of the future.

I am authorized to bind Whitley Penn and enter into a contract with the City. I confirm that Whitley Penn is independent of the City, including direct and indirect financial interest, as well as relationships of the proposed audit team to employees and City Council members.

Sincerely,



Christopher L. Breaux, CPA
Partner
Whitley Penn, LLP
1400 West 7th Street, Suite 400
Fort Worth, Texas 76102
713-906-0250 (Cell)
Christopher.Breaux@whitleypenn.com



EXECUTIVE SUMMARY

Executive Summary

The following specific points demonstrate our qualifications and the benefits to you:

-  **Significant *Texas Municipality* audit and consulting experience.** Work in the area of Texas municipalities is a significant portion of our firm's practice. We currently serve as auditors for over 80 governmental entities. Our partners have been recognized for their expertise and have conducted seminars on various governmental accounting, auditing and financial reporting topics for the Texas Society of CPAs, other CPA firms, the Texas Association of School Business Officials, Texas Municipal League, and the Government Finance Officers Association of Texas.

-  As you will see in our statement of qualifications, we have extensive experience working with cities and municipalities with component units and with complex federal and state grant funding environments. Our public sector team is dedicated to serving governmental entities year-round. We are also very familiar with the governmental reporting requirements to assist our clients to retain their Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA.

-  **Our proposal includes experienced engagement leadership at the partner and manager levels.** Whitley Penn offers three partners, with experience ranging from 15 to 40 years, who are dedicated to municipalities and other governmental entities. All of our management staff receives annual training in government auditing and reporting. Our firm is also in the process of planning and performing the services you have requested for our existing municipal audit clients. We have extensive experience in performing management and performance review services for Texas state agencies, for agencies in other states and for municipalities in Texas and other states.

-  In addition to providing quality, timely audit services, we also offer other services, as auditing standards permit, such as organizational reviews, cost-cutting measures, business process improvement, information technology control reviews, internal control reviews, forensic investigations, agreed-upon procedures, and **complimentary training** for the City's staff.

-  We have followed and studied the Office of Management and Budget's new Uniform Grant Guidance that will affect any grants awarded on or after December 26, 2014. We have presented on this topic for the Texas Society of CPAs Single Audit Conference. We have also been working with the AICPA Governmental Audit Center to ensure that our clients and our auditors apply the provisions of GASB No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27*.

Executive Summary

- Our firm is approximately 350 people strong in the Houston, Dallas, and Fort Worth areas with varied experience and knowledge. For the past fifteen years Whitley Penn has consistently been named to the “Best of the Best” firms list by *INSIDE Public Accounting*. Our firm is currently ranked #54 in the nation on the *INSIDE Public Accounting* list of Top 100 firms, based on 2015 rankings. *INSIDE Public Accounting* is a national monthly publication that reports on the accounting industry. The rankings are based on fiscal and management metrics, such as quality, lack of litigation, retention of clients and personnel, and growth. We are proud to be able to offer our clients the benefits of a large firm, with diverse knowledge and experience, while also providing personalized service.
- We have exceptionally low turnover in our firm as compared to other public accounting firms. This means that you can count on our firm and our people being available year after year to continue meeting your needs, which will improve efficiency and effectiveness. Our accolades include; 2014 “Best Companies to Work for in Texas” by *Texas Monthly*, 2012 “Best Places to Work” by the *Houston Business Journal*, 2013 “Top 100 Places to Work” by the *Dallas Morning News*, 2012 “Best of Fort Worth Awards” in the Accountants category by the Fort Worth Award Program Committee, “Best Accounting Firms to Work for 2013” by *Accounting Today*, 2013 Best of the Best; Top 100 Firms; Fastest Growing Companies; All-Stars by *INSIDE Public Accounting*. We have an extensive team of experienced professionals that we will be able to draw upon as needed. You will receive “best of class” service from highly competent professionals. It is our goal to attract and retain the very best employees, so that we can continue to provide our clients with the very best service.
- We have a strong understanding of the work to be performed and will commit the resources necessary to assist the Finance Department staff in an efficient and effective manner, within the time period required. Our audit plan always includes communication with your staff, management and City Council on a year-round basis to maximize our value to the City.





FIRM PROFILE

Firm Profile

Independence

As auditors, we have a responsibility to maintain independence so that our opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. With this responsibility in mind, we confirm that Whitley Penn is independent of the City, including direct and indirect financial interest, as well as relationships of the proposed audit team to employees and City Council members, as defined by both auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the U.S. Government Accountability Office.

Prior Engagements with City of Richland Hills, Texas

We have not had any prior engagements or professional relationships with the City or any of their agencies or component units/agencies, component units or oversight unit in the last five years.

License to Practice in Texas

Whitley Penn and all key professional staff are properly registered/licensed to practice public accounting in the State of Texas. The firm has not been notified of any disciplinary action being taken or pending against it in the past three years with state regulatory bodies or professional organizations. Whitley Penn is not currently under the terms of a public or private reprimand by the Texas State Board of Public Accountancy and/or licensing boards of other states.



Firm Profile

Firm Information

Whitley Penn is a **regional** firm, comprised of offices in the Houston, Dallas, and Fort Worth areas, comprised of 43 partners and 310 exceptional employees with diverse experience and knowledge. Our Public Sector Audit Team includes 3 partners, 6 managers, 7 senior staff and 15 staff. We feel this staffing level allows our firm to provide a wide variety of specialized services on a personal basis.

Although founded in 1983, the Firm has public sector auditing roots that stretch back into the early 1970's in Galveston, Harris and Fort Bend Counties.

Staffing of Project

Work on this engagement will be performed by professionals from our Houston and Fort Worth offices. These combined offices are home to the nucleus of our public sector practice with thirty experienced professionals ready to serve our municipal clients, including 3 partners, 6 managers, 7 senior staff and 15 staff. While we have been blessed with very little turnover or attrition in the past few years, we are cognizant of the need to be ever mindful of retaining and recruiting great talent from major universities to ensure the continued quality of service our clients demand.

Our proposed audit team will include an engagement partner from our Public Sector division, an audit manager, a senior auditor and up to two support staff members. The assurance service managing partner will be available to the project team for assistance with planning activities and in dealing with issues related to the audit and financial reporting. We feel this staffing level allows our firm to provide the necessary service quality based on the City's requirements. Additionally we will have senior and staff accountants assigned to the engagement as necessary. We do not anticipate any member of the engagement team to be employed on a part-time basis.

Continuity of Service

One of the challenges we face as one of the fastest growing public accounting firms in the State of Texas is growth itself. We grow as a firm in large part because our people grow professionally. Our team is in a constant state of improvement in experience, knowledge, and responsibilities. We embrace this growth and we encourage promotions of staff commensurate with their talents and commitment to serving the industry and clients.

To address this challenge, we focus more on continuity of service rather than continuity of staff. Our ability to address change is what sets our staff apart. While we are proud of the staff presented above, this group, along with firm management feels it is of prime importance to work tirelessly on training staff members to assume new roles as they/we grow to ensure a continuity of service to the City for years to come.

Firm Profile

Peer Review/Quality Control Review

Our firm is a member of Nexia International, a network of independent accounting and consulting firms with member firms in over 100 countries. Quality is a cornerstone of the services provided by any member firm of Nexia International. All member firms value highly both the good reputation they have in their marketplace as well as the good reputations that fellow member firms have elsewhere in the world.

As a key part in promoting, maintaining and enhancing quality within Nexia International, and in safeguarding our reputation, all member firms providing audit and assurance services are subject to a regular quality control review (QCR) as part of the terms of membership of Nexia International. Firms included within the QCR program are reviewed in accordance with the scope relevant to their local jurisdiction as follows:

- A 3-year cycle for a Full Scope Review (FSR); and
- A 6-year cycle for a Limited Scope Review (LSR).

Our firm has completed a peer review performed by a selected firm in accordance with the AICPA's SEC Practice Section requirements. This peer review covered the year ended April 30, 2015, and resulted in a rating of pass. The review included engagements performed under the *Government Auditing Standards*. We perform our internal inspections annually as required by program requirements. The frequency of peer reviews is every third year. We have included a copy of our most recent peer review letter in the Appendix of this proposal.

Federal or State Reviews

As a firm heavily involved in providing professional auditing and consulting services to a wide variety of governmental and nonprofit entities, our reports and workpapers are always subject to review by both state and federal desk and field reviews. We have been successful in the past at receiving non-adverse desk and field reviews by stressing quality reviews and open and proactive communications with regulatory cognizant agents/agencies.

The result of a review performed by the Office of Inspector General of the United States Department of Education is included in the Appendix of this proposal.

Whitley Penn has not received any disciplinary action taken or pending against the firm or our staff during the past three (3) years with state regulatory bodies or professional organizations.

