

-Memorandum-

City of Seguin

Finance Department

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Date: August 24, 2015

To: Mayor and City Councilmembers
Douglas Faseler, City Manager

From: Susan Caddell *Susan Caddell*
Director of Finance

Subject: Audit Engagement Letter

In anticipation of the expiration of the current audit services agreement, city staff solicited audit services proposals for a three year period. Based on this solicitation, the City of Seguin received seven proposals. After careful review of the seven proposals by Finance staff, three firms were selected to be interviewed by a committee consisting of Assistant City Manager Rick Cortes, Assistant Director of Finance Tracy Stalnaker, SSLGC General Manager Alan Cockerell, and myself. The three firms selected were Armstrong, Vaughan, and Associates PC, Weaver and Tidwell LLP, and Alonzo, Bacarisse, Irvine and Palmer PC (ABIP).

Please be advised that Armstrong, Vaughan and Associates have been providing audit service to the City of Seguin since fiscal years ended September 30, 1997, through fiscal years ended September 30, 2014; with the exception of fiscal years ended September 30, 2000-01. In FY 2000-01 another firm was selected, however there were numerous problems encountered, and the City went back to Armstrong, Vaughan and Associates PC.

Armstrong, Vaughan and Associates PC have a tremendous amount of experience; local clients include but are not limited to the cities of Schertz, Balcones Heights, Kirby, Cibolo and Converse. Armstrong, Vaughan and Associates PC also have experience with Utilities such as Canyon Regional Water Authority, SSLGC, and Guadalupe County Groundwater Conservation District. They are also currently the auditors for Guadalupe County Appraisal District. Please note that Weaver and Tidwell, LLP also have experience with other municipalities such as Cities of Killeen, Euless, Midlothian and Wylie, to name a few. They also have experience with the City of Georgetown which has electric, water, and sewer utilities. Alonzo, Bacarisse, Irvine and Palmer, PC also have

municipality experience which include but are not limited to Alamo Heights, Live Oak, San Marcos, and Leon Valley. Additionally, they are currently the auditor for GBRA and have electric Utility experience through their agreement with the City of San Marcos.

Attached you will find the analysis of audit fees proposed by all firms. The audit fees proposed by Armstrong, Vaughan and Associates for each of the three years are not the lowest. While ABIP has the lower price, audit services are not analyzed by fees alone. Experience, staffing and implementation of the audit are an integral part of the overall assessment. A significant reason for recommending the continuation of the City of Seguin's relationship with Armstrong, Vaughan and Associates is their familiarity with the City of Seguin and the functions of the City. They have been the City's auditors in the past and are currently the auditors for the Schertz-Seguin Local Government Corporation and Seguin Economic Development Corporation. While some cities have chosen to rotate their auditors every three to five years, the American Institute of Certified Public Accountants has issued a statement relating to mandatory firm rotation (MFR). They stated "Experience and knowledge of a company's operations and industry are crucial to a high quality audit. This experience and knowledge increases with audit tenure." This experience and tenure also aid in the fact that this is a transition year for our new software. In addition, during the interview process, Armstrong, Vaughan and Associates presented a much more professional presentation.

Staff is recommending award of the audit services to Armstrong, Vaughan and Associates PC. Attached is the engagement letter for the audit for FY2015.

Please let me know if you have any questions.