

Fiscal Year 2005-06 External Audit Contract

Finance, Audit and Accountability
City Council Committee

October 8, 2007

Purpose

- To review and consider a request for an increase in the current contract with KPMG LLP for auditing services related to the fiscal year 2005-06 audit

Background

- City of Dallas requested proposals for external auditing services for the FY 2005-06 audit
- Purchasing staff contacted the 20 largest CPA firms throughout the country
- The City received no responses
- Staff contacted CPA firms, including KPMG, to request proposals
- Only KPMG responded
- City Council awarded the contract with KPMG at an hourly billing rate of \$190/hour in December 2006
- A total of 5,000 hours were estimated by KPMG to complete the audit at a cost of \$950,000

Subsequent Events

- City staff has monitored KPMG work and invoices to ensure billings are reasonable
- On June 25, 2007, KPMG contacted staff at 90% of completion, as required in the contract
- KPMG indicated they did not anticipate going beyond the original contract price
- On August 10, 2007, KPMG contacted staff to inform that an increase was required to complete the grants audit
- Additional information was requested from KPMG
- KPMG responded to the City's request August 24, 2007
- City staff reviewed the requested increase
- Staff met with KPMG to reduce the additional charges
- KPMG submitted a revised estimate September 11, 2007 and a final estimate October 5, 2007

Requested Change to Contract

• Original contract price, not to exceed:	\$ 950,000
• Increase due to additional hours for required fieldwork	372,210
• Reduction	<u>(37,376)</u>
• Revised contract price, not to exceed:	\$1,284,834

Reasons for Overage

- Additional fieldwork due to auditors' lack of reliance on existing financial controls 1,290 hours
- Additional fieldwork regarding grant compliance issues 551 hours
- Financial system upgrade 118 hours
- Total 1,959 hours

Improvements to Address FY 2005-06 Audit Issues

- New managers over financial reporting, reconciliations and fixed assets were hired in the Controller's Office
- Accountants have been added to areas identified as weaknesses in the Controller's Office
- Professional-level staff in the Controller's Office will be required to attend a minimum of 16 hours training annually
- Training on proper accounting procedures will be provided to staff throughout the City
- City is in the process of securing a consultant to evaluate and recommend improvements to the City's internal controls

Status of Fiscal Year 2005-06 Audit

- Comprehensive Annual Financial Report is complete and issued
- Grants Single Audit is drafted and pending final partner review by KPMG

Recommendation

- Approve an action item on the Council's October 24, 2007 agenda to increase the contract authorization by \$334,834