

# CITY OF NAPLES, FLORIDA

## AGREEMENT (PROFESSIONAL SERVICES)

**Bid/Proposal No. 031-11**

**Contract No.** \_\_\_\_\_

**Project Name**    **Audit Services**

THIS AGREEMENT (the "Agreement") is made and entered into this 1<sup>st</sup> day of June, 2011, by and between the City of Naples, a Florida municipal corporation, (the "CITY") and **Mauldin & Jenkins Certified Public Accountants, LLC**, A Florida Professional Liability Company, **the address of record of which is set out below**, (the "CONTRACTOR").

1301 6<sup>th</sup> Avenue West  
Suite 600  
Bradenton, Florida 34205

### WITNESSETH:

WHEREAS, the CITY desires to obtain the services of the CONTRACTOR concerning **certain services specified in this Agreement** (referred to as the "Project"); and

WHEREAS, the CONTRACTOR has submitted a proposal for provision of those services; and

WHEREAS, the CONTRACTOR represents that it has expertise in the type of professional services that will be required for the Project.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein, the parties hereto agree as follows:

### ARTICLE ONE CONTRACTOR'S RESPONSIBILITY

1.1. The Services to be performed by CONTRACTOR are generally described as audit services, and may be more fully described in the Scope of Services, attached as Exhibit A and made a part of this Agreement.

1.2. The CONTRACTOR agrees to obtain and maintain throughout the period of this Agreement all such licenses as are required to do business in the State of Florida, the City of Naples, and in Collier County, Florida, including, but not limited to, all licenses required by the respective state boards and other governmental agencies responsible for regulating and licensing the professional services to be provided and performed by the CONTRACTOR pursuant to this Agreement.

1.3. The CONTRACTOR agrees that, when the services to be provided hereunder relate to a professional service which, under Florida Statutes, requires a license, certificate of authorization or other form of legal entitlement to practice such services, it shall employ or retain only qualified personnel to provide such services.

1.4. CONTRACTOR agrees to employ and designate, in writing, within 5 calendar days after receiving its Notice to Proceed, or other directive from the CITY, a qualified licensed professional to serve as the

CONTRACTOR's project manager (the "Project Manager"). The Project Manager shall be authorized and responsible to act on behalf of the CONTRACTOR with respect to directing, coordinating and administering all aspects of the services to be provided and performed under this Agreement.

1.5. The CONTRACTOR has represented to the CITY that it has expertise in the type of professional services that will be required for the Project. The CONTRACTOR agrees that all services to be provided by CONTRACTOR pursuant to this Agreement shall be subject to the CITY's review and approval and shall be in accordance with the generally accepted standards of professional practice in the State of Florida, **as may be applied to the type of services to be rendered**, as well as in accordance with all published laws, statutes, ordinances, codes, rules, regulations and requirements of any governmental agencies which regulate or have jurisdiction over the Project or the services to be provided and performed by CONTRACTOR. In the event of any conflicts in these requirements, the CONTRACTOR shall notify the CITY of such conflict and utilize its best professional judgment to advise CITY regarding resolution of the conflict.

1.6. The CONTRACTOR agrees not to divulge, furnish or make available to any third person, firm or organization, without CITY's prior written consent, or unless incident to the proper performance of the CONTRACTOR's obligations hereunder, or in the course of judicial or legislative proceedings where such information has been properly subpoenaed, any non-public information concerning the services to be rendered by CONTRACTOR hereunder, and CONTRACTOR shall require all of its employees, agents, subconsultants and subcontractors to comply with the provisions of this paragraph. **However, the CONTRACTOR shall comply with the Florida Public Records laws.**

1.7. The CONTRACTOR agrees not to employ or offer to employ any Elected Officer or City Managerial Employee of the CITY who in any way deals with, coordinates on, or assists with, the professional services provided in this Agreement, for a period of 2 years after termination of all provisions of this Agreement. For purposes of this paragraph, the term "Elected Officer" shall mean any member of the City Council. For purposes of this paragraph, the term "City Managerial Employee" shall mean the City Manager, the Assistant City Manager, the City Clerk, and any City department head or director. If the CONTRACTOR violates the provisions of this paragraph, the CONTRACTOR shall be required to pay damages to the CITY in an amount equal to any and all compensation which is received by the former Elected Officer or City Managerial Employee of the CITY from or on behalf of the contracting person or entity, or an amount equal to the former Elected Officer's or City Managerial Employee's last 2 years of gross compensation from the CITY, whichever is greater.