In order to demonstrate that we have no record of substandard work, we have provided a listing of clients, both present and past for you to contact.

Firm Profile

Information Technology/Electronic Data Analysis

We have a risk advisory group that specializes in many areas but we believe they could add value to the City with the following services they provide:

- Reviewing and improving your Information Technology (IT) processes requires the kind of policy and procedure reviews that reinforce a required, certified opinion. We offer the kind of authoritative insight that IT consulting firms can't match. At the same time, we will help you leverage and extend your IT infrastructure cost effectively. Our services encompass:
 - * General controls review
 - * Software selection
 - * Fraud detection and analysis
 - * Compliance readiness assessments
 - * Disaster recovery and business continuity planning
 - * Vulnerability assessments
 - * Electronic data analysis

- This group also offers business process improvement services where neither size, industry nor geography is a limiting factor – we offer business process improvement for a full range of clients.

In addition to the risk advisory group's abilities noted above, our own public sector auditors are also certified fraud examiners, certified internal auditors and/or have ten or more years of experience working in governmental operations as Chief Financial Officers. So they are well-versed with governmental entities' operations that can add so much value to the engagement. Should the City desire to incorporate electronic data analysis with the annual financial statement audit, our risk advisory services group would perform these procedures. As such, if awarded, we believe we will be able to assist the City with the "value added" services.

Training and Continuing Professional Education

Whitley Penn offers one-on-one training to the management and staff of our clients for everything from simple accounting procedures to areas such as payroll and bank reconciliations.

Whitley Penn's Public Sector Team is well known in this industry for their knowledge and experience. As a result, our firm's partners are called upon to present to a variety of organizations such as the Texas Municipal League, the Government Finance Officers Association of Texas, the Texas Association of School Business Officials, the Texas Society of CPAs, and other CPA firms. Whitley Penn is also proud to offer this training to our clients. ***We are proud to offer 8 hours of complimentary CPE each year for your staff, at no additional charge.***

Our team stays abreast of changes in the government industry as well as the new accounting standards. We relay this information to our clients in a variety of ways. Some of the best ways to stay "in the know" are to follow our blog, *In The Black* and to request our monthly e-newsletter (visit our web site for more information: whitleypenn.com).

Firm Profile



Christopher Breaux presenting tips for smoother audit processes to local government officials at a state-wide conference.

As a client of Whitley Penn you can expect to receive the highest quality of service. Here are just a few of the benefits our clients enjoy:

The Whitley Penn Portal

Confidentiality of information, whether in paper or electronic form, is a concern for most clients. Whitley Penn's portal provides a secure, convenient way to transfer data. Whitley Penn's portal is just one of the many tools in our toolbox that assist us in providing our valued clients with the best service available. Some of the benefits of Whitley Penn's portal include:

- Maximum Security for Uploading and Downloading Files of All Sizes
- Ability to Assign Access to Users Within Your Account
- Convenient, Instant Access to Documents
- Multiple Document Organization Tools

Full Service Firm

Our **regional** firm is approximately 350 people strong in the Houston, Dallas, and Fort Worth areas with diverse experience and knowledge. In addition to our extensive team of experienced assurance professionals, our firm boasts many professionals experienced in Tax Compliance, Organizational Reviews, Risk Assessment, Business Process Improvement, Regulatory Matters, Finance-Related Consulting, and Forensic Services. With Whitley Penn as your firm, you will have access to the knowledge and experience of the entire firm.

Accessibility of Our Team

Our team is available to you whenever you need us. We provide cell phone and email contact information so that you can always reach us when you have a need. We also understand that increasingly difficult auditing and reporting requirements now defy the "once-a-year visit" by a City's audit firm. Our commitment to quarterly meetings with council and management is representative of our desire to assure the free flow of communications between the council, management and our audit team. We also welcome face-to-face meetings throughout the year when the audit is not in progress. You will **not** be billed for these conversations/meetings. We pride ourselves in building a partnership with our clients. We will help you tackle the difficult accounting items that you may face so that the audit process when we are in the field is seamless.



SUMMARY OF FIRM QUALIFICATIONS

Summary of Firm Qualifications

Ability to Conduct the Proposed Engagement

Below is a list of our public sector team.

<u>Partners</u>	<u>Senior Managers/Managers</u>	<u>Seniors</u>
Celina C. Miller, CPA	Lupe Garcia, CPA	Mandi Carter, CPA
Christopher L. Breaux, CPA	Leslie Wilks, CPA, CFE	Patrick Simmons, CPA
Tom Pedersen, CPA	Dan Hernandez, CPA, CIA	Ailene Comple, CPA
	Thania D. Gonzalez, CPA	Nathan Johnson
	Geoffrey Veuleman, CPA	Eddie Juarez
	Laura Lynch, CPA	Lauren Nelson
		Javed Soomar

In addition, to the team members listed above we have over 15 staff members that will assist these management team members with field work. All of our team members are **solely dedicated to the governmental industry**. We are very fortunate to have such a model that allows our team members to serve you as experts in this field.

At Whitley Penn, we work tirelessly to ensure that our partners and staff are trained and suited for working within the Public Sector environment and are confident that our references provided will agree. We have included descriptions of our training and our past involvement in nationally recognized certificate of excellence programs in the Government Finance Officers Association.

All of our staff have appropriate experience and educational backgrounds and complete a minimum of twenty to forty hours of continuing education related to governmental auditing, accounting, and reporting annually. This annual training is designed to be in accordance with U.S. General Accounting Office's Government Auditing Standards issued by the Comptroller General of the United States (the "Yellow Book").

Dedication to the Public Sector Industry

As part of our dedication to the state and local government industry, our firm maintains associate memberships in the Texas Association of School Business Officials, the Association of School Business Officials International, the Government Finance Officers Association, the Texas Municipal League, the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. Through these affiliations, we are able to access tremendous resources that allow us to serve our governmental and non-profit clients at the highest levels.

Our public sector has chosen to work in this field because they believe in their governments' missions. While our main service to these governments comes in the form of auditing, we also service the public sector by providing education in many settings and also giving back to the public education. On the next page we have listed all of our activity in the public sector.

Summary of Firm Qualifications

Dedication to the Public Sector Industry (continued)

Celina Cereceres Miller, CPA - Audit Partner

- ◆ ACET Conference – Houston, Texas – Uniform Grant Guidance
- ◆ Texas Society of CPAs School District Conference– State Wide, San Antonio, Texas; June 2015 – Auditing IDEA B
- ◆ Texas Society of CPAs School District Conference– State Wide, San Antonio, Texas; June 2015 – IDEA B MOE
- ◆ Texas Society of CPAs School District Conference– State Wide, San Antonio, Texas; June 2016 – *Fraud Discussion: Oh the Things We have Seen*
- ◆ TSCPA School District Conference Planning Committee: 2009 through Current
- ◆ Whitley Penn, LLP Houston Client CPE – *Uniform Grant Guidance*
- ◆ TASBO Conference: February/March 2014 – ACT 208: *Auditing* Certification Course
- ◆ TASBO Conference: February/March 2015: Accounting Research Committee Guest Speaker
- ◆ TASBO Conference: February 29, 2016 and March 1, 2016 ACT 208 *Managing Special Revenue Funds* Certification Course
- ◆ TASBO Webinar – *GASB 68 and the New EDGAR*: September 2015
- ◆ TASBO Webinar – *Submitting the Annual Financial Audit*: January 2016
- ◆ University of Houston Clear Lake – Adjunct Accounting Professor Fall 2014
- ◆ Harris County Department of Education – *Understanding the Uniform Grant Guidance* Fall 2015
- ◆ Bay Area Communities In Schools – Adoption of Campus
- ◆ El Paso TSCPA – 8 hour Governmental Auditing and Accounting Update – Summer of 2014, 2015 and 2016
- ◆ TASBO Accounting and Finance Committee Research Committee

Christopher L. Breaux, CPA, Audit Partner

- ◆ TASBO Conference: March 1, 2016 ACT 202—*Auditing* Certification Course
- ◆ TASBO Webinar – GASB 68 and the New EDGAR: September 2015
- ◆ TASBO Course—MGT 307: *Business Ethics*—October 2014
- ◆ North Central Texas Council of Governments—New and Emerging City Manager Training—Audit Training—January 2016
- ◆ TSCPA School District Conference (State Wide) Planning Committee: 2005-Current
- ◆ TSCPA Single Audit Conference (State Wide) Planning Committee: 2010-Current
- ◆ TSCPA 2015 Single Audits and Governmental Accounting Conference—*Implementing GASB 68*-October 2015
- ◆ Fort Bend County P-16 Math Collaborative
- ◆ Accounting and Finance Committee Research Committee
- ◆ Houston-Galveston Area Council—Newly elected conference: Financial Operations Training—2015
- ◆ Whitley Penn, LLP Houston Client CPE - GASB 68
- ◆ Whitley Penn, LLP Houston Client CPE - GASB 68
- ◆ Gulf Coast TASBO—GASB 68

