Agenda Item Report

Legislative Board: City Council
Date: July 21, 2026
Contact: Angela Verduzco
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ITEM TITLE: Award of a Request for Proposal (RFP) #26-104 Financial Audit Services to Forvis Mazars, LLP and to authorize the City Manager to execute said contract and engagement letter (Assistant Finance Director Angela Verduzco))

1. EXECUTIVE SUMMARY

The City's current agreement for external audit services has concluded. Staff conducted a competitive Request for Proposals (RFP) process to select an independent certified public accounting firm and, following evaluation, recommends awarding a five-year professional services agreement to Forvis Mazars, LLP. Forvis Mazars received the highest evaluation score and was determined to provide the best overall value based on qualifications, experience auditing Texas local governments, technical approach, proposed engagement team, ability to meet required deadlines, and cost.

Under the agreement, the firm will perform the annual audit of the City's financial statements, the federal and state Single Audits when required, and related services in accordance with generally accepted auditing standards and Government Auditing Standards. Funding is included in the annual operating budget and is appropriated each fiscal year through the City's budget process.

2. BACKGROUND/HISTORY

Statutory requirement. Texas Local Government Code Section 103.001 requires municipalities to have their records and accounts audited annually by an independent certified public accountant and to prepare an annual financial statement based on that audit. Senate Bill 1851, effective September 1, 2025, added a direct financial consequence for municipalities that fail to complete the annual audit and file the resulting financial statement within 180 days of the close of the fiscal year: a noncompliant municipality may be barred from adopting a property tax rate above its no-new-revenue rate until it comes into compliance, and any person may file a complaint with the Texas Attorney General alleging a violation. Maintaining timely, uninterrupted audit services therefore protects the City's budgetary and tax-rate flexibility.

What the annual audit is. An independent financial audit is an external examination of the City's financial statements conducted in accordance with generally accepted auditing standards and Government Auditing Standards. Its purpose is to allow the auditor to express an opinion on whether the City's financial statements are presented fairly, in all material respects, and in conformity with generally accepted accounting principles. Where federal or state award thresholds are met, the Single Audit additionally examines the City's compliance with applicable federal and/or state program requirements. To plan the audit, the auditor obtains an understanding of the City's internal controls over financial reporting and tests selected transactions and account balances.

What the annual audit is not. An audit provides reasonable - not absolute - assurance. Because it is based on sampling and testing rather than a review of every transaction, an audit is not designed or guaranteed to detect all errors, fraud, or noncompliance, particularly amounts that are individually immaterial or that have been deliberately concealed. It is a retrospective examination of a completed fiscal year rather than real-time monitoring of daily operations, and, unless the City separately engages the firm for such work, it does not evaluate the efficiency, effectiveness, or merit of specific spending decisions. An unmodified ("clean") audit opinion means the financial statements are fairly presented in all material respects; it is not a certification that no fraud or error exists or that every expenditure was optimal. Responsibility for the financial statements, and for the internal controls that support them, rests with City management - not with the external auditor, whose role is independent verification.

Role of the City's finance team. The annual independent audit is an important, point-in-time check, but it does not replace the internal control environment the Finance Department maintains day to day. Certain routine transactions below established dollar thresholds are initiated and processed at the department level to keep daily operations efficient; however, financial activity ultimately routes through the Finance Department, which serves as the final point of approval and review. This structure keeps procurement, disbursements, cash receipting, payroll, journal entries, and account reconciliations subject to a consistent set of controls and a centralized final approval within the Finance Department, regardless of where a transaction originates. Those controls are built around a deliberate separation of duties, so that no single individual controls a transaction from initiation through reconciliation. Key safeguards include:

- The functions of authorizing, recording, and maintaining custody of assets are assigned to different staff - the individual who approves a transaction is not the individual who records it or reconciles the related accounts.
- Purchases and disbursements require documented approval within established spending-authority thresholds.
- Journal entries are reviewed and approved by someone other than the preparer.
- Bank and subsidiary-ledger reconciliations are performed and independently reviewed on a regular monthly cycle.
- Role-based access in the City's financial system limits who may initiate, approve, and post transactions and preserves a system audit trail.
- Written policies - including the City's purchasing procedures and Comprehensive Financial Management Policy - govern these processes and are reviewed periodically.