1.8. The CONTRACTOR agrees not to provide services for compensation to any other party other than the CITY on the same subject matter, same project, or scope of services as set forth in this Agreement without approval from the City Council of the CITY.

1.9. Except as otherwise provided in this Agreement, the CONTRACTOR agrees not to disclose or use any information not available to members of the general public and gained by reason of the CONTRACTOR's contractual relationship with the CITY for the special gain or benefit of the CONTRACTOR or for the special gain or benefit of any other person or entity.

## **ARTICLE TWO CITY'S RESPONSIBILITIES**

2.1. The CITY shall designate in writing a project coordinator to act as the CITY's representative with respect to the services to be rendered under this Agreement (the "Project Coordinator"). The Project Coordinator shall have authority to transmit instructions, receive information, interpret and define the CITY's policies and decisions with respect to the CONTRACTOR's services for the Project. However, the Project Coordinator is not authorized to issue any verbal or written orders or instructions to the CONTRACTOR that would have the effect, or be interpreted to have the effect, of modifying or changing in any way whatever:

- (a) The scope of services to be provided and performed by the CONTRACTOR;
- (b) The time the CONTRACTOR is obligated to commence and complete all such services; or
- (c) The amount of compensation the CITY is obligated or committed to pay the CONTRACTOR.

**Any such modifications or changes ((a) (b) or (c)) shall only be made by or upon the authorization of the CITY's city manager as authorized by city council in the enabling legislation or in the CITY's procurement policies.**

2.2. The Project Coordinator shall:

- (a) Review and make appropriate recommendations on all requests submitted by the CONTRACTOR for payment for services and work provided and performed in accordance with this Agreement;
- (b) Arrange for access to and make all provisions for the CONTRACTOR to enter the Project site to perform the services to be provided by the CONTRACTOR under this Agreement; and
- (c) Provide notice to the CONTRACTOR of any deficiencies or defects discovered by the CITY with respect to the services to be rendered by the CONTRACTOR hereunder.

2.3. The CONTRACTOR acknowledges that access to the Project Site, to be arranged by the CITY for the CONTRACTOR, may be provided during times that are not the normal business hours of the CONTRACTOR.

### **ARTICLE THREE TIME**

3.1. Services to be rendered by the CONTRACTOR shall be commenced subsequent to the execution of this Agreement upon written Notice to Proceed from the CITY for all or any designated portion of the Project and shall commence on June 1, 2011 for a three year period with the City's option to exercise two additional one-year renewals. Time is of the essence with respect to the performance of this Agreement.

3.2. Should the CONTRACTOR be obstructed or delayed in the prosecution or completion of its services as a result of unforeseeable causes beyond the control of the CONTRACTOR, and not due to its own fault or neglect, including but not restricted to acts of God or of public enemy, acts of government or of the CITY, fires, floods, epidemics, quarantine regulations, strikes or lock-outs, then the CONTRACTOR shall notify the CITY in writing within 5 working days after commencement of such delay, stating the cause or causes thereof, or be deemed to have waived any right which the CONTRACTOR may have had to request a time extension.

3.3. No interruption, interference, inefficiency, suspension or delay in the commencement or progress of the CONTRACTOR's services from any cause whatsoever, including those for which the CITY may be responsible in whole or in part, shall relieve the CONTRACTOR of its duty to perform or give rise to any right to damages or additional compensation from the CITY. The CONTRACTOR's sole remedy against the CITY will be the right to seek an extension of time to its schedule. This paragraph shall expressly apply to claims for early completion, as well as claims based on late completion.