Summary of Firm Qualifications

Dedication to the Public Sector Industry (continued)

Lupe Garcia, CPA - Audit Senior Manager

- ◆ Texas Society of CPAs Single Audit Conference, Austin, Texas; October 2015:
- ◆ Texas Society of CPAs School District Conference, San Antonio, Texas; June 2016
- ◆ Whitley Penn, LLP DFW Client CPE 2014, 2015 and 2016 -
- ◆ Whitley Penn, LLP Houston Client CPE - 2014, 2015, 2016
- ◆ UT Arlington Governmental CPE
- ◆ Texas Association of County Auditors: Austin, Texas
- ◆ Lone Star College – Guest Speaker for Governmental Accounting Class Spring 2015 and Spring 2016
- ◆ Harris County Department of Education – Uniform Grant Guidance Update
- ◆ TASBO Accounting Research Committee

Leslie Wilks, CPA, CFE - Audit Senior Manager

- ◆ International Association of Financial Crimes Investigation—Basics of Fraud Investigations Training; September 2015 and March 2016
- ◆ University of Houston Clear Lake—Guest Speaker for Governmental and Not For Profit Accounting graduate and undergraduate classes; Fall 2014 through Spring 2016
- ◆ TSCPA Houston Society—Fundamentals of Government Audit; May 2014
- ◆ Government Finance Officers Association of Texas—Gulf Coast Chapter—Katy ISD and Humble ISD; Fraud, Ethics and Internal Controls; October 2014 and April 2014
- ◆ Government Finance Officers Association of Texas—Gulf Coast Chapter—Warning Signs of Fraud- Behavioral Red Flags; January 2015
- ◆ University of Houston Clear Lake ACFE Student Chapter—Faces of Fraud
- ◆ Whitley Penn, LLP DFW Client CPE 2014—2016: Fraud in local governments
- ◆ Whitley Penn, LLP Houston Client CPE 2014-2016 : Fraud in local governments
- ◆ Government Finance Officers Association of Texas—Gulf Coast Chapter—Tips for Minimizing Fraud and Abuse in Construction Projects
- ◆ Houston Area School District Internal Auditors—Trust is Not an Internal Control—2014
- ◆ TSCPA Single Audit Conference (State Wide) Planning Committee

Thania Gonzalez, CPA, Audit Manager

- ◆ Texas School District Accounting & Auditing Conference June 2016 – “Sampling made easy”
- ◆ TSCPA School District Conference Planning Committee: 2009 through Current
- ◆ TSCPA Board Member (State Wide) 2013 through current

Summary of Firm Qualifications

Staff Education and Development

All of our staff have appropriate experience and educational backgrounds and complete a minimum of twenty-four to forty hours of *continuing education* related to governmental auditing, accounting, and reporting annually. This annual training is designed to be in accordance with Governmental Accountability Office's Government Auditing Standards issued by the Comptroller General of the United States (the "Yellow Book").

Equal Employment Opportunity

Our staff members come from a variety of different backgrounds. We strive for diversity in our staff in our hiring practices. The quality of staff involved with our clients is ensured through the heavy involvement of management personnel in all phases of the engagement, including key fieldwork areas. Staff level personnel assigned to engagements are trained on and experienced with municipal entities and are continuously supervised and mentored in the audit process with on-site managers.



In its efforts to develop our affirmative action program, Whitley Penn hereby reaffirms and formalizes its commitment to the principle of equal employment opportunity. Whitley Penn's policy is to ensure equal employment opportunities for all, without regard to race, color, religion, sex, national origin, age, disability, veteran status, genetic information or any other non job-related characteristic protected by law. We view the principle of equal employment opportunity as a vital element in the employment process.

In developing its affirmative action program, Whitley Penn commits to:

- Recruiting, hiring, training, and promoting persons in all job classifications without regard to race, color, religion, sex, national origin, age, disability, veteran status, genetic information or any other non job-related characteristic protected by law.
- Ensuring that promotions are in accordance with equal employment opportunity requirements by establishing only valid, job-related requirements.
- Ensuring that all personnel actions relating to compensation, benefits, transfers, terminations, lay-offs, training, education and all other Whitley Penn sponsored programs are administered in a non-discriminatory manner.

Summary of Firm Qualifications

GFOA Award Winning Reports

We are active participants in the local chapters of GFOAT and have been very successful in helping our clients achieve the *Government Finance Officers Association Certificate of Excellence in Financial Reporting*.

Our staff understands the importance of the GFOA Certificate of Achievement for Excellence in Financial Reporting. As such, our audit managers have joined the GFOA Special Review Committee (SRC), which is made up of individuals with expertise in public-sector financial reporting and includes financial statement preparers, independent auditors, academics, and other finance professionals. We understand the requirements involved in preparing the Comprehensive Annual Financial Report (CAFR). We are well aware of the effort that is required to prepare a report in accordance with the GFOA's reporting requirements. We also have extensive experience preparing and reviewing CAFRs for our other governmental entities that receive the GFOA Certificate of Achievement for Excellence in Financial Reporting.

Staff Rotation Plans and Multiyear Contract Arrangements

We bring a wealth of understanding of Texas municipalities and their specific operating environment. On many of these engagements we have made a strong effort over time to ensure "rotation" of staff on these projects. We have personnel at the partner level and at the manager level, that would be able to assume engagement leadership with a minimum of effort. We would welcome the opportunity to discuss this fully with you.

We are prepared to rotate staff as deemed necessary by our firm and the City over a multiyear period. The approach to performing the requested services would not be affected if this were a multiyear contract, except as affected by additional or new industry, federal or any other requirements. We would work closely with the City Council and management to ensure that staff continuity is maintained at the management levels of the project or changed if desired by the City's Council and management. Continued training will be obtained by our management staff as to relevant technical requirements for requested services.

Proposed Engagement Team

We are committed to providing you with a team who is knowledgeable, enthusiastic and dedicated to providing superior services. Our firm understands the importance of continuity and as such we have the ability to rotate our managers and partners or pull in those staff with specific expertise as needed for our clients, ensuring personalized service. Each client is actively encouraged to call on us at any time the need arises. The City's audit will be staffed as follows:

Christopher L. Breaux, CPA - Engagement Partner, Audit Services - Public Sector

Celina C. Miller, CPA - Concurring Partner, Audit Services - Public Sector

Thomas Pedersen, CPA - Resource Partner, Audit Services - Public Sector

Lupe Garcia, CPA - Senior Manager, Audit Services - Public Sector

Laura Lynch, CPA - Manager, Audit Services - Public Sector

Ailene Comple, CPA, CFE - Senior, Audit Services - Public Sector

Summary of Firm Qualifications

PRACTICE

Audit Services - Public Sector

EDUCATION

B.B.A. in Accounting from
Texas A&M University
30 years of experience

SIMILAR ENTITIES SERVED:

- DeSoto, Texas
- Sugar Land, Texas
- Missouri City, Texas
- Beaumont, Texas
- Pearland, Texas
- League City, Texas
- Galveston, Texas
- La Porte, Texas
- Stafford, Texas
- Rosenberg, Texas
- Richmond, Texas
- Katy, Texas
- Seabrook, Texas
- Humble, Texas
- Fulshear, Texas
- Bellaire, Texas
- West University, Texas
- Jersey Village, Texas
- Groves, Texas
- Hitchcock, Texas
- Houston, Texas
- Morgan's Point, Texas
- Oak Ridge North, Texas
- Dickinson, Texas
- Fort Bend County
- Galveston County
- Guadalupe County
- Hamilton County
- Houston Galveston Area Council
- Galveston Wharves



Christopher L. Breaux, CPA

Engagement Partner
Phone: 713-386-1113
Fax: 713-621-1570
Cell: 713-906-0250
Christopher.Breaux@whitleypenn.com

Experience

- Certified Public Accountant
- Over 30 years of Governmental Auditing Experience
- Expertise in auditing and consulting services to municipalities, school districts, counties, and special districts as well as a variety of non-profit and private sector clients, a large percentage of whom receive both federal and state funding and/or are subject to specific regulatory reporting requirements.
- Interfacing with clients and cognizant agencies as well as developing and implementing audit procedures to conform to applicable professional, state, and federal standards.
- Preparation and review of Comprehensive Annual Financial Reports that have been awarded a Certificate of Achievement for Excellence in Financial Reporting. He has been awarded the Certificate of Educational Achievement in Governmental Accounting and Auditing by the AICPA.
- Providing advisory services to municipal clients in the areas of workflow studies, financial compliance systems and reporting, program compliance, and other finance-related legal compliance areas.

