Auditing Texas Governments with Excellence

***CONFIDENTIALITY NOTICE** The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system. CIRCULAR 230 NOTICE The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Daniel Hebert <dhebert@txauditors.com>
Sent: Wednesday, August 3, 2022 1:26 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; mayor@dickinsontexas.gov
Cc: Robert Belt <rbelt@txauditors.com>; Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>
Subject: City of Dickinson Audit - Fiscal Year 2021

Good afternoon,

The purpose of this email is to ensure that Mayor and City Council or its audit committee, is actively involved in directing the audit process and is in the communication loop. Based on the issue encountered with the prior year (2020) audit and the current year (2021) audit as discussed below we recommend the City establish a formal audit committee or equivalent We would like to request a meeting with the City of Dickinson's audit committee to discuss the following matters relate to City's the audit.

Our firm was engaged to audit the City of Dickinson's financial statements for the year ended September 30, 2021. In connection with this engagement, we have made inquiries of management and request for information for numerous months and we have concluded that basic accounting duties have not been performed during the year. The audit process is currently on hold waiting information or guidance from the City. A similar issue was encountered during the prior year audit, which reportedly brought into question the division of responsibility between the city and its auditors related to audit timing.

We have satisfied our terms of the engagement with the City. Despite our best efforts, we have been unable to obtain audit evidence from the city in a reasonable time period. Our draft opinion letter, which is attached to this email, is a disclaimer of opinion. This type of an opinion would be highly problematic for the City and result in significant hardships for the City to overcome. We can finalize this letter and conclude the engagement in this manner at either parties option. If the City prefers, we can continue to place the audit on hold and await for the City and/or its vendors to complete its accounting process. However, this needs to be a formal direction by the audit committee. Please note, there is a seven-month blackout time period starting in the fall, which only current on-time projects will be worked on. While we can devote time during that period as allowable, we cannot make any commitment to a timeframe of completion until the end of that blackout period.

In addition to the absence of auditable records, the lapse in internal controls is classified as a "material weakness" which warrants a change in our risk assessment to maximum risk. Our fee estimate did not contemplate a high risk assessment, additional time for administrative oversight or time assist the City in compiling information needed. Accordingly, these amounts will billed in accordance with the terms of the engagement letter over the estimated fee.

Please let us know when a formal meeting of the audit committee can be held to discuss with us.

Thank you,

Daniel Hebert
Senior Associate
Belt Harris Pechacek, LLLP
3210 Bingle Rd., Ste. 300 | Houston, TX 77055
dhebert@txauditors.com | www.texasauditors.com | P: 713.263.1123 | F: 713.263.1550

Building a Legacy of *TRUST & LEADERSHIP IN TEXAS* through our *DISTINCTIVE SERVICE & UNIQUE DESIGN* focused entirely on *AUDITS OF GOVERNMENTS*

***CONFIDENTIALITY NOTICE** The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system. **CIRCULAR 230 NOTICE** The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Skipworth, Sean (MAYOR)
Sent: 8/3/2022 1:29:12 PM
To: Melancon, Theo (City Manager)
Cc: Nicholson, Harrison (CFO);
Subject: Re: City of Dickinson Audit - Fiscal Year 2021
Attachments: image002.png

Get Outlook for iOS

From: Daniel Hebert <dhebert@txauditors.com>
Sent: Wednesday, August 3, 2022 1:25:53 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Robert Belt <rbelt@txauditors.com>; Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>
Subject: City of Dickinson Audit - Fiscal Year 2021

Good afternoon,

The purpose of this email is to ensure that Mayor and City Council or its audit committee, is actively involved in directing the audit process and is in the communication loop. Based on the issue encountered with the prior year (2020) audit and the current year (2021) audit as discussed below we recommend the City establish a formal audit committee or equivalent We would like to request a meeting with the City of Dickinson's audit committee to discuss the following matters relate to City's the audit.

Our firm was engaged to audit the City of Dickinson's financial statements for the year ended September 30, 2021. In connection with this engagement, we have made inquiries of management and request for information for numerous months and we have concluded that basic accounting duties have not been performed during the year. The audit process is currently on hold waiting information or guidance from the City. A similar issue was encountered during the prior year audit, which reportedly brought into question the division of responsibility between the city and its auditors related to audit timing.

We have satisfied our terms of the engagement with the City. Despite our best efforts, we have been unable to obtain audit evidence from the city in a reasonable time period. Our draft opinion letter, which is attached to this email, is a disclaimer of opinion. This type of an opinion would be highly problematic for the City and result in significant hardships for the City to overcome. We can finalize this letter and conclude the engagement in this manner at either parties option. If the City prefers, we can continue to place the audit on hold and await for the City and/or its vendors to complete its accounting process. However, this needs to be a formal direction by the audit committee. Please note, there is a seven-month blackout time period starting in the fall, which only current on-time projects will be worked on. While we can devote time during that period as allowable, we cannot make any commitment to a timeframe of completion until the end of that blackout period.