3.4. Should the CONTRACTOR fail to commence, provide, perform or complete any of the services to be provided hereunder in a timely and reasonable manner, in addition to any other rights or remedies available to the CITY hereunder, the CITY at its sole discretion and option may withhold any and all payments due and owing to the CONTRACTOR until such time as the CONTRACTOR resumes performance of its obligations hereunder in such a manner so as to reasonably establish to the CITY's satisfaction that the CONTRACTOR's performance is or will shortly be back on schedule.

**ARTICLE FOUR  
COMPENSATION**

4.1. The total compensation to be paid the CONTRACTOR by the CITY for all Services shall be in an annual amount of \$70,000 for fiscal year ending September 30, 2011, and \$72,500 for fiscal year ending September 30, 2012 and \$75,000 for fiscal year ending September 30, 2013; and shall be paid in the manner set forth in the "Basis of Compensation" , which is attached as **Exhibit B** and made a part of this Agreement.

**ARTICLE FIVE  
MAINTENANCE OF RECORDS**

5.1. The CONTRACTOR will keep adequate records and supporting documentation which concern or reflect its services hereunder. The records and documentation will be retained by the CONTRACTOR for a minimum of five 5 years from the date of termination of this Agreement or the date the Project is completed, whichever is later. the CITY, or any duly authorized agents or representatives of the CITY, shall have the right to audit, inspect and copy all such records and documentation as often as they deem necessary during the period of this Agreement and during the 5 year period noted above; provided, however, such activity shall be conducted only during normal business hours. **If the CONTRACTOR desires to destroy records prior to the minimum period, it shall first obtain permission from the CITY in accordance with the Florida Public Records laws.**

**ARTICLE SIX  
INDEMNIFICATION**

6.1. The CONTRACTOR agrees to indemnify and hold harmless the City from liabilities, damages, losses and costs, including, but not limited to, reasonable attorneys' fees, to the extent caused by the negligence, recklessness, or intentional wrongful misconduct of the CONTRACTOR and persons employer or utilized by the CONTRACTOR in the performance of the Contract.

**ARTICLE SEVEN  
INSURANCE**

7.1. CONTRACTOR shall obtain and carry, at all times during its performance under **this Agreement**, insurance of the types and in the amounts set forth in the document titled General Insurance Requirements, which is attached as **Exhibit C and made a part of** this Agreement.

**ARTICLE EIGHT  
SERVICES BY CONTRACTOR'S OWN STAFF**

8.1. The services to be performed hereunder shall be performed by the CONTRACTOR's own staff, unless otherwise authorized in writing by the CITY. The employment of, contract with, or use of the services of any other person or firm by the CONTRACTOR, as independent contractor or otherwise, shall be subject to the prior written approval of the CITY. No provision of this Agreement shall, however, be construed as constituting an agreement between the CITY and any such other person or firm. Nor shall anything contained in this Agreement be deemed to give any such party or any third party any claim or right of action against the CITY beyond such as may otherwise exist without regard to this Agreement.

**ARTICLE NINE  
WAIVER OF CLAIMS**

9.1. The CONTRACTOR's acceptance of final payment shall constitute a full waiver of any and all claims, except for insurance company subrogation claims, by it against the CITY arising out of this Agreement or otherwise

related to the Project, except those previously made in writing and identified by the CONTRACTOR as unsettled at the time of the final payment. Neither the acceptance of the CONTRACTOR's services nor payment by the CITY shall be deemed to be a waiver of any of the CITY's rights against the CONTRACTOR.

**ARTICLE TEN  
TERMINATION OR SUSPENSION**

10.1. The CONTRACTOR shall be considered in material default of this Agreement and such default will be considered cause for the CITY to terminate this Agreement, in whole or in part, as further set forth in this section, for any of the following reasons: (a) failure to begin work under the Agreement within the times specified under the Notice(s) to Proceed, or (b) failure to properly and timely perform the services to be provided hereunder or as directed by the CITY, or (c) the bankruptcy or insolvency or a general assignment for the benefit of creditors by the CONTRACTOR or by any of the CONTRACTOR's principals, officers or directors, or (d) failure to obey laws, ordinances, regulations or other codes of conduct, or (e) failure to perform or abide by the terms or spirit of this Agreement, or (f) for any other just cause. The CITY may so terminate this Agreement, in whole or in part, by giving the CONTRACTOR at least 3 calendar days' written notice.