Professional & Civic Organizations

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Government Finance Officers Association of Texas
- Gulf Coast Finance Officers Association
- Texas Association of School Business Officials, associate member
- National Committee for Government Services, CPA Associates International

Summary of Firm Qualifications

PRACTICE

Audit Services - Public Sector

EDUCATION

Bachelors and Masters of
Accountancy
University of Texas - El Paso



Celina Cereceres Miller, CPA

Concurring Partner
Public Sector Industry Group Leader
Phone: 713-621-1515
Fax: 713-621-1570
Cell: 713-377-3667
Celina.Miller@whitleypenn.com

SIMILAR ENTITIES SERVED:

- City of Sugar Land
- City of La Porte
- City of Katy
- City of Stafford
- City of Fulshear
- City of Iowa Colony
- Galveston County
- Guadalupe County
- Gulf Coast Waste Disposal Authority
- Harris County Department of Education
- Houston-Galveston Area Council
- Port of Galveston

Experience

- Certified Public Accountant
- Over 15 years of audit public accounting experience focused on clients primarily in the following industries: school districts, non-profit organizations, community colleges and other large governments administering large amounts of federal and state grant awards
- Responsible for training firm staff in accordance with Generally Accepted Auditing Standards (GAAS), and Governmental Audit Standards (GAS)
- Extensive knowledge of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
- Designated Audit Quality Partner for the AICPA's Government Audit Quality Center
- Responsible for providing CPE to both employees, clients, and industry professional organizations

Professional & Civic Organizations

- Texas Society of Certified Public Accountants (TSCPA)
- American Institute of Certified Public Accountants (AICPA)
- TSCPA School District Conference Planning Committee
- Texas Association of School Business Officials
- TASBO Accounting/Finance Research Committee
- Bay Area Communities in Schools

Summary of Firm Qualifications

PRACTICE

Audit Services - Public Sector

EDUCATION

B.B.A. in Accounting from
Stephen F. Austin State
University



Tom Pedersen, CPA

Resource Partner

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Thomas.Pedersen@whitleypenn.com

SIMILAR ENTITIES SERVED:

- City of Alvin
- City of Friendswood
- City of Hitchcock
- City of La Porte
- City of Missouri City
- City of Pearland
- City of Sugar Land
- City of Texas City
- City of Watauga
- Galveston County
- Nacogdoches County
- Harris County
- Galveston County
Consolidated Drainage
District
- Mental Health Mental
Retardation Authority of
Harris County
- Multiple Independent
School Districts with ADA
ranging from 2,000-60,000

Experience

- Over 40 years experience providing audit services for school districts, county and city governments, banks and community colleges
- Preparation and review of Comprehensive Annual Financial Reports that have been awarded the Certificate of Achievement for Excellence in Financial Reporting
- Awarded the Certificate of Educational Achievement in Governmental Accounting and Auditing by the AICPA

Ten Years Experience as the Director of Finance at Texas City Included:

- Directed all accounting and business activities including banking, investments, general insurance, health and welfare benefits, accounting policy development, cash management, utility billing, general ledger, accounts payable, accounts receivable, payroll, purchasing, tax billing, street assessments and management information systems
- Responsible for preparation and management of a multi-million dollar City budget and developing a sound financial plan for the City
- Familiar with the day-to-day operations of running a finance department to include managing the City's \$25 million investment portfolio, preparing monthly forecast for revenue and expenditures and developing monthly departmental performance measures

Professional & Civic Organizations

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Texas Association of School Business Officials
- Government Finance Officers Association of Texas
- TSCPA Single Audit & Governmental Accounting
Conference Planning Committee

Summary of Firm Qualifications

PRACTICE

Audit Services - Public Sector

EDUCATION

B.B.A. in Finance from the
University of Houston - C.T.
Bauer College of Business,
Magna Cum Laude

SIMILAR ENTITIES SERVED:

- City of Fulshear
- City of Humble
- City of Jersey Village
- City of Katy
- City of Oak Ridge North
- City of Manvel
- City of Missouri City
- City of Pearland
- City of Richmond
- City of Stafford
- City of Sugar Land
- Fort Bend County
- Lone Star College System
- Navarro College District
- Schreiner University
- Texas Southern University
- Greater Harris County
9-1-1 Emergency Network
- Greenspoint District
- Harris County Department
of Education
- Houston-Galveston Area
Council
- Alief ISD
- Fort Bend ISD
- Humble ISD
- Katy ISD
- Klein ISD
- Pflugerville ISD
- Mansfield ISD
- Spring ISD



Lupe Garcia, CPA

Senior Manager

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Lupe.Garcia@whitleypenn.com

Experience

- Certified Public Accountant with more than 9 years of experience providing audit services to various governmental entities, including counties, cities, school districts, universities and community colleges, and other special-purpose governments
- Responsible for all aspects of the assurance process including planning, internal control evaluation, risk assessment, fieldwork, and report issuance and engagement closure
- Assist in training staff in accordance with Generally Accepted Auditing Standards (GAAS), Government Auditing Standards (GAS), the Texas Education Agency's Financial Accountability System Resource Guide (FASRG), Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
- Responsible for preparation and review of Comprehensive Annual Financial Reports that have been awarded the Certificate of Achievement for Excellence in Financial Reporting.
- Responsible for new hire training and assisting with internal and external continuing professional education courses

Affiliations

- American Institute of Certified Public Accountants—Member
- Texas Society of Certified Public Accountants—Director, 2014-2017
- Houston CPA Society—Director, 2014-2016
- Texas Association of School Business Officials—Member
- Government Finance Officers Association of Texas—Member
- Fort Bend Leadership Forum, Class of 2013

Honors & Awards

- Houston CPA Society—2014 Distinguished Public Service
- Texas Society of Certified Public Accountants—2013 Rising Star
- Houston CPA Society—2013 Young CPA of the Year

Summary of Firm Qualifications

PRACTICE

Audit Services - Public Sector

EDUCATION

B.S. in Accountancy from
University of Houston –
Clear Lake

SIMILAR ENTITIES SERVED:

- City of Galveston
- City of La Porte
- City of Dickinson
- City of Seabrook
- City of Galveston - multiple retirement plans
- Galveston County
- Port of Galveston
- Galveston Wharves Pension Plan
- Gulf Coast Waste Disposal Authority
- Harris Galveston Subsidence District
- Fort Bend Subsidence District
- Uptown Development Authority
- Pasadena ISD
- Katy ISD
- Texas City ISD
- Clear Creek ISD



Laura Lynch, CPA

Manager

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Fax: 713-621-1570

Cell: 409-789-6234

Laura.Lynch@whitleypenn.com

Experience

- Certified Public Accountant
- Over 11 years of accounting and audit experience gained from serving governmental and non-profit entities including schools, cities, special purpose entities and government pension plans
- Advising and assisting clients in the preparation of Comprehensive Annual Financial Report (CAFR) and annual financial reports and achieving the Certificate of Excellence in Financial Reporting given by the Government Finance Officers' Association
- Responsible for audit planning, CAFR and other financial report preparation and compliance auditing and reporting
- Participate in staff training and providing CPE to comply with government auditing standards; ensure that our staff are up to date with current accounting standards and other changes from regulatory agencies specific to our clients such as the Texas Education Agency (TEA), Public Funds Investment Act (PFIA), Governmental Accounting Standards Board (GASB) etc.
- Provide information and training to clients to ensure they are up to date with accounting standards and regulatory agency changes

Affiliations

- American Institute of Certified Public Accountants—Member
- Texas Society of Certified Public Accountants—Member
- Government Finance Officer's Association of Texas—Member
- Texas Association of School Business Officials—Member

Summary of Firm Qualifications

PRACTICE

Audit Services - Public Sector

EDUCATION

M.B.A. from The University of Texas – Pan American

B.S. in Accountancy from University of Santo Tomas



Ailene Comple, CPA, CFE

Senior

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Ailene.Comple@whitleypenn.com

SIMILAR ENTITIES SERVED:

- City of Missouri City
- City of Sugarland
- City of Groves
- City of Texas City
- City of Galveston
- City of Beaumont
- City La Porte
- Guadalupe County
- Nacogdoches County
- Harris County Municipal Utility District No. 276
- Galveston County Consolidated Drainage District
- Harris-Galveston Subsidence District
- Galveston County Central Appraisal District
- Port of Galveston
- Mental Health Mental Retardation Authority
- Mainland Children's Partnership
- Houston-Galveston Area Council
- Fort Bend County Women's Center

Experience

- Certified Public Accountant
- Certified Fraud Examiner
- Over 8 years of experience in general accounting and over 2 years of experience in auditing to governmental, non-profit, and corporate entities.
- Extensive Knowledge of OMB requirement Uniform Grant Guidance
- Responsible for preparing, analyzing, maintaining, and reviewing financial statements, records and reports of school districts, cities, counties and other governmental entities.
- Assisted in forensic audits of governmental entities.
- Performs audit tasks for government engagements including performing internal control walk through, reviewing and testing transactions and internal controls, performing analytical procedures, documenting audit results.
- Responsible for planning, performing and supervising audit engagements
- Schedules field work, reviews results and investigates and resolves any discrepancies, questions or other issues raised by field staff.