In addition to the absence of auditable records, the lapse in internal controls is classified as a "material weakness" which warrants a change in our risk assessment to maximum risk. Our fee estimate did not contemplate a high risk assessment, additional time for administrative oversight or time assist the City in compiling information needed. Accordingly, these amounts will billed in accordance with the terms of the engagement letter over the estimated fee.

Please let us know when a formal meeting of the audit committee can be held to discuss with us.

Thank you,

Daniel Hebert
Senior Associate
Belt Harris Pechacek, LLLP
3210 Bingle Rd., Ste. 300 | Houston, TX 77055
dhebert@txauditors.com | www.texasauditors.com | P: 713.263.1123 | F: 713.263.1550

Building a Legacy of *TRUST & LEADERSHIP IN TEXAS* through our *DISTINCTIVE SERVICE & UNIQUE DESIGN* focused entirely on *AUDITS OF GOVERNMENTS*

CONFIDENTIALITY NOTICE *The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system.* ***CIRCULAR 230 NOTICE*** *The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:12 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Honorable Mayor Skipworth and Mr. Melancon,

We need direction on how you would like for us to proceed with the audit. Is there a time available this week or next to discuss?

Robert Belt, CPA, Managing Partner

3210 Bingle Rd., Ste. 300
Houston, TX 77055
Belt Harris Pechacek, LLLP
Certified Public Accountants
P: 713.263.1123 | F: 713.263.1550
rbelt@txauditors.com

Auditing Texas Governments with Excellence

CONFIDENTIALITY NOTICE *The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system. CIRCULAR 230 NOTICE The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Daniel Hebert <dhebert@txauditors.com>
Sent: Wednesday, August 3, 2022 1:26 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; mayor@dickinsontexas.gov
Cc: Robert Belt <rbelt@txauditors.com>; Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>
Subject: City of Dickinson Audit - Fiscal Year 2021

Good afternoon,

The purpose of this email is to ensure that Mayor and City Council or its audit committee, is actively involved in directing the audit process and is in the communication loop. Based on the issue encountered with the prior year (2020) audit and the current year (2021) audit as discussed below we recommend the City establish a formal audit committee or equivalent We would like to request a meeting with the City of Dickinson's audit committee to discuss the following matters relate to City's the audit.

Our firm was engaged to audit the City of Dickinson's financial statements for the year ended September 30, 2021. In connection with this engagement, we have made inquiries of management and request for information for numerous months and we have concluded that basic accounting duties have not been performed during the year. The audit process is currently on hold waiting information or guidance from the City. A similar issue was encountered during the prior year audit, which reportedly brought into question the division of responsibility between the city and its auditors related to audit timing.

We have satisfied our terms of the engagement with the City. Despite our best efforts, we have been unable to obtain audit evidence from the city in a reasonable time period. Our draft opinion letter, which is attached to this email, is a disclaimer of opinion. This type of an opinion would be highly problematic for the City and result in significant hardships for the City to overcome. We can finalize this letter and conclude the engagement in this manner at either parties option. If the City prefers, we can continue to place the audit on hold and await for the City and/or its vendors to complete its accounting process. However, this needs to be a formal direction by the audit committee. Please note, there is a seven-month blackout time period starting in the fall, which only current on-time projects will be worked on. While we can devote time during that period as allowable, we cannot make any commitment to a timeframe of completion until the end of that blackout period.

In addition to the absence of auditable records, the lapse in internal controls is classified as a "material weakness" which warrants a change in our risk assessment to maximum risk. Our fee estimate did not contemplate a high risk assessment, additional time for administrative oversight or time assist the City in compiling information needed. Accordingly, these amounts will billed in accordance with the terms of the engagement letter over the estimated fee.

Please let us know when a formal meeting of the audit committee can be held to discuss with us.

Thank you,

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 8/15/2022 3:40:03 PM
To: Robert Belt; Skipworth, Sean (MAYOR)
Cc: Nicholson, Harrison (CFO); Daniel Hebert
Subject: RE: City of Dickinson Audit - Fiscal Year 2021
Attachments: image001.png ,image002.png ,image003.png

Hey there Robert,

I would gladly schedule a meeting with you. Can you provide some dates/times late this week/early next week so that I can coordinate with Audit Committee members?

Theo

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:12 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Honorable Mayor Skipworth and Mr. Melancon,

We need direction on how you would like for us to proceed with the audit. Is there a time available this week or next to discuss?