10.2. If, after notice of termination of this Agreement as provided for in paragraph 10.1 above, it is determined for any reason that the CONTRACTOR was not in default, or that its default was excusable, or that the CITY otherwise was not entitled to the remedy against the CONTRACTOR provided for in paragraph 10.1, then the notice of termination given pursuant to paragraph 10.1 shall be deemed to be the notice of termination provided for in paragraph 10.3 below and the CONTRACTOR's remedies against the CITY shall be the same as and limited to those afforded the CONTRACTOR under paragraph 10.3 below.

10.3. The CITY shall have the right to terminate this Agreement, in whole or in part, without cause upon 7 calendar day's written notice to the CONTRACTOR. In the event of such termination for convenience, the CONTRACTOR's recovery against the CITY shall be limited to that portion of the fee earned through the date of termination, together with any retainage withheld and any costs reasonably incurred by the CONTRACTOR that are directly attributable to the termination, but the CONTRACTOR shall not be entitled to any other or further recovery against the CITY, including, but not limited to, anticipated fees or profits on work not required to be performed.

**ARTICLE ELEVEN  
CONFLICT OF INTEREST**

11.1. The CONTRACTOR represents that it presently has no interest and shall acquire no interest, either direct or indirect, which would conflict in any manner with the performance of services required hereunder. The CONTRACTOR further represents that no persons having any such interest shall be employed to perform those services.

**ARTICLE TWELVE  
MODIFICATION**

12.1. No modification or change in this Agreement shall be valid or binding upon the parties unless in writing and executed by the party or parties intended to be bound by it.

**ARTICLE THIRTEEN  
NOTICES AND ADDRESS OF RECORD**

13.1. All notices required or made pursuant to this Agreement to be given by the CONTRACTOR to the CITY shall be in writing and shall be delivered by hand or by United States Postal Service Department, first class mail service, postage prepaid, return receipt requested, addressed to the following CITY's address of record:

City of Naples  
735 Eighth Street South  
Naples, Florida 34102-3796  
Attention: **A. William Moss**, City Manager

13.2. All notices required or made pursuant to this Agreement to be given by the CITY to the CONTRACTOR shall be made in writing and shall be delivered by hand or by the United States Postal Service Department, first class mail service, postage prepaid, return receipt requested, addressed to the following CONTRACTOR's address of record:

**Mauldin & Jenkins Certified Public Accountants, LLC**  
1301 6<sup>th</sup> Avenue West  
Suite 600  
Bradenton, FL 34205  
Attn: Tommye E. Barie, CPA, Director of Audit and Assurance Services

13.3. Either party may change its address of record by written notice to the other party given in accordance with requirements of this Article.

#### **ARTICLE FOURTEEN MISCELLANEOUS**

14.1. The CONTRACTOR, in representing the CITY, shall promote the best interest of the CITY and assume towards the CITY a duty of the highest trust, confidence, and fair dealing.

14.2. No modification, waiver, suspension or termination of the Agreement or of any terms thereof shall impair the rights or liabilities of either party.

14.3. This Agreement is not assignable, in whole or in part, by the CONTRACTOR without the prior written consent of the CITY.

14.4. Waiver by either party of a breach of any provision of this Agreement shall not be deemed to be a waiver of any other breach and shall not be construed to be a modification of the terms of this Agreement.

14.5. The headings of the Articles, Exhibits, Parts and Attachments as contained in this Agreement are for the purpose of convenience only and shall not be deemed to expand, limit or change the provisions in such Articles, Exhibits, Parts and Attachments.

14.6. This Agreement constitutes the entire agreement between the parties hereto and shall supersede, replace and nullify any and all prior agreements or understandings, written or oral, relating to the matter set forth herein, and any such prior agreements or understanding shall have no force or effect whatever on this Agreement.