Professional & Civic Organizations

- American Institute of Certified Public Accountants (AICPA)
- Texas Society of Certified Public Accountants (TSCPA)
- Association of Certified Fraud Examiners (ACFE)

Summary of Firm Qualifications

Continuing Professional Education

The following is a table of continuing education course topics in which the Public Sector project team has participated or served as instructors in the past three years:

Topic	Breaux	Miller	Pedersen	Managers	Comple
Uniform Grant Guidance (For Whitley Penn employees, TSCPA Single Audit Conference, TSCPA School District Conference and TASBO 2015 Conference)	Yes	Yes*	Yes	Yes*	Yes
Clarity Standards (Effective for periods ending after 12-15-2012)	Yes*	Yes*	Yes	Yes*	Yes
GASB Update: <ul style="list-style-type: none"> ● GASB 54—GASB No. 66 ● GASB Statement No. 67 (Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25) ● GASB Statement No. 68 (Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27) ● GASB Statement No. 69 (Government Combinations and Disposals of Government Operations) ● GASB Statement No. 70 (Accounting and Financial Reporting for Nonexchange Financial Guarantees) ● GASB No. 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68) ● GASB No. 72 (Fair Value Measurement and Application) ● GASB No. 73 (Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68) ● GASB No. 74 (Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) ● GASB No. 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions) ● GASB No. 76 (The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments) ● GASB No. 77, Tax Abatement Disclosures 	Yes*	Yes*	Yes	Yes	Yes
Bonds (New Issuances and Refundings)	Yes	Yes	Yes*	Yes	Yes
The 2011 Yellow Book	Yes*	Yes	Yes	Yes*	Yes
Internal Controls over Federal Programs	Yes	Yes*	Yes	Yes*	Yes*
Financial Reporting and CAFR Preparation Training	Yes*	Yes*	Yes	Yes*	Yes

* Indicates Instructor



SIMILAR ENGAGEMENTS WITH OTHER ENTITIES

Similar Engagements with Other Government Entities

We have included a listing of some of our municipal clients, with audit engagements performed in the last five years, for your review. We have provided core audit services and/or various forms of consulting services ranging from entity-wide organizational structure studies to detailed help in compiling basic financial data.

These clients have received the services requested by the City of Richland Hills. This listing of clients is for the use of the City only in evaluating our proposal and is not to be used for any other purpose and is not to be distributed to anyone outside those persons involved in the selection of auditors for the City.

Client	Contact Position	Years of Service	Scope of Work	Engagement Partner	Total Hours
City of Galveston*^	Mike Loffin Director of Finance 409-797-3562	10+	Audit and Consulting Services **	Christopher Breaux	1000
City of Sugar Land*^	Mr. Allen Bogard City Manager 281-275-2710	10+	Audit and Consulting Services **	Christopher Breaux	650
City of Pearland*^	Mr. Clay Pearson City Manager 281-652-1663	10+	Audit and Consulting Services **	Tom Pedersen	650
City of Watagua*^	Ms. Sandra Gibson, CGFO Director of Finance and Administration 817-514-5822	5	Audit and Consulting Services **	Tom Pedersen	400
City of DeSoto*^	Dr. Tarron Richardson City Manager 972-230-9643	4	Audit and Consulting Services **	Christopher Breaux	400

^ Indicates Current Client

* Indicates City participates in the Government Finance Officers Association's Certificate of Excellence in Financial Reporting Program.



Other References

Additional Governmental Entities We Serve (this is only a portion of our client list)

Client	Contact Position	Years of Service	Services Provided
Navarro College District* [^] Corsicana, Texas	Ms. Aaron York, CPA Comptroller 903-875-7328	3	Auditing and Consulting Services
Harris County Department of Education* [^]	Mr. Jesus Amezcua, Assistant Superintendent for Business Services 713-696-1371	5+	Auditing and Consulting Services
Houston-Galveston Area Council* [^]	Mrs. Nancy Haussler, CFO 713-993-4510	5+	Auditing and Consulting Services
Galveston County* [^]	Mr. Jeff Modzelewski, Director of Accounting 409-770-5328	10+	Auditing and Consulting Services
Fort Bend County* [^]	Mr. Robert "Ed" Sturdivant, County Auditor 281-341-3760	10+	Auditing and Consulting Services
Harris County*	Barbara Schott, County Auditor 713-755-6505	9	Auditing and Consulting Services
Garland Independent School District* [^]	Dr. Rene Barajas, Ph.D. Deputy Superintendent of Business Operations David Pate, CPA, Director of Finance 972-487-3102	3	Auditing and Consulting Services
Arlington Independent School District* [^]	Tony Drollinger, Executive Director of Finance 682-867-7350	6	Auditing and Consulting Services
Fort Bend ISD* [^]	Mr. Steve Bassett, Chief Financial Officer 281-634-1164	10+	Auditing and Consulting Services
Alief ISD* [^]	Ms. Deanna Wentz, Assistant Superintendent of Finance 281-498-8110	10+	Auditing and Consulting Services
Spring Branch ISD* [^]	Ms. Karen Wilson, Assistant Superintendent of Finance 713-464-1511	9	Auditing and Consulting Services

[^] Indicates Current Client

* Prepares a CAFR that receives the GFOA Award



APPROACH TO EXAMINATION

Approach to Examination

Generally Accepted Government Auditing Standards

Simply put, generally accepted government auditing standards (GAS) are standards for financial and performance audits of governments, established by the U.S. General Accounting Office (GAO) in its publication *Government Auditing Standards*, commonly referred to as the Yellow Book. These supplemental auditing standards go **above and beyond** the standards for traditional financial audits are known as generally accepted auditing standards (GAAS), promulgated by the American Institute of Certified Public Accountants (AICPA) through the Auditing Standards Board.

These enhanced standards are required in the City of Richland Hills's audit due to the City's expenditure of federal funds in accordance with federal guidelines of the Single Audit Act of 1984, Single Audit Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Both GAAS and GAS group audit standards into three main categories; (1) General Standards; (2) Fieldwork Standards; and (3) Reporting Standards.

General audit standards address qualifications, independence, due professional care and quality control. The primary differences in the standards concern:

- Qualifications
- Independence
- Quality control

These standards require the audit team receive specific additional training within certain timelines and have adequate knowledge of the government environment.

The standards also specify higher independence criteria and external peer reviews for the audit organization to meet the higher expectations of stakeholders and regulatory community.

Fieldwork standards of GAS attempt to meet the special needs and interests of the public sector by enhanced measures for risk assessment fraud, internal controls, irregularities, illegal acts and other noncompliance. These enhanced standards pay particular attention to how the audit team approaches materiality, noncompliance, safeguarding controls, working papers and audit findings follow-up.

Reporting audit standards go beyond disclosing whether generally accepted accounting standards (GAAP) have been followed, whether disclosures in the financial statements are reasonably adequate, and an expression of opinion by the auditor regarding the fairness of the government's financial statements. Under these enhanced standards, designed to meet the special needs and interests of the public sector, the audit team will communicate with those charged with governance (the Council and administration) on matters pertaining to compliance with laws and regulations and on internal controls, including a separate report on federal programs.

Approach to Examination

We understand the unique organizational structure and operating environment under which Texas Municipalities operate and have developed programs of procedures designed specifically for these engagements. Our audit approach is described as follows:

Proposed Segmentation of the Engagement

Our auditing and consulting service approach includes the most current techniques available. In addition to the heavy involvement of our partners and managers, our staff will also be familiar with the City's operating environment due to their ongoing involvement with other municipal clients.

Our goal in providing a quality audit experience is to assure a seamless audit approach with continuity of staff from the earliest planning stages through fieldwork to report issuance exit conferences. This approach is achieved through the application of our thorough understanding of the environment and heavy involvement in all phases by management personnel.

A brief overview of the different phases or segments of our audit process is as follows:

The Planning and Risk Assessment Phase

Prior to any fieldwork being performed, strategic planning sessions are held both internally and with the City's staff to identify key audit and operational issues, and to establish communications with appropriate firm and City staff, and relevant third parties, as well as to determine timing and individual responsibility schedules. Additionally, the audit team will gain an understanding of the City's controls and operations surrounding financial activity and develop a plan of action or risk assessment for auditing key areas and account balances. Because of the City's dependence on technology, our experienced technical staff will conduct considered review of general information technology controls for their impact on financial reporting.