Robert Belt, CPA, Managing Partner

3210 Bingle Rd., Ste. 300
Houston, TX 77055
Belt Harris Pechacek, LLLP
Certified Public Accountants
P: 713.263.1123 | F: 713.263.1550
rbelt@txauditors.com

Auditing Texas Governments with Excellence

CONFIDENTIALITY NOTICE *The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system. CIRCULAR 230 NOTICE The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Daniel Hebert <dhebert@txauditors.com>
Sent: Wednesday, August 3, 2022 1:26 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; mayor@dickinsontexas.gov
Cc: Robert Belt <rbelt@txauditors.com>; Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>
Subject: City of Dickinson Audit - Fiscal Year 2021

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:47 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

I'm open:

Wednesday and Friday afternoon only
Thursday morning only

Next week is currently wide open.

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: Monday, August 15, 2022 3:40 PM
To: Robert Belt <rbelt@txauditors.com>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Hey there Robert,

I would gladly schedule a meeting with you. Can you provide some dates/times late this week/early next week so that I can coordinate with Audit Committee members?

Theo

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:12 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Honorable Mayor Skipworth and Mr. Melancon,

We need direction on how you would like for us to proceed with the audit. Is there a time available this week or next to discuss?

Robert Belt, CPA, Managing Partner

3210 Bingle Rd., Ste. 300
Houston, TX 77055
Belt Harris Pechacek, LLLP
Certified Public Accountants
P: 713.263.1123 | F: 713.263.1550
rbelt@txauditors.com

Auditing Texas Governments with Excellence

CONFIDENTIALITY NOTICE *The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system. CIRCULAR 230 NOTICE The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Daniel Hebert <dhebert@txauditors.com>

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 8/15/2022 3:48:54 PM
To: Robert Belt; Skipworth, Sean (MAYOR)
Cc: Nicholson, Harrison (CFO); Daniel Hebert
Subject: RE: City of Dickinson Audit - Fiscal Year 2021
Attachments: image001.png ,image002.png ,image003.png

Robert,

If I can get a meeting of Audit Committee together for Friday at 1 pm, would that work?

Theo

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:47 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

I'm open:

Wednesday and Friday afternoon only
Thursday morning only

Next week is currently wide open.

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: Monday, August 15, 2022 3:40 PM
To: Robert Belt <rbelt@txauditors.com>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Hey there Robert,

I would gladly schedule a meeting with you. Can you provide some dates/times late this week/early next week so that I can coordinate with Audit Committee members?

Theo

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:12 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Honorable Mayor Skipworth and Mr. Melancon,

We need direction on how you would like for us to proceed with the audit. Is there a time available this week or next to discuss?

Robert Belt, CPA, Managing Partner

3210 Bingle Rd., Ste. 300
Houston, TX 77055
Belt Harris Pechacek, LLLP
Certified Public Accountants
P: 713.263.1123 | F: 713.263.1550
rbelt@txauditors.com

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 8/15/2022 3:57:34 PM
To: Robert Belt; Skipworth, Sean (MAYOR)
Cc: Nicholson, Harrison (CFO); Daniel Hebert
Subject: RE: City of Dickinson Audit - Fiscal Year 2021
Attachments: image001.png ,image002.png ,image003.png

Understood. I will reach out to Committee members for availability.

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:55 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Theo,

That should work. I've got a meeting with a District Attorney on another matter, but I'm 99% confident that will not present a scheduling issue, but if it is it will be beyond my control.

Robert

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: Monday, August 15, 2022 3:49 PM
To: Robert Belt <rbelt@txauditors.com>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Robert,

If I can get a meeting of Audit Committee together for Friday at 1 pm, would that work?

Theo

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:47 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

I'm open:

Wednesday and Friday afternoon only
Thursday morning only

Next week is currently wide open.

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: Monday, August 15, 2022 3:40 PM
To: Robert Belt <rbelt@txauditors.com>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Hey there Robert,

I would gladly schedule a meeting with you. Can you provide some dates/times late this week/early next week so that I can coordinate with Audit Committee members?

Theo

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 8/18/2022 9:27:28 AM
To: Robert Belt
Cc: Skipworth, Sean (MAYOR); Nicholson, Harrison (CFO); Daniel Hebert
Subject: Re: City of Dickinson Audit - Fiscal Year 2021
Attachments: image001.png ,image002.png ,image003.png

Yes we are available and ready to meet on Friday at 1 pm at City Hall.

Theo

Get Outlook for iOS

From: Robert Belt <rbelt@txauditors.com>
Sent: Thursday, August 18, 2022 8:48:45 AM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Cc: Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>; Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: Re: City of Dickinson Audit - Fiscal Year 2021

Theo,

Just checking to see if meeting is confirmed otherwise let's start aiming for a date next week.

Robert Belt, CPA
Belt Harris Pechacek, LLLP

On Aug 15, 2022, at 3:57 PM, Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov> wrote:

Understood. I will reach out to Committee members for availability.