Sec. 14. 7. The CONTRACTOR shall comply fully with all provisions of state and federal law, including without limitation all provisions of the Immigration Reform and Control Act of 1986 ("IRCA") as amended, as well as all related immigration laws, rules, and regulations pertaining to proper employee work authorization in the United States. The CONTRACTOR shall execute the Certification of Compliance with Immigration Laws, attached hereto as **Exhibit "D"**.

#### **ARTICLE FIFTEEN APPLICABLE LAW**

15.1. Unless otherwise specified, this Agreement shall be governed by the laws, rules, and regulations of the State

of Florida, and by the laws, rules and regulations of the United States when providing services funded by the United States government. Any suit or action brought by either party to this Agreement against the other party relating to or arising out of this Agreement must be brought in the appropriate Florida state court in Collier County, Florida.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement for the day and year first written above.

ATTEST:

**CITY:**

CITY OF NAPLES, FLORIDA,  
A Municipal Corporation

By: \_\_\_\_\_  
Tara A. Norman, City Clerk

By: \_\_\_\_\_  
A. William Moss, City Manager

Approved as to form  
and legal sufficiency:

By: \_\_\_\_\_  
Robert D. Pritt, City Attorney

**CONTRACTOR:**  
**Mauldin & Jenkins Certified Public Accountants, LLC**  
A Florida Professional Liability Company

By: \_\_\_\_\_

\_\_\_\_\_  
Witness

Its \_\_\_\_\_

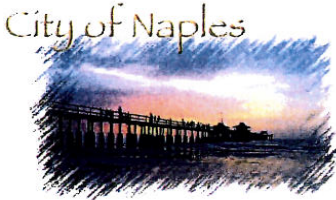
(CORPORATE SEAL)

General Contract (not Architects/Engineers)

EXHIBIT A

SCOPE OF SERVICES

The Services to be provided under this Agreement are those set out below [or in Exhibit A-1 through A-], attached and made part of this Exhibit A.



**REQUEST FOR PROPOSAL**  
**CITY OF NAPLES**  
**PURCHASING DIVISION**  
**CITY HALL 735 8<sup>TH</sup> STREET SOUTH**  
**NAPLES, FL 34102**  
**PH: 239-213-7100 FX: 239-213-7105**

NOTIFICATION DATE: <b>3/17/11</b>	TITLE: <b>AUDIT SERVICES</b>	NUMBER: <b>031-11</b>	OPENING DATE & TIME: <b>4/11/11 2:00 PM</b>
PRE-PROPOSAL CONFERENCE: DATE, TIME AND LOCATION:			

NAME OF PARTNERSHIP, CORPORATION OR INDIVIDUAL: CPA Associates, PLC	
MAILING ADDRESS: 1301 6th Avenue West Suite 600	
CITY-STATE-ZIP: Bradenton, Florida 34205	
PH: 941-747-4483	EMAIL: tbarie@cpa-associates.com
FX: 941-747-8396	WEB ADDRESS: http://cpa-associates.com

I certify that this proposal is made without prior understanding, agreement, or connection with any corporation, firm, or person submitting a proposal for the same materials, supplies, or equipment or services and is in all respects fair and without collusion or fraud. I agree to abide by all conditions of this proposal and certify that I am authorized to sign this proposal for the proposer. In submitting a proposal to the City of Naples the proposer offers and agrees that if the proposal is accepted, the proposer will convey, sell, assign or transfer to the City of Naples all rights, title, and interest in and to all causes of action it may now or hereafter acquire under the Anti-trust laws of the United States and the State of FL for price fixing relating to the particular commodities or services purchased or acquired by the City of Naples. At the City's discretion, such assignment shall be made and become effective at the time the City tenders final payment to the proposer.

AUTHORIZED SIGNATURE <i>Tommye E. Barie CPA</i>	DATE April 11, 2011	PRINTED NAME/TITLE Tommye E. Barie, CPA Director of Audit and Assurance Services
Please initial by all that apply I acknowledge receipt of the following addendum		
<input checked="" type="checkbox"/> Addendum #1 <i>TS</i>	<input type="checkbox"/> Addendum #2	<input type="checkbox"/> Addendum #3
<input type="checkbox"/> Addendum #4		

**PLEASE NOTE THE FOLLOWING:**

- > This page **must be completed and returned** with your proposal.
- > Proposals must be **submitted in a sealed envelope, with the proposal number & closing date.**
- > Proposals received after the above closing date and time will not be accepted.
- > Proposal tabulations will be available on the City of Naples web site [www.naplesgov.com](http://www.naplesgov.com), Departments, Finance, Purchasing.