Fieldwork

Our audit programs for the City will include procedures related to review and evaluation of internal administrative and accounting controls noted above, as well as the determination of compliance with finance related legal issues, the evaluation of errors and fraud, statistical sampling and analytical procedures designed to determine reasonableness of costs that can lead toward evaluating efficiency and effectiveness in administrative operations.

Throughout the fieldwork process, our partners and staff remain in constant contact and communication with City management personnel. When questions or concerns arise in the course of our work, we take steps to assure ourselves that critical information is passed on to the proper level of management through weekly meetings and discussions.

Approach to Examination

Report Issuance and Closure

Report issuance and exit conferences of an audit are often the most critical portions because it is in this phase that most external communications are discussed. The results of our audit will be reviewed with the appropriate level of management, including the Finance Committee, City Council and executive levels of staff, prior to the issuance of a report on internal controls and compliance matters or management letter. This review of findings and proposed recommendations with management often leads to a plan of action for the City management to make any needed improvements in a manner that is not only theoretically but practically sound.

We **do not like surprises** so any deficiencies, significant deficiencies or material weaknesses would be discussed with management prior to including it in the report and presenting the results to the City Council. We believe that both the auditee and auditor must agree on the facts and ensure that there isn't documentation that could clear any deficiencies of which we were previously unaware. We find this method of exiting on the audit process brings the most value to our clients.

We will work with your financial management team in the process of building the report to eliminate any unknowns in the financial statement presentation process.

Level of Staff

The level of staffing commitment to complete the engagement by audit phase is as follows:

Audit Segment

City of Richland Hills Audit Plan

	Partner	Manager	Senior	Staff	Total
Year-end Audit Procedures	15	50	100	100	265
Preparation/Review of the Annual Financial Report	5	20	-	-	25
Meetings with Finance Committee and City Council	5	5	-	-	10
Total Hours	25	75	100	100	300

Sample Sizes and Audit Sampling

Because it would not be cost effective to test 100 percent of items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class in our tests of controls and compliance with laws and regulations, we sample.

Approach to Examination

In the course of an audit, we will apply sampling techniques in our substantive testing of account balances and transaction classes if the application of such techniques is deemed more effective and efficient. Audit sampling can be defined as the application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class. Additional uses of sampling can be found in our tests of controls and compliance with laws and regulations.

The sample sizes and the extent of the use of samples depends on various factors including population size and the inherent risks associated with the account, transaction class, controls, or compliance features. In the planning and fieldwork stages of the audit, we will thoroughly discuss the population sizes and the risk factors associated with significant financial statement accounts with appropriate financial management personnel. These discussions will include a methodology for selecting a sample as well as an approach for gathering the sample that will be the least intrusive to ongoing financial operations of the City.

Extent of use of Software in the Engagement

As noted earlier, our auditing and consulting service approach includes the most current techniques available in the field. We utilize fully integrated software for trial balances, audit work papers, and reporting functions. We will request that City staff electronically download certain data from the City's financial management information system for evaluation during the planning and fieldwork phases of the audit. Our approach to this area is designed to be non-invasive and to reduce the amount of time spent by both our staff and City employees.

Computer-based techniques are used by our staff only when considered more efficient than traditional methods. We believe this approach is consistent with providing the quality services for which we strive.

Type and Extent of Analytical Procedures to be Used in the Engagement

The firm uses analytical procedures in audit planning to:

- Enhance our understanding of the City's operations and the transactions and events that have occurred since the last audit date.
- Identify areas that may represent specific risks relevant to the audit.
- Provide substantive support for financial information included in the financial reports.

Comparisons of account balances between accounting periods are made and ratio and trend analyses performed to improve our understanding of the client and its operations and may identify critical audit areas. For instance, comparing general and special revenue fund expenditures by function and revenue by source for the past five years provides an understanding of the City's operations and may identify a revenue source that requires increased attention in the current audit.

Approach to Examination

Our preliminary analytical procedures for a City will include, as a minimum, a comparison of current account balances in the working trial balance to similar amounts in the prior annual period's financial statements and the current period's budget. However, we feel a thoughtful consideration of expected relationships among account balances and periods by our experienced auditors is far more important than a mechanical comparison. We will not only consider these relationships but compare these based on our knowledge and experience about the similar governmental entities and their operations.

In some cases, analytical procedures can be both more effective and more efficient than tests of details for achieving particular substantive testing objectives. Normally, analytical procedures call attention to unexpected relationships in financial statement balances. This can be an efficient means of identifying potential misstatements or misclassifications. The appropriate mixture of analytical procedures and tests of details is a matter of the auditor's professional judgment concerning the expected efficiency and effectiveness of analytical procedures in identifying potential misstatements.

Analytical procedures may be used to identify individually significant items or to otherwise identify populations that need to be sampled. In the payroll area, an effective analytical test is to compare current expenditures to the prior period actual and current budget by department and relate to the number of employees by department. In this manner, the auditor may eliminate the need to sample or reduce the population of payroll expenditures considered necessary to sample by confining sampling to departments with significant fluctuations.

Analytical procedures are also applied as an overall review of the financial information in the final stage of the audit. These procedures are designed to assist our staff in assessing the propriety of conclusions reached and in the evaluation of the overall financial statement presentation. While the selected procedures will vary on the circumstances, they will always focus on overall relationships within the financial statements and consider the following matters:

- The adequacy of evidence gathered in response to unusual or unexpected balances identified by analytical procedures applied in the planning stage of the audit.
- Unusual or unexpected balances or relationships not previously identified.

Gaining an Understanding of Internal Controls

An understanding of the City's financial operations, funding source requirements, transaction processing procedures, and internal control structure will be achieved through inquiry, observation, and tests of transactions. We will also use other resources such as the City's budget, organizational charts, City's policy and procedure manuals, and other management information systems.

Approach to Examination

Determining Laws and Regulations that will be Subject to Audit Test Work

We will design our audit to provide reasonable assurance that the City's financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts. From the planning phase of the audit, we will seek to obtain an understanding of the possible effects of such laws and regulations on the City's financial statements.

The determination of which laws and regulations that will be subject to audit test work will be determined through a number of inquiry and review procedures such as the following:

- Inquiry with City personnel, including finance staff and grant administrators.
- Consideration of compliance requirements that have been identified in prior years' audits.
- Review the relevant portions of any directly related agreements, such as those related to grants and debt agreements.
- Review pertinent sections of laws and regulations, including State statutes.
- Review the minutes of meetings of the governing body.
- Inquiry of oversight entities or agencies about applicable compliance requirements.
- Review of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Catalog of Federal Domestic Assistance, federal audit guides, and state and local policies and procedures.

In the course of the audit we will consider performing some or all of the following procedures:

- Consider knowledge about such laws and regulations obtained in prior years' audits.
- Discuss such laws and regulations with the finance director, legal counsel, or grant administrators.
- Obtain written representation from management concerning the completeness of management's identification of such laws and regulations.
- Review grant and loan agreements.
- Review minutes of meetings of the City Council for the enactment of new ordinances or policies.
- Read pertinent statutes, regulations, and charter provisions and excerpt significant items for the permanent file section of the work papers
- If any legal requirements require clarification, we will request a written interpretation from the City's legal counsel.

Examples of the types of laws and regulations that have a direct and material effect on the determination of amounts in a City's financial statements follow:

- **Public Funds Investment Act.** We will consider the governmental unit's compliance with legal and policy provisions for deposits and investments.
- **Procurement.** Competitive bidding laws apply to the procurement process.
- **Appropriations.** Expenditures should not exceed authorized limits.

Approach to Examination

- **Legal authority for transactions.** Transactions should be properly authorized at execution.
- **Establishment of funds.** The funds of a local governmental unit may be established by state constitutional provisions or statutes, or by local charters, ordinances, and governing body orders.
- **Budgetary reporting.** The required supplementary information included in the financial statements should present an aggregation of the appropriated budgets, as amended, compared to actual results of operations in accordance with State Laws' local budget provisions.
- **Restrictions on expenditures.** The proceeds of certain governmental revenues are restricted by law as to the purposes for which they may be expended.
- **Taxing and debt limitations.** Governmental units may be subject to laws and regulations that place limits on taxing authority, place ceiling limitations and other issuance criteria on debt, or place limits on the use of debt proceeds.