From: Robert Belt <rbelt@txauditors.com>
Sent: Monday, August 15, 2022 3:55 PM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Theo,

That should work. I've got a meeting with a District Attorney on another matter, but I'm 99% confident that will not present a scheduling issue, but if it is it will be beyond my control.

Robert

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: Monday, August 15, 2022 3:49 PM
To: Robert Belt <rbelt@txauditors.com>; Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>
Cc: Nicholson, Harrison (CFO) <hnicholson@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: City of Dickinson Audit - Fiscal Year 2021

Robert,

If I can get a meeting of Audit Committee together for Friday at 1 pm, would that work?

Theo

CONFIDENTIALITY NOTICE *The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system. CIRCULAR 230 NOTICE The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Melancon, Theo (City Manager) <u><tmelancon@dickinsontexas.gov></u>
Sent: Wednesday, March 8, 2023 7:57 AM
To: Robert Belt <rbelt@txauditors.com>
Cc: Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RFP FY22 Response

Dear Mr. Belt,

Thank you for reaching out to us on this matter. The Mayor and I both had a conversation based on your email and find major issues that we need to address.

To frame this email, I have included the pertinent charter provision that surrounds the need for the City to go out for RFP. Please see below [Emphasis Added]:

7.17 - Independent audit.
At the close of each fiscal year, and at such other times as may be deemed necessary, [the] city council shall call for an independent audit to be made of all accounts of the city by a certified public accountant. ***No more than five (5) consecutive annual audits shall be completed by the same firm.*** *The certified public accountant selected shall have no personal interest, directly or indirectly, in the financial affairs of the city or any of its officers. The report of audit, with the auditor's recommendation[,] shall be made to [the] city council. Upon completion of the audit, the summary shall be published immediately in the official newspaper of the city and copies of the audit placed in the city secretary's office as a public record.*

If I am not mistaken, 2021 will make for at least the sixth consecutive year that your firm will have conducted our independent annual audit. When I highlighted that last year and formed our audit committee last year to go out for RFP last year, you produced your engagement letter showing that the City had signed a multi-year agreement including two option years for FY 2021 and 2022. You requested a meeting to discuss all the issues from the prior administration's handling of financial matters, which we agreed to do and appreciate.

I understand that the prior administration has handled finances poorly and it has been a major burden and slog to work through. Staff is also working to fix the issues as well so that we have a good set of books moving into the FY22 audit year. I firmly believe that we have been partners in this endeavor.

In your email, you stated the following:

If the 2021 accounting work has not been completed and results of the 2021 audit are unknown, it is unclear how anyone can predict the timing and the level of difficulty of the 2022 audit or when the close out will be complete. ***Additionally, the timing of the RFP could be misinterpreted as an attempt to gain leverage over the auditor which could jeopardize the auditors' independence.***

As highlighted by the Mayor, your email in response to our desire to go out for RFP for Audit Services pursuant to our charter requirements could be misinterpreted as an attempt to gain leverage over the city.

You stated the following:

We have delivered an unpopular, but critically important, message to the audit committee regarding our assessment of the City's accounting records. If the City disagrees with our assessment or plans to take no further action to address the issues identified, please let us know so that we can finalize our report.

Nobody on the audit committee stated any negative comments based on your update of the 2021 audit. The committee has agreed to allow you the time necessary to complete the 2021 audit. It was mutually beneficial as our books were not ready and you were entering your busy season. We do want to address the issues stated, and twice I requested your help to find accounting services that could help supplement staff efforts. Furthermore, Harrison requested by email supplemental accounting services.

I want to call attention to the following statement:

We wrote off a considerable amount of the extra time that our firm expended to assist the City with its accounting issues for 2020. We were disappointed to learn that, despite our extra goodwill efforts, statements were made in a City Council meeting that 2020 delays were attributed to the audit firm rather than the condition of the City's records.

I know that Council Members did make comment to the timing of audit presentations. I believe that they made comment to it being late annually over several years. I am not privy as to the veracity of that comment. I have made it clear to Council that we had a lot of work to do on the books themselves. I would be happy to take a detailed accounting of the time and efforts written off by the firm to show Council how much work it took to untangle the mess of the last administration. Daniel did the yeoman's work to fix Chris Heard's mess to pass through single audit.

My desire as City Manager is to abide as closely to the Charter as possible. It states that no audit firm shall conduct the independent audit more than five consecutive years. Our RFP is not an attack on your firm. It is an obedience to the charter that plainly states the requirements.

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 3/8/2023 8:57:20 AM
To: Robert Belt
Cc: Skipworth, Sean (MAYOR); Daniel Hebert
Subject: RFP FY22 Response
Attachments: image001.png

Dear Mr. Belt,

Thank you for reaching out to us on this matter. The Mayor and I both had a conversation based on your email and find major issues that we need to address.