# AUDIT APPROACH, TECHNIQUES AND SCHEDULES TO BE USED

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## Timing of Procedures

In order to accomplish our audit objectives and meet your deadlines for delivery, the sequence and timing of our procedures are critical. We will provide the City with a detailed plan covering our audit procedures for the fiscal year ending September 30, 2011, soon after being notified that we have been selected as your auditors. This plan will include a list of documents that we will need to review during the audit, as well as client prepared schedules that we will need the City to prepare in order to complete the audit. All interim and year-end fieldwork will be performed at mutually agreed upon dates. Interim fieldwork will be performed prior to September 30, and year-end fieldwork will be performed subsequent to September 30, concluding with the delivery of all reports required by generally accepted auditing standards, *Government Auditing Standards*, and the Federal and State Single Audit Acts, as applicable, as well as the management letter required in accordance with the Rules of the Auditor General for the State of Florida.

Timing	Activity
Prior to September 30	At mutually agreed upon dates, we will conduct an entrance conference and perform interim fieldwork procedures to include: updating documentation of the internal control system and making risk assessments, reviewing minutes and major contracts/agreements, reviewing major transactions, determining Federal and State award compliance requirements and initiating tests, performing an EDP review, performing a final control risk assessment, determining specific audit procedures, providing the Finance Director or designee with the audit plan and a listing of audit schedules required and conducting progress conferences with key personnel.
December	Commence audit fieldwork, execute the detailed audit plan, and conduct progress conferences with key finance personnel.
January	Complete fieldwork, provide final audit adjustments, and conduct end of audit exit conference.



Timing	Activity
February	Perform pre-issuance review of CAFR, provide drafts of auditor opinions, as well as provide drafts of required internal control and compliance reports and the management letter.
End of February	Finalize the management letter and all required reports. Deliver final CAFR in “camera ready” format for the printer, as well as a PDF copy suitable for downloading on the City’s website.
March	Present CAFR to City Council.

**Audit Planning and Approach**

Our audit engagement will be planned in such a way that we maximize the efficiency and use of human resources, both the Firm’s and the City’s. Accordingly, our plan is designed in a manner so that the time necessary to accomplish each audit task is used as effectively as possible. Our audit strategy consists of using a significant percent of the budgeted time up front or during interim fieldwork performed before year-end. During this time we obtain an understanding of each of the components of internal control sufficient to plan the actual audit of the financial statements, including the control environment, risk assessment, information and communication, monitoring and control activities. During interim fieldwork internal controls are tested.

Our goal is to complete the audit as efficiently as possible. We believe there are many variables that make an audit efficient including: communication between all parties involved with the audit, proper planning, and the City and the auditors being prepared when fieldwork commences. We truly believe that planning the job is one of the most important parts of making an audit successful.

We will follow a risk-based approach based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework and as required under the risk-based standards as mandated under Statements of Auditing Standards. We will build our audit plan by identifying the risks concerning each opinion unit and the significant accounts and transactions inherent in the year-end financial statements.

We will utilize a comprehensive set of audit programs that are customized for the particular risks and requirements of the City. These audit programs will cover key areas related to governmental auditing, and will be reviewed and customized based on the unique needs of your City. Behind



each set of basic audit procedures, are additional procedures that may be necessary based on the City's operations. These programs are designed to increase audit efficiency by linking financial statement assertions, audit objectives and procedures that are basic to most governmental audit engagements.

