

**Written Statement Made at
Dalworthington Gardens, TX – City Council Meeting
August 20, 2014**

Thank you Mayor Tedder.

In 2013, the Council decided to replace its longstanding audit firm and two months later announced the hiring a firm in Houston.

Our questions focus on the hiring process and the 2012 Audit Report (“2012 Report”) they produced.

Our former Arlington auditor told us he had “no clue” why his contract wasn’t renewed. We note the new firm was a startup when hired and one of the two partners had seven jobs in the four years prior to starting the new firm. We would like to know:

- What firms were interviewed by the City and by whom?
- What qualifications compelled you to hire the Houston firm?
- Why a Houston firm instead of one close by?

We are also wondering about the timing of the process – seems like it might have been rushed.

- Why the six-month delay?
- And, how did the new firm produce the 2012 Report in only four months.

Was our former auditor dismissed for cause or convenience? Was there a problem with his 2011 Audit Report?

Was there a desire or need to show higher levels of profits for the City in 2011 than the Arlington auditor would sign off on?

We ask this because the Houston firm’s 2012 Report nearly tripled the City’s profit for 2011 **without** a corresponding increase in cash – without any disclosure.

Triple profits – no increase in cash – no disclosure. We don’t understand.

We’re concerned that a possible attempt was made to hide these changes because net assets for 2010 was also reduced by the amount of the inflated profits thereby improving the odds that the modifications could go unnoticed by the casual reader.

I have analyzed financial statements as a banker and private investor for 30 years and have never encountered something like this.

Why did the Council not simply instruct the Houston firm to use the real 2011 numbers? Regardless, its concerning that the Houston firm published a report they knew – or should have known – could be misleading.

We shared these concerns with the city manager of a large neighboring city to get his take and his reaction was similar to ours.

The final question is simply this – how and why did this happen? You are experienced businessmen, licensed professionals and CPAs. It is our sincere hope to have this issue addressed promptly and completely by our council.

We have prepared an Open Records Request and believe the requested information will enable us to be helpful to you in this process.

Thank you all for your time this evening – your service to our City is recognized.