To frame this email, I have included the pertinent charter provision that surrounds the need for the City to go out for RFP. Please see below [Emphasis Added]:

7.17 - Independent audit.
At the close of each fiscal year, and at such other times as may be deemed necessary, [the] city council shall call for an independent audit to be made of all accounts of the city by a certified public accountant. ***No more than five (5) consecutive annual audits shall be completed by the same firm.*** *The certified public accountant selected shall have no personal interest, directly or indirectly, in the financial affairs of the city or any of its officers. The report of audit, with the auditor's recommendation[,] shall be made to [the] city council. Upon completion of the audit, the summary shall be published immediately in the official newspaper of the city and copies of the audit placed in the city secretary's office as a public record.*

If I am not mistaken, 2021 will make for at least the sixth consecutive year that your firm will have conducted our independent annual audit. When I highlighted that last year and formed our audit committee last year to go out for RFP last year, you produced your engagement letter showing that the City had signed a multi-year agreement including two option years for FY 2021 and 2022. You requested a meeting to discuss all the issues from the prior administration's handling of financial matters, which we agreed to do and appreciate.

I understand that the prior administration has handled finances poorly and it has been a major burden and slog to work through. Staff is also working to fix the issues as well so that we have a good set of books moving into the FY22 audit year. I firmly believe that we have been partners in this endeavor.

In your email, you stated the following:

If the 2021 accounting work has not been completed and results of the 2021 audit are unknown, it is unclear how anyone can predict the timing and the level of difficulty of the 2022 audit or when the close out will be complete. ***Additionally, the timing of the RFP could be misinterpreted as an attempt to gain leverage over the auditor which could jeopardize the auditors' independence.***

As highlighted by the Mayor, your email in response to our desire to go out for RFP for Audit Services pursuant to our charter requirements could be misinterpreted as an attempt to gain leverage over the city.

You stated the following:

We have delivered an unpopular, but critically important, message to the audit committee regarding our assessment of the City's accounting records. If the City disagrees with our assessment or plans to take no further action to address the issues identified, please let us know so that we can finalize our report.

Nobody on the audit committee stated any negative comments based on your update of the 2021 audit. The committee has agreed to allow you the time necessary to complete the 2021 audit. It was mutually beneficial as our books were not ready and you were entering your busy season. We do want to address the issues stated, and twice I requested your help to find accounting services that could help supplement staff efforts. Furthermore, Harrison requested by email supplemental accounting services.

I want to call attention to the following statement:

We wrote off a considerable amount of the extra time that our firm expended to assist the City with its accounting issues for 2020. We were disappointed to learn that, despite our extra goodwill efforts, statements were made in a City Council meeting that 2020 delays were attributed to the audit firm rather than the condition of the City's records.

I know that Council Members did make comment to the timing of audit presentations. I believe that they made comment to it being late annually over several years. I am not privy as to the veracity of that comment. I have made it clear to Council that we had a lot of work to do on the books themselves. I would be happy to take a detailed accounting of the time and efforts written off by the firm to show Council how much work it took to untangle the mess of the last administration. Daniel did the yeoman's work to fix Chris Heard's mess to pass through single audit.

My desire as City Manager is to abide as closely to the Charter as possible. It states that no audit firm shall conduct the independent audit more than five consecutive years. Our RFP is not an attack on your firm. It is an obedience to the charter that plainly states the requirements.

Sincerely,

Theo Melancon
City Manager
City of Dickinson
4403 Hwy. 3
Dickinson, TX 77539
www.dickinsontexas.gov
Office: (281) 337-6204

CONFIDENTIALITY NOTICE *The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system. CIRCULAR 230 NOTICE The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: Wednesday, March 8, 2023 2:50 PM
To: Robert Belt <rbelt@txauditors.com>
Cc: Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: RFP FY22 Response

Good Afternoon,

I appreciate your email/condolences. I tend to agree with your rotating tire critique, and I will surely look at a charter amendment in a future year.

I do not believe a qualified opinion based on minimal audit work done to date is in the best interest of either party. My expectation is that Harrison, Sarah Clark, and Daniel discuss any items outstanding that is holding back the ability to perform fieldwork and also a timeline of when you can fit us into your schedule to do the fieldwork and complete it. I believe that us hammering out these details with clear measurables would go much further in having a productive audit committee meeting when it is called.

In short, my desire is to work with you all to finalize the FY21 audit and have you present that audit to Council. I would like for us to have a plan hammered out between staffs so that we can present a well vetted plan to the committee.