### **Proposed Segmentation of the Engagement**

Our professionals, who are knowledgeable with respect to audit requirements for governmental entities will be assigned based on their expertise with respect to each segment. Our audit procedures, related documentation and our quality review will be segregated by each segment as follows:

- Segment I: Orientation, Preliminary Planning and Internal Control Evaluation
- Segment II: Completion of Engagement Planning Procedures
- Segment III: Year End Procedures
- Segment IV: Review Process
- Segment V: Wrap Up

### **Segment I: Orientation, Preliminary Planning and Internal Control Evaluation**

Our work will include the following procedures:

- Meeting with the appropriate City personnel to confirm the timing of our work and reviewing the preparation of schedules so that disruption of day-to-day operations can be minimized;
- Reviewing previously issued and interim financial reports, comment letters and supporting workpapers;
- Familiarizing ourselves with the organizational chart of the City ;
- Reading the minutes of City Council meetings;
- Reviewing the City's 's current year budget, as adopted and revised;
- Gaining an understanding of the City's 's accounting policies and procedures, including the financial and other management information systems utilized by the City;
- Obtaining an in-depth knowledge of the EDP equipment, software and systems in use;
- Performing analytical reviews to determine critical areas and assess risks;
- Performing a preliminary evaluation of the internal control structure at the account and assertion level;
- Determining if critical risks can be assessed below the maximum;
- Designing and performing applicable tests of controls;
- Determining risks of material misstatement.



## **Segment II: Completion of Engagement Planning Procedures**

This segment includes:

- Assessing audit risk;
- Obtaining a list of cash, investment, debt, and selected revenue accounts for confirmation purposes;
- Preparing year-end audit programs;
- Reviewing workpapers to ensure quality and thoroughness of planning work performed;
- Meeting with appropriate personnel to discuss the status of the audit and preliminary findings;
- Determining audit strategies for operating statement accounts;
- Determining audit strategies for balance sheet accounts.

## **Segment III: Year End Procedures**

Year-end procedures include:

- Confirming cash, investment, debt, and selected revenue accounts;
- Obtaining a schedule of expenditures of Federal and State financial assistance;
- Conducting an analytical review of account balances;
- Testing the valuation of cash and investment balances, as applicable;
- Reviewing the cut-off of receivable balances and testing amounts recorded;
- Testing cut-off and valuation of inventory, (if material);
- Reviewing and testing supporting documentation for the allowance for doubtful accounts, prepaid items and other assets;
- Vouching capital asset additions and deletions, analyzing charges for appropriate accounting, and testing depreciation;
- Testing accounts payable cut-offs and balances, including an analysis of disbursements;
- Testing other accrued liability cut-offs and balances;
- Testing debt balances and debt covenant compliance;
- Testing compliance with applicable laws and regulations;
- Testing the classification of net assets (unrestricted, restricted, and invested in capital assets, net of related debt) and fund balances (nonspendable, restricted, committed, assigned and unassigned);
- Performing analytical procedures and substantive testing of revenues and expenditures/expenses;
- Completing additional audit procedures as required by the Federal and/or Florida Single Audit Acts, as applicable.



#### **Segment IV: Review Process**

The review process includes:

- Reviewing workpapers to ensure quality and thoroughness of audit procedures;
- Summarizing the results of audit procedures;
- Obtaining attorney letters;
- Proposing audit adjustments;
- Evaluating compliance exceptions;
- Summarizing and evaluating passed audit adjustments;
- Evaluating commitments, contingencies and subsequent events;
- Reviewing draft financial statements and related note disclosures;
- Reviewing transmittal letter, MD&A, and statistical schedules;
- Performing financial condition assessment procedures;
- Preparing drafts of audit reports and management letter;
- Delivering drafts of audit reports and letters to appropriate client officials.

#### **Segment V: Wrap Up**

Wrap up procedures include:

- Preparing representation letter;
- Finalizing all reports and management letter;
- Obtaining signed representation letters and the client's approval of the financial statements;
- Reviewing the State Report prepared by the City, and verifying agreement with the audited financial statements;
- Drafting the data collection form, if applicable, and obtaining client approval;
- Preparing and providing the client a PDF document of the entire CAFR and audited financial statements, including the audit reports;
- Exit conferences and presentations with appropriate City officials.