Tests of Compliance with Laws and Regulations

This is a type of audit test that is used to determine general statutory compliance and when the City receives funds from government agencies for services provided to eligible recipients. The purpose of tests of compliance with laws and regulations is to determine whether there have been instances of noncompliance that may have a material effect on the financial statements or to provide a basis of reporting on the City's compliance with such laws and regulations. As a result, tests of compliance with laws and regulations are substantive tests accomplished by examining supporting documentation. In a Single Audit, this type of audit test is frequently applied using statistical sampling. We will select a sample of revenue or expenditure transactions and inspect supporting documentation to determine compliance with relevant laws and regulations; e.g., we would select a sample of expenditures charged to a federal or state award program and inspect documentation to determine whether expenditures were for activities allowed. We find the most efficient approach is usually to conduct these tests simultaneously with substantive tests of transactions; e.g., concurrently with selecting samples of cash receipts or disbursements to test recording accuracy.

Identification of Anticipated Potential Audit Problems

Given the City staff's reputation as professionals, we do not anticipate difficulties in conducting the audit of the financial statements of the City of Richland Hills. As noted earlier, our approach to difficult audit issues is immediate communication at the appropriate level of management to include, as appropriate, the Council and administration. We propose scheduled periodic meetings with the City's management personnel to stay abreast with issues that the City is facing. As part of our service commitment, we welcome any questions during the year.

Approach to Examination

Financial Audit Engagement - General Scope Considerations

We feel that the independent auditing firm should be totally responsive to the client's governing body. We will work closely with the finance committee and management in addressing the scope of the audit, the overall audit philosophy, and our observations and recommendations relating to the City's financial operations.

We understand the scope of the work requested by the City may include an audit of its basic financial statements in accordance with generally accepted auditing standards, as well as **Government Auditing Standards** ("Yellow Book") issued by the Comptroller General of the United States, the provisions of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Generally accepted government auditing standards are composed of generally accepted auditing standards and additional standards for financial audits contained in the Yellow Book.

Our audit will be conducted in accordance with the above-mentioned standards and will include tests of the accounting records of the City of Richland Hills and other procedures we consider necessary to enable us to express an unqualified opinion that the basic financial statements are fairly presented in all material respects, in conformity with generally accepted accounting principles.

The general scope of our work will include:

A. Evaluation of Internal Control Structure

The administration of City of Richland Hills is responsible for establishing and maintaining an internal control structure. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance assets are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles.

In planning and performing our audit we will consider the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on City of Richland Hills's basic financial statements and not to provide assurance on the internal control structure.

We will obtain an understanding of the design of the relevant policies and procedures for the significant areas of the audit and whether they have been placed in operation, and we will assess control risk. Test of controls may be performed to test the effectiveness of certain policies and procedures which we consider relevant to preventing and detecting errors and irregularities which are material to the basic financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters which have a direct and material effect on the basic financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on the internal control structure policies and procedures and, accordingly, no opinion will be expressed.

Approach to Examination

We will inform the City of any matters involving internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure which, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

Compliance with laws, regulations, contracts and grant agreements applicable to City of Richland Hills, is the responsibility of management. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance with such provisions, and we will not express such an opinion.

Finally, the Firm will inform City Council of each of the following:

- The Auditor's responsibility under generally accepted auditing standards.
- Significant accounting policies.
- Management judgments and accounting estimates.
- Significant audit adjustments.
- Other information in documents containing audited financial statements.
- Disagreements with management.
- Management consultation with other accountants.
- Major issues discussed with management prior to retention.
- Difficulties in performing the audit.
- Material written communication
- Independence-related relationships between our firm and the City
- Confirmation of our audit independence

B. Substantive Test Work on Account Balances

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories and direct confirmations of receivables, cash, notes and certain other assets and liabilities by correspondence with selected individuals, creditors and financial institutions. Areas which would be covered in our tests would include material accounts in the general ledger such as cash, investments, receivables, sales tax revenues, capital assets, accounts payable, payroll, liabilities, fund balances, and various other revenue and expenditure accounts. We will also request written representations from your attorneys as part of the scope of the work. At the conclusion of our audit, we will also request certain written representations from the City about the financial statements and related matters.

Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

Approach to Examination

However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. We will inform you, however of any matters of that nature which come to our attention, unless they are clearly inconsequential.

Additional work requested or performed related to errors, irregularities or illegal acts would be above the scope of the audit and would be subject to further discussions with management. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

As part of the audit process we understand that you will provide us with the basic information, such as working trial balances, after final closing entries have been made, along with closing files and journal entries, schedules, adjustments and general ledger printouts which would be required to perform the audit. We also understand that you are responsible for the accuracy and completeness of that information. If the information is not complete or accurate we will make arrangements for you to correct the information or make arrangements for us to provide additional accounting services to assist you at an agreed-upon rate. This would occur if the City needed assistance in closing the books, preparing standard journal entries or preparing reconciliation or schedules, which should be prepared before the audit is started.

We are anticipating that City employees will prepare all confirmations, locate supporting documentation such as invoices, deposits and other supporting documentation for items selected by us for testing. Account analysis schedules such as the reconciliation bank statements, investments schedules, fixed asset and depreciation schedules, listing of accounts payable at year-end, etc. will be prepared by the City.

C. Preparation of the Comprehensive Annual Financial Report (CAFR)

We will work with your financial management team in to eliminate any unknowns in the financial statement presentation process. We will provide all reasonable assistance and advice to the City to ensure that the Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA.

D. Quarterly Finance Committee Meetings

As part of our annual commitment to the City, senior level firm personnel will be available to meet with the City's finance committee and or management team (at the City's discretion) on a quarterly basis to discuss financial reporting and audit matters. It is our policy to make our partners and managers available throughout the year to both the City Council and the management team to provide assurance that the audit is on schedule.

We would contemplate receiving specific direction as to City and firm staff involvement in planning sessions with the City's management prior to beginning our work.

Approach to Examination

No extended services will be performed unless they are specifically authorized by an amendment to the contractual agreement between the City and our firm.

As discussed in earlier sections, Whitley Penn has a great deal of experience in performing these types of professional services and we look forward to discussing in greater detail the anticipated scope of the engagement with the audit committee and/or any appropriate member of the City's administrative staff.

Expected Level and Amount of Support from City Finance Staff

We expect to arrange all project roles and responsibilities with our staff and City finance staff at the outset of the engagement. The level of assistance expected from City personnel will be limited to providing supporting documentation as listed in the proposal. We appreciate City efforts and will work with you in making sure we can utilize the information already available. We do not want to burden the staff with making requests that require the staff to “recreate the wheel.” We will request that the City provide us with supporting documentation such as invoices and purchase orders (based on our samples), personnel files (based on our samples), grant applications, detail general ledger downloaded from the financial software, checks registers for the year, and City Council meeting minutes. We encourage use of the Whitley Penn portal for the transfer of electronic files.





ADDITIONAL DATA AND OTHER INFORMATION

Additional Data and Other Information

Client Acceptance Procedures

As part of the our client acceptance procedures, we will contact your predecessor auditor to review their fiscal year 2015 audit work papers. In addition, the firm requires a background check for the individuals signing the management representation letter. This typically includes those individuals taking responsibility for the financial statements. The process is handled by our Human Resources Director. A copy of the required form is included in the Appendix for your review.

Introduction of our audit team to the City and Process for the Close of Our Audit

We want the audit process to be as seamless as possible and we want to minimize disruptions. You will be introduced to our team through an entrance conference prior to entering the field during. We will discuss the items requested in as much detail as desired by management. You will have one point of contact through-out the audit. Usually this is the senior auditor who will copy the manager on all communications. The audit manager and partner will be in the field periodically (usually two to three times a week) to check on the progress of the audit and to answer any questions of management.

We will have several meetings through the audit to share the results of the audit. We want to ensure we agree on the facts if we note any deficiencies in internal control or find any noncompliance. We believe in discussing our findings with management and resolving any findings that can be resolved with appropriate, sufficient audit evidence. We want two-way communication and again we want both parties to agree on the facts. This exit conference will occur with enough time prior to the report issuance. We will be present at the City Council and Finance Committee meetings when the CAFR is presented.

Outside Specialists and Consultants

We do not anticipate using specialists and/or consultants outside of Whitley Penn in performing requested services.



Frequently Asked Questions

Are your fees negotiable?

Yes, our fees are negotiable. Please keep in mind that state law prohibits competitive bidding in connection with obtaining the services of certified public accountants (Chapter 2254, Government Code). Undue emphasis upon price in evaluating proposals from certified public accountants may be construed as having obtained services by competitive bidding, and as a violation of State law.

If I have questions throughout the audit, will you be available to answer them?

Our team is available to you whenever you need us. We provide cell phone and email contact information so that you can always reach us when you have a need. We also understand that increasingly difficult auditing and reporting requirements now defy the “once-a-year visit” by a City’s audit firm. Our commitment to quarterly meetings with City Council and management is representative of our desire to assure the free flow of communications between the City Council, management and our audit team.

Are you able to provide our staff with training, when needed?