Theo

From: Robert Belt <rbelt@txauditors.com>
Sent: Wednesday, March 8, 2023 11:17 AM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Cc: Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: RFP FY22 Response

Mr. Melancon,

Thank you for your email. I was personally unaware of the Charter provision and that certainly adds a new wrinkle. Following the Enron debacle a soundbite gained momentum for the adoption of rotation policy without a full understanding of the potential consequences. In 2006 two municipal organizations, including TML, published an article I wrote "I rotate my tires should I do the same with our City auditors". The article highlight the downside of an audit rotation policy. Regardless of the pros or cons of a rotation policy, the charter is the charter. The convergence of enforcement of the Charter provision and the City's accounting function challenges together complicates the City's difficult situation. Accordingly, you have my empathy in the City management's dealing with these problems.

Regardless of the charter provision, on our side, as the City's auditors, we are left to try to navigate a difficult path to stay within professional standards based on the information provided by the City. We are looking for direction. Would you like for us to proceed forward with finalizing the draft version of the 2021 opinion letter previously provided to the City or does the City want to discuss a new plan?

Robert Belt, CPA, Managing Partner

3210 Bingle Rd., Ste. 300
Houston, TX 77055
Belt Harris Pechacek, LLLP
Certified Public Accountants
P: 713.263.1123 | F: 713.263.1550
rbelt@txauditors.com

Auditing Texas Governments with Excellence

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 3/8/2023 3:50:21 PM
To: Robert Belt
Cc: Skipworth, Sean (MAYOR); Daniel Hebert
Subject: RE: RFP FY22 Response
Attachments: image002.png ,image003.png ,image004.png

Good Afternoon,

I appreciate your email/condolences. I tend to agree with your rotating tire critique, and I will surely look at a charter amendment in a future year.

I do not believe a qualified opinion based on minimal audit work done to date is in the best interest of either party. My expectation is that Harrison, Sarah Clark, and Daniel discuss any items outstanding that is holding back the ability to perform fieldwork and also a timeline of when you can fit us into your schedule to do the fieldwork and complete it. I believe that us hammering out these details with clear measurables would go much further in having a productive audit committee meeting when it is called.

In short, my desire is to work with you all to finalize the FY21 audit and have you present that audit to Council. I would like for us to have a plan hammered out between staffs so that we can present a well vetted plan to the committee.

Theo

From: Robert Belt <rbelt@txauditors.com>
Sent: Wednesday, March 8, 2023 11:17 AM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Cc: Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: RE: RFP FY22 Response

Mr. Melancon,

Thank you for your email. I was personally unaware of the Charter provision and that certainly adds a new wrinkle. Following the Enron debacle a soundbite gained momentum for the adoption of rotation policy without a full understanding of the potential consequences. In 2006 two municipal organizations, including TML, published an article I wrote "I rotate my tires should I do the same with our City auditors". The article highlight the downside of an audit rotation policy. Regardless of the pros or cons of a rotation policy, the charter is the charter. The convergence of enforcement of the Charter provision and the City's accounting function challenges together complicates the City's difficult situation. Accordingly, you have my empathy in the City management's dealing with these problems.

Regardless of the charter provision, on our side, as the City's auditors, we are left to try to navigate a difficult path to stay within professional standards based on the information provided by the City. We are looking for direction. Would you like for us to proceed forward with finalizing the draft version of the 2021 opinion letter previously provided to the City or does the City want to discuss a new plan?

Robert Belt, CPA, Managing Partner

3210 Bingle Rd., Ste. 300
Houston, TX 77055
Belt Harris Pechacek, LLLP
Certified Public Accountants
P: 713.263.1123 | F: 713.263.1550
rbelt@txauditors.com

Auditing Texas Governments with Excellence

CONFIDENTIALITY NOTICE *The information in this email may be confidential and/or privileged. This email is intended to be reviewed by only the individual or organization named above. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachment, if any, or the information contained herein is prohibited. If you received this email in error please immediately notify the sender by return email and delete this email from your system. CIRCULAR 230 NOTICE The rules imposed by IRS Circular 230 require Belt Harris Pechacek, LLLP to inform you that, unless expressly stated above or in an attachment hereto, this communication including any attachments, is not intended or written to be used, and it cannot be used, by you or any person or entity for the purpose of avoiding any penalties that may or could be imposed under the United States Internal Revenue Code, nor for the promoting, marketing or recommending to another party any transaction or tax-related matter(s).*

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 3/14/2023 7:35:15 AM
To: Robert Belt
Cc: Skipworth, Sean (MAYOR); Daniel Hebert
Subject: RE: RFP FY22 Response
Attachments: image001.png ,image002.png ,image003.png

Mr. Belt,

In my last email, I requested an outstanding list of items and tasks necessary so that you can complete the FY21 audit (the action plan) with an unqualified opinion. Nothing in my request is asking for you to cross a line as an auditor to become our accounting firm.

I will have Harrison provide us an update regarding the trial balances.