The level of staff and number of hours to be assigned to each proposed segment of the engagement is as follows:

	Engagement Partner	Concurring Review Partner	Seniors/ Staff	Total
Segment 1	40	2	80	122
Segment 2	8	4	8	20
Segment 3	80	4	170	254
Segment 4	60	32	8	100
Segment 5	12	8	9	29
Estimated Hours	200	50	275	525

**Use of Analytical Procedures**

Our audit approach requires the use of analytical procedures to assist in planning the nature, timing and extent of other auditing procedures. The primary focus of analytical procedures employed at the planning stage is the identification of specific risks or errors in the financial statements or of compliance violations. By considering unusual or unexpected balances or relationships, analytical procedures help direct our attention to areas with the highest potential for material misstatement. Preliminary analytical procedures may also identify unfavorable trends or other matters.

Analytical procedures may include the following:

- Comparison of original budget to actual;
- Comparison of current year actual to prior year actual;
- Evaluation of preliminary expectations based on budgets and forecasts;
- Consideration, to the extent applicable, of key financial relationships in relation to preliminary expectations to determine if there are unusual or unexpected balances or unexpected relationships.

Consideration of other ratios or relationships may be necessary, to provide us with sufficient information to identify significant risks of material misstatements in the financial statements, such as the change in the number of employees to the change in salaries and related benefits expense/expenditure. In addition, consideration of non-financial data noted during inquiries or through the inspection of minutes or other documentation may often be important in identifying matters that require further investigation.



## **Review of Internal Controls**

The nature, timing, and extent of procedures the engagement team chooses to perform to obtain an understanding of internal controls varies depending on the size and complexity of the City, the nature of specific controls and use of information technology used by the City, the nature and extent of changes in systems and operations, and the nature of the City's documentation of specific controls. The engagement team's assessments of inherent risk and determination of materiality for various account balances and classes of transactions will also affect the nature and extent of procedures performed to obtain an understanding of internal control.

Procedures the engagement team uses to obtain an understanding of internal control sufficient to plan the audit include: inquiries of appropriate management, supervisory and staff personnel; inspection of minutes, contracts, budgets, ordinances, resolutions, and other City documents and records; and observations of City activities and operations. This understanding of the City's internal controls will include knowledge about how internal controls are designed, whether they are designed effectively to prevent or detect material misstatements on a timely basis, and whether internal controls have been placed in operation. If the engagement team plans to assess control risk below the maximum for a particular account balance or class of transactions and assertions, the engagement team will gain this understanding of the internal control structure and perform tests to determine if the controls are in place during the audit period. In order to determine whether the City's 's controls have been designed effectively and placed in operation, the engagement team will perform and document "walkthroughs" of the controls for significant account balances and classes of transactions. Based on these "walkthroughs" and our understanding of the controls, tests of controls will be performed to determine if the controls are in fact in existence and operating effectively and as intended.



## ADDITIONAL INFORMATION

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### Use of EDP Software

Our audit of the City features the use of wireless technology and Engagement audit software. With Engagement, our documentation is virtually paperless, with procedures documented in an automated environment and files shared among engagement team members. This software capability is state-of-the-art.

In automating our approach to the City audits, we are careful not to duplicate City software capabilities. We take a long-term view toward the City audits, investing considerable time and effort to automate in order to enhance long-term efficiency. We believe that these perspectives enhance both the quality and efficiency of the audits.

Our staff has extensive experience with multiple governmental accounting software packages, and is proficient in computer auditing techniques. We strive to achieve greater efficiency and productivity during each project, enabling us to spend more time on analysis through the utilization of these computer systems. In addition, members of your proposed engagement team have extensive experience using the Sungard/HTE accounting software and are familiar with its menus, functions and reports.

### Sample Sizes and Techniques

Sample selection and sample sizes will vary from year to year based on internal controls, compliance provisions, and/or the account balance being tested. Evidential matter obtained in a prior year audit about the operating effectiveness of a particular internal control policy or procedure may be considered by the engagement team in determining the sample size necessary to test the application of that policy or procedure in the current year audit. The decision about the degree of assurance from evidential matter obtained in prior audits to support the assessed level of control risk in the current audit will be based on changes in the design of the particular internal control policy or procedure, adverse conditions which may affect how the policy or procedure is being applied in the current year, and the existence of