Whitley Penn offers one-on-one training to the management and staff of our clients for everything from general accounting procedures to areas such as grant management, payroll and bank reconciliations.

Can you help us stay up to date with changes in the industry and new standards?

We are proud of the knowledge base of Whitley Penn’s Public Sector Team. We are well known in this industry for our experience and as a result, our firm’s partners are consistently called upon to present to a variety of organizations. Whitley Penn is also proud to offer this training to our clients. We offer 8 hours of complimentary CPE each year for your staff, at no additional charge.

Our team stays abreast of changes in the public sector industry as well as the new accounting standards. We relay this information to our clients in a variety of ways. Some of the best ways to stay “in the know” are to follow our blog, *In The Black*, and to request our monthly e-newsletter (visit our web site for more information: whitleypenn.com).

Are you able to assist us when we have questions about matters un-related to the audit, such as tax compliance issues?

Whitley Penn is a firm of nearly 350 knowledgeable and experienced professionals. Our team has experience with Tax Compliance, Risk Management, Business Process Improvement, Organizational Reviews, Regulatory Matters, and Finance-Related Consulting, in addition to an entire division that specializes in Forensic Services. With Whitley Penn as your firm, you will have access to the knowledge and experience of the entire firm.

COMPENSATION



Compensation

Your Investment

Obviously, fee considerations are an important factor in selecting a firm for professional services such as auditing and consulting. In this regard, **we welcome input on our fee estimate** levels during the proposal process. As you are aware, we would very much like to have the opportunity to serve the City and would **welcome the opportunity to discuss the appropriateness of our fee** estimate levels, especially if they become a significant factor in making our firm the City's choice.

As previously noted in the Audit Plan section of our proposal, our plans for audit services include up to 300 hours of time commitment by our partners, managers and professional staff for project services. We would expect to remain within any negotiated fee level unless factors considered by us in estimating the fee level change significantly. Should circumstances dictate that material increases in our time requirements are necessary, we would discuss this with the audit committee and management immediately. We would not bill the City for amounts in excess of our negotiated fees without first discussing the matter and receiving approval from management. Fees for our services are based on our standard hourly rates. The **final negotiated fee** for performing the audit services requested will be based on the time expected to be expended by our staff in doing the work. We would bill the City for our services on a monthly basis as services are performed.

	Fee Estimate for FY 2016		
	Hours	Rate	Estimated Fee
Audit Services			
Partner	25	\$200	\$5,000
Manager	75	140	10,500
Senior	100	120	12,000
Staff	100	110	11,000
Total	300		\$38,500

Fee estimates for the FY 2017 and FY 2018 financial statement audits are \$39,700 and \$40,900, respectively.



CONCLUDING REMARKS

Concluding Remarks

Commitment to Governmental Entities

In 2007 our firm made the decision to dedicate staff to public sector engagements. It was a difficult task in that we have many clients in a variety of industries. In order to become experts, we developed public sector and corporate teams that could focus on their industry groups and become leaders. We have been successful to continue this practice and it has made a significant difference in the manner we serve our clients. When our public sector auditors work on your engagement, they are familiar with government operations, fund types and the different types of measurement focuses that come with those fund types. They do not have the difficulty transitioning from a corporate environment to a public sector environment because they are fully immersed in the public sector arena. We are very proud of our model.

Dedication to the State and Local Government Industry

As part of our dedication to the state and local government industry, our firm maintains associate memberships in the Government Finance Officers Association (GFOA), the Texas Municipal League (TML), the American Institute of Certified Public Accountants (AICPA), the Texas Association of School Business Officials (TASBO), the Association of School Business Officials International, the Texas Society of Certified Public Accountants (TSCPA) and the AICPA's Governmental Audit Quality Center. Through these affiliations, we are able to access tremendous resources that allow us to effectively serve our governmental and non-profit clients.





APPENDICES

Appendix A- Peer Review Report



SYSTEM REVIEW REPORT

June 25, 2015

To the Partners of Whitley Penn LLP and the
National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Whitley Penn LLP (the Firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (Service Organization Control (SOC) 1 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of Whitley Penn LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2015, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Whitley Penn LLP has received a peer review rating of *pass*.

Olsen Thielen & Co., Ltd.

St. Paul Office | 2675 Long Lake Road | St. Paul, MN 55113-1117 | 651-483-4521 | 651-483-2467 FAX
Minneapolis Office | 300 Prairie Center Dr., Ste. 300 | Minneapolis, MN 55344-7908 | 952-941-9242 | 952-941-0577 FAX



Appendix B - USDE Office of Inspector General Letter



**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL**

July 23, 2014

Celina C. Miller, CPA
Whitley Penn
3411 Richmond Ave., Suite 500
Houston, TX 77046

ED OIG Control Number: Q06O0004

Dear Ms. Miller,

We have completed our review of the audit documentation prepared by your organization in support of your report for the Single Audit of following Institution and audit period:

Lone Star College System
The Woodlands, TX 77381

From: September 1, 2012 To: August 31, 2013

The objective of our review was to determine whether the audit was performed in accordance with generally accepted auditing standards; Government Auditing Standards; and OMB Circular A-133.

Our conclusions are based on review of the audit documentation provided to us. We did not review records at the audited entity. During our review we did not identify departures from audit standards and OMB Circular A-133 audit requirements.

Thank you for your assistance and cooperation.

Sincerely,

Marilyn Peck Henderson
Auditor, Non-Federal Audit Team

cc: U.S. Department of Education/OCFO/Post Audit Group

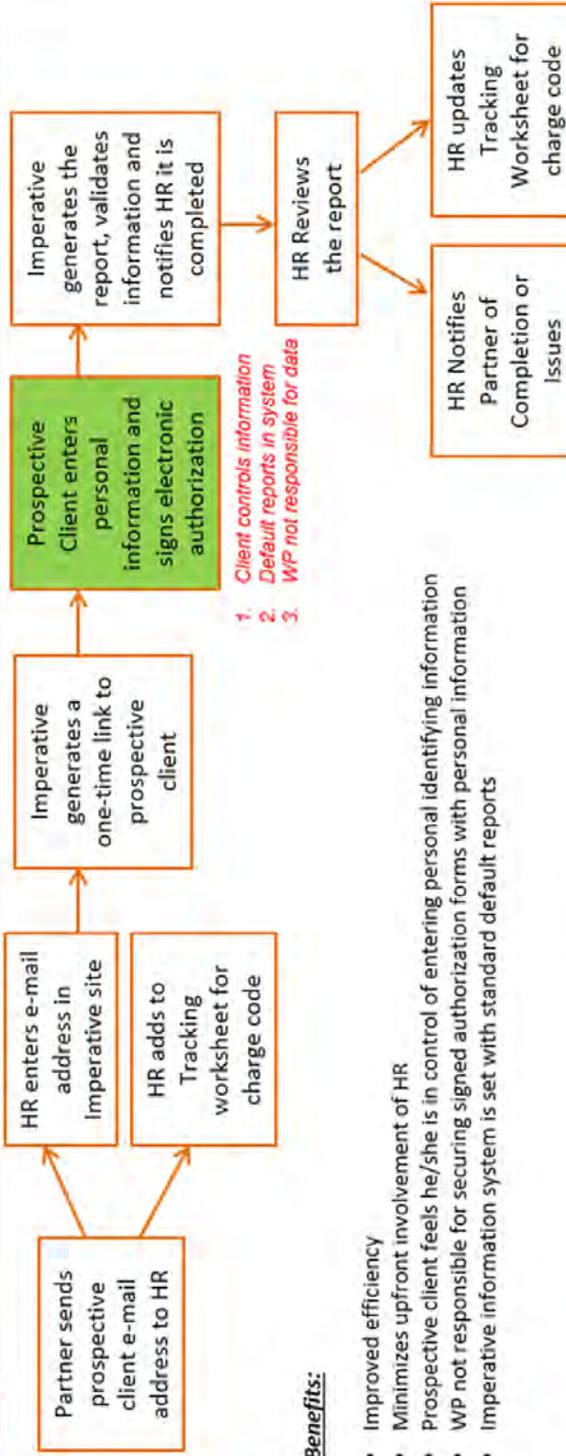
...

400 MARYLAND AVENUE, S.W., WASHINGTON, DC 20202-1510

Promoting the efficiency, effectiveness, and integrity of the Department's programs and operations.

Appendix C - Client Acceptance Procedures

Audit Client Acceptance Due Diligence Process



Benefits:

- Improved efficiency
- Minimizes upfront involvement of HR
- Prospective client feels he/she is in control of entering personal identifying information
- WP not responsible for securing signed authorization forms with personal information
- Imperative information system is set with standard default reports

IMPERATIVE Mike Coffey
INFORMATION Cell: 817-313-0782
 C O R P O R A T I O N

(as of 8/18/15)