Theo

From: Robert Belt <rbelt@txauditors.com>
Sent: Friday, March 10, 2023 8:40 AM
To: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Cc: Skipworth, Sean (MAYOR) <sskipworth@dickinsontexas.gov>; Daniel Hebert <dhebert@txauditors.com>
Subject: FW: RFP FY22 Response
Importance: High

Mr. Melancon,

I apologize in advance for any repetition in this communication , but the audit process is often misunderstood, and we don't appear to be entirely on the same page. Where we are both in complete mutual agreement is the need for the City to receive an unmodified opinion and our desire to mutually work together to achieve this. Where I think we are out of sync is the division of responsibility to achieve this goal and where we are at in the audit timeline.

For clarification, our audit is based on the City's trial balance which is a summary of the general ledger. The City provided the trial balance in Summer of 2022 and we conducted sufficient audit procedures to form our opinion on the sufficiency and accuracy of the information the City provided to us. Our audit was technically complete with respect to the opinion reached at that time. Subsequently, we have been trying to get management and the audit committee's attention related to the need to correct the problems noted, and the consequences (opinion letter) if those corrections are not made and accounting work completed.

During the summer, our auditor, Daniel, discussed at length with the City's staff areas needing the City's attention. We believe we provided the City reasonable opportunity for the City's finance team to address those issues prior to and subsequent to the audit committee meeting. My previous recommendation was for the City management to internally (Finance Director to City Manager) develop a detailed list of all areas where work was needed, time tables for each task, and to periodically reassess the status and holding the finance department accountable. If the City has not already done this, I would highly encourage this approach. We don't mind answering questions or providing additional guidance, but we want to hold firmly to the division of responsibility between management and audit team . The email below suggests our involvement in the internal management process, so I want to clarify that this is not something we feel comfortable doing and throughout the audit process we have sought to clarify the division of responsibility.

My understanding of the previous plan formulated with the audit committee was that the City would complete its close out and reconciliation of its accounting records. Upon completion the City would present a new trial balance to us and we would audit that new information. We are continuing to wait on this new information. As far as a new plan, my suggestion is that we agree to continue to put the audit on hold for up to 60 days. Upon providing us a new trial balance and support, we will reschedule the audit of the new information. If the City has not completed the close out in 60 days we can discuss extending the hold period further if the City is able to demonstrate that it is making progress in its close out process.

I would be delighted to meet with the Mayor, yourself, and/or audit committee to discuss the normal audit process, address any specific questions, and discuss the proposed plan.

Robert Belt, CPA, Managing Partner

3210 Bingle Rd., Ste. 300
Houston, TX 77055
Belt Harris Pechacek, LLLP
Certified Public Accountants
P: 713.263.1123 | F: 713.263.1550
rbelt@txauditors.com

Auditing Texas Governments with Excellence

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 4/28/2023 9:21:40 AM
Subject: City Council Update - Biweekly Bulletin - First Edition
Attachments: image001.png , Biweekly Bulletin 2023-04-28.pdf

Dear Council,

It has been too long since the last City Manager Update. I have worked hard to keep Council abreast of items individually as we have worked to find the right format for our updates. Today, you will see the culmination of a lot of hours and frustrations from staff to figure out exactly how they wanted to present information to you all. I believe that as a first edition, this is a great first step. Kudos to Kerilyn, who spearheaded the formatting and creation of the first edition. Future editions will be handled by Adrianna, especially as we get further into the summer. The goal is for the update to go out to Council biweekly. Also, the bulletin will go out to all of staff. As we refine our bulletin, it will become the Community Bulletin for all. For matters that do not need to be in public domain just yet, I will maintain items in the email that the bulletin is attached.

Feedback is welcome!

Police Chief Update

As you know, we have identified three finalists for the position and are in the process of conducting TCOLE background checks on each candidate.

To ensure the highest level of professionalism and objectivity in this process, we have engaged the services of a third-party investigator, Bruce Ure, to conduct the background checks. Mr. Ure is a highly experienced and respected investigator with a proven track record of providing thorough and accurate background investigations.

We believe that conducting these checks through a third-party investigator will provide an added layer of accountability and transparency to the process. It will also help to ensure that we are able to make an informed decision about the candidate who is ultimately selected to be our next Police Chief.

My appointment selection will be at the May 9 meeting for the approval process on May 9th.

Audit RFP and Goals

I wanted to provide an update on the status of our FY 2021 audit. As you know, our City Charter requires that we change auditors every five years, and after conducting interviews with several firms, the audit committee has determined that Brooks Watson is the best option for the City's audits for the next five-year period.

We have been working closely with Belt Harris to finalize the FY 2021 audit, and we are confident that we will be able to present it to the City Council by early June. In addition, we have set goals for the upcoming audits and our financial reporting process.

Specifically, we plan to have the FY 22 audit, prepared by Brooks Watson, completed and presented by November. The FY 23 audit will also be prepared by Brooks Watson, and we aim to present it in March 2024. Our ultimate goal is to submit our annual comprehensive financial report (ACFR) for an excellence in financial reporting award by the Government Finance Officers Association (GFOA). We believe that we can win this award with our FY 23 submission.

