



Agenda Memorandum

Agenda Item – {{section.number}}.A.

City Council Study Session
May 1, 2023



Strategic Priority 1: Preparedness and Resilience

Build a system of intentional support for residents, businesses and the environment that mitigates risks and proactively seeks out ways to ensure the community not only endures, but thrives.

Subject: Information Only - 2022 Annual Financial Audit Engagement Letter and Pre-Audit Message on Matters Related to the Planned Scope and Timing of the Audit

Prepared By: Cherie Sanchez, Accounting Manager

Recommended City Council Action:

This report is for City Council information only and requires no action by City Council.

Summary Statement:

The City's independent audit firm, FORVIS, LLP (formerly BKD, LLP), has provided an audit engagement letter and pre-audit message for City Council's review regarding the City's 2022 annual financial audit. The engagement letter defines the terms and conditions of the audit relative to the legal relationship between the City and FORVIS, LLP (FORVIS). The pre-audit message defines FORVIS' responsibilities in relation to the financial statement audit and provides an overview of the scope and timing of the audit. Statement on Auditing Standards (SAS) Auditing Unit (AU) Section 380, *The Auditor's Communication with Those Charges with Governance*, requires these formal communications to apprise an organization's governing board about the audit and its outcome.

Fiscal Impact:

\$0 in expenditures

Source of Funds:

Not Applicable

Policy Issue(s):

Not Applicable

Alternative(s):

Not Applicable

Background Information:

On October 12, 2020, City Council authorized City Staff to enter into a contract with BKD, LLP (BKD) for independent, professional auditing services for the City's 2020 annual financial audit. The agreement included an option to renew the contract for four additional one-year terms, subject to annual appropriation.

In 2022, BKD, LLP and Dixon Hughes Goodman, LLP merged to become FORVIS, LLP. FORVIS assumed the rights, obligations, and duties of the original agreement between the City of Westminster and BKD through the merger transaction.

The 2022 audit is the second of the one-year renewal periods authorized in the service contract.

The American Institute of Certified Public Accountants (AICPA) SAS AU 380, *The Auditor's Communication with Those Charged with Governance*, requires auditor communication with those responsible for overseeing the strategic direction of an entity and obligations related to their accountability for that entity.

For the City's 2022 annual financial audit, FORVIS has provided an audit engagement letter (Attachment A) and pre-audit message (Attachment B) for City Council's information. The engagement letter is subordinate to the prevailing contract with terms and conditions specific to the 2022 audit. The pre-audit message reviews FORVIS' responsibilities under generally accepted auditing standards as well as the planned scope and timing of the audit.

The 2022 annual financial audit commenced with interim work in December 2022 and FORVIS began its audit field work on Monday April 17, 2023. The results and findings of the City's financial audit are scheduled to be communicated to City Council in a written report and Study Session presentation in July 2023.

This information supports the City's Strategic Plan Guiding Principle of "Transparency and Accountability" and Strategic Priority of "Preparedness and Resilience" by notifying City Council of the City's annual financial audit and sharing important communications on the duties and responsibilities of both FORVIS and the City relevant to this project.

Respectfully Submitted,

Mark A Freitag

Mark A. Freitag
City Manager

Attachments:

Attachment A: 2022 Audit Engagement Letter

Attachment B: 2022 Pre-Audit Letter