

MEMORANDUM

TO: Claire Powell, City Manager

FROM: David Erb, Director of Finance

DATE: October 20, 2025

SUBJECT: **Approval of a Professional Services Agreement with Weaver & Tidwell, LLP to Provide Internal Audit Services; and Authorization for the City Manager, or Her Designee, to Execute the Agreement.**

BACKGROUND

The City implemented a formal Internal Audit program in FY2006 to ensure business processes reflect documented policies and directives, strengthen internal controls, and protect against the loss or misuse of City assets. To establish the program, an existing accountant position was reclassified to Internal Auditor, and a city-wide risk assessment was conducted by Weaver & Tidwell, LLP. The assessment led to the development of an audit plan that identified high-risk areas and established systematic internal control evaluations, many of which continue to be maintained today.

In FY2021, a new city-wide risk assessment was completed by Baker Tilly Virchow Krause, LLP to update the multi-year audit plan. This assessment identified both city-wide risks such as cash handling, grants compliance, contracts management, information technology controls, and records retention along with and department-specific risks. The updated plan provided flexibility to adjust for emerging issues and to incorporate special audit requests from departments.

Following a vacancy in the Internal Auditor position, Finance staff conducted an evaluation of how to best sustain the internal audit function. Based on that review, it was determined that a hybrid model utilizing both a third-party consultant and in-house Finance staff provided the most effective approach. Weaver & Tidwell, LLP, which also serves as the City's external audit firm, was engaged to provide internal audit assistance through a separate area of practice to preserve independence and avoid conflicts. This model has successfully supported the completion of audits addressing key risk areas while allowing City staff to focus on operational and compliance monitoring activities.

The proposed renewal of the Professional Services Agreement with Weaver & Tidwell, LLP continues this hybrid approach. The agreement provides for continuity in service delivery and allows Weaver to assist in implementing the annual internal audit plan approved by management. Weaver will continue to collaborate with City staff to evaluate high-risk areas, conduct testing of internal controls, and issue written audit reports.

ANALYSIS

Under the proposed agreement, Weaver & Tidwell, LLP will continue to provide internal audit services to support completion of the City's internal audit plan and strengthen the City's risk management and governance framework. The Consultant will assist management in identifying critical risk areas that may affect the City's ability to achieve its strategic objectives, perform fieldwork and compliance testing, and develop recommendations for process improvements.

The term of the new Professional Services Agreement is for three years, with the option to renew for two additional one-year periods. This structure provides stability in the City's audit program while allowing for periodic review of service scope and cost structure. The annual fee for services will continue to be based on the number of hours required to complete assigned audits under the internal audit plan. Costs are consistent with prior agreements, and funding for the professional services is available within the City's Non-Departmental budget. The total fee for services provided shall not exceed the estimated annual fee reflected in Attachment B of the PSA. First year estimated costs are \$130,000.

CITY STAFF'S RECOMMENDATION

That City Council approve the agreement and authorize the City Manager, or her designee, to execute the agreement as set forth in the caption above.