Because these safeguards operate continuously and budget-to-actual results are monitored throughout the year, the City maintains ongoing assurance over the accuracy of its records and the safeguarding of public funds between annual audits. The external audit then provides independent confirmation that this control environment is functioning and that the resulting financial statements are fairly presented - the two functions reinforce one another, and neither substitutes for the other.

Audit firm rotation. Consistent with the City's Comprehensive Financial Management Policy, it is the City's preference and a recognized best practice to rotate audit firms approximately every five years. Periodic rotation provides a fresh, independent perspective on the City's financial reporting, internal controls, and accounting processes, reinforcing objectivity and public confidence in the audit process. If the incumbent firm is retained, the policy provides that the lead audit partner and lead reviewer should be rotated after a maximum of five years.

Current procurement. The City's current audit services agreement has reached the end of its term, prompting staff to conduct a competitive RFP process to select a firm for the next contract period.

3. ANALYSIS

The City issued RFP No. 26-104 for independent financial audit services in accordance with applicable procurement requirements. Five qualified firms submitted proposals, all of which met the minimum submission requirements. An evaluation committee reviewed and scored each proposal using the criteria established in the RFP, including firm profile and experience, audit approach, staff qualifications, and cost.

Forvis Mazars, LLP received the highest overall score, 91.89 out of 100 points, ranking first among all proposers. Although another proposer submitted a lower-cost proposal, the City used a best-value procurement process that weighs qualifications, experience, technical expertise, and cost together rather than price alone. As part of the evaluation, staff conducted reference checks with four cities currently served by Forvis Mazars, LLP, each of which reported positive experiences with the firm's audit services.

Approval of the agreement supports timely issuance of the Annual Comprehensive Financial Report (ACFR), completion of the Single Audit when required, and continued compliance with the annual audit requirement described above.

4. FINANCIAL IMPACT

The proposed agreement with Forvis Mazars, LLP carries a total not-to-exceed amount of $452,500 over the five-year term. This amount assumes one Single Audit per year; should an additional Single Audit be required, an additional $7,500 per additional major program would apply. Payments for services performed as special projects shall be billed at the hourly rate outlined in Exhibit A at an amount not to exceed $20,000.00. Funding for annual audit services is included in the Finance Department's operating budget and is appropriated each fiscal year through the City's annual budget process. The agreement does not require appropriation of all five years of funding at once and remains subject to annual budget approval by the City Council.

5. STRATEGIC PLAN/GOALS

EXCEPTIONAL CITY SERVICES

6. STRATEGIC PLAN OBJECTIVES

Deliver City services consistent with our City of Buda mission and core values

7. PROS AND CONS

Pros

- Satisfies the annual independent audit requirement of Texas Local Government Code Section 103.001 and supports compliance with SB 1851 filing deadlines.
- Selects the highest-ranked proposer through a competitive, best-value RFP process.
- Advances the Comprehensive Financial Management Policy's practice of periodic audit firm rotation for objectivity and public confidence.
- Provides continuity through a five-year agreement while preserving annual budgetary oversight.
- Positions the City to meet financial reporting deadlines, including the ACFR and Single Audit when required.

Cons

- The recommended firm is not the lowest-cost proposer; selection was based on best value rather than price alone.
- Transitioning to a new firm will require additional staff time in the first year to orient the audit team to the City's operations, financial systems, and historical records.

8. ALTERNATIVES

1. Reject all proposals and direct staff to reissue the RFP, restarting procurement and potentially delaying the audit schedule and increasing administrative costs.
2. Provide alternative direction to staff, including negotiations with another proposer or modifications to the proposed agreement, if deemed to be in the best interest of the City.

9. REQUESTED ACTION / SUGGESTED MOTION / RECOMMENDATION

Staff recommends that the City Council approve a five-year professional services agreement with

Forvis Mazars, LLP for independent financial audit services and authorize the City Manager to execute the agreement and engagement letter. The recommendation reflects the results of the competitive RFP process, in which Forvis Mazars received the highest evaluation score and was determined to provide the best overall value, and is consistent with the City's Comprehensive Financial Management Policy.

Attachments:

26-104 RFP SCORING SUMMARY FOR COUNCIL.pdf