Sincerely,

Theo Melancon
City Manager
City of Dickinson
4403 Hwy. 3
Dickinson, TX 77539
www.dickinsontexas.gov
Office: (281) 337-6204

Dickinson Texas
ASK US HOW WE S.H.I.N.E.?

From: Melancon, Theo (City Manager) <tmelancon@dickinsontexas.gov>
Sent: 5/27/2023 7:55:01 AM
Subject: City Manager Update
Attachments: image001.png

To all:

I wanted to provide you all with a couple of extra updates not included on the bulletin you are receiving.

City Manager Bulletin

Please provide me feedback on how you feel about the bulletin. Do you like the information? Do you like the format? Are we missing anything on those bulletins?

Jaree Leaving the Organization

I wanted to let you know that Jaree (Communications Director) has accepted an offer in the private sector that she could not refuse. The organization is a top-flight tourism based organization. Her last day is June 2. She has been instrumental to our creation of our social media presence, as well as how we communicate with the public and media. She will be missed greatly.

FM 517 Expansion from Alvin, TX to FM 646 Postponed

This expansion project was set to let (go out for bid) in 2024, but has now been postponed to 2027 due to property acquisition and utility relocation issues.

Audit Schedule Solidifying

Fieldwork by our auditors for FY21 (Belt Harris) will be done in mid-June with the final audit completed by the end of June. Belt Harris has requested that we place their presentation of the FY21 audit for the July 10 Council Meeting.

Fieldwork by our auditors for FY22 (Brooks Watson) will begin fieldwork in June as well. Our goal is to have the FY22 audit ready for presentation by November. Brooks Watson will then immediately begin the audit for FY23 for presentation in March. This will get us back on track and beyond the quagmire that was the FY19, FY20, and FY21 fiscal years.

Alternative Schedule for Summer (I have my boys much of the summer)

I will not be going into the office on Fridays starting June 16th.

I will be out of office June 22-26, but will still be available by all means: Text, Call, Email, Carrier Pigeon.

Texas City Management Association Conference June 8-11 [Allen, Texas]

Senior Executive Institute – University of Virginia – I have been accepted to take this 2 week course [July 16-28]. I will be trying to rearrange my summer so that I can attend this course because it is the most prestigious coursework offered by the International City/County Management Association.

Have a great weekend.

Sincerely,

Theo Melancon
City Manager
City of Dickinson
4403 Hwy. 3
Dickinson, TX 77539
www.dickinsontexas.gov
Office: (281) 337-6204

Good afternoon,

The purpose of this email is to ensure that Mayor and City Council or its audit committee, is actively involved in directing the audit process and is in the communication loop. Based on the issue encountered with the prior year (2020) audit and the current year (2021) audit as discussed below we recommend the City establish a formal audit committee or equivalent We would like to request a meeting with the City of Dickinson's audit committee to discuss the following matters relate to City's the audit.

Our firm was engaged to audit the City of Dickinson's financial statements for the year ended September 30, 2021. In connection with this engagement, we have made inquiries of management and request for information for numerous months and we have concluded that basic accounting duties have not been performed during the year. The audit process is currently on hold waiting information or guidance from the City. A similar issue was encountered during the prior year audit, which reportedly brought into question the division of responsibility between the city and its auditors related to audit timing.

We have satisfied our terms of the engagement with the City. Despite our best efforts, we have been unable to obtain audit evidence from the city in a reasonable time period. Our draft opinion letter, which is attached to this email, is a disclaimer of opinion. This type of an opinion would be highly problematic for the City and result in significant hardships for the City to overcome. We can finalize this letter and conclude the engagement in this manner at either parties option. If the City prefers, we can continue to place the audit on hold and await for the City and/or its vendors to complete its accounting process. However, this needs to be a formal direction by the audit committee. Please note, there is a seven-month blackout time period starting in the fall, which only current on-time projects will be worked on. While we can devote time during that period as allowable, we cannot make any commitment to a timeframe of completion until the end of that blackout period.

In addition to the absence of auditable records, the lapse in internal controls is classified as a "material weakness" which warrants a change in our risk assessment to maximum risk. Our fee estimate did not contemplate a high risk assessment, additional time for administrative oversight or time assist the City in compiling information needed. Accordingly, these amounts will billed in accordance with the terms of the engagement letter over the estimated fee.

Please let us know when a formal meeting of the audit committee can be held to discuss with us.

Thank you,

Daniel Hebert
Senior Associate
Belt Harris Pechacek, LLLP
3210 Bingle Rd., Ste. 300 | Houston, TX 77055
dhebert@txauditors.com | www.texasauditors.com | P: 713.263.1123 | F: 713.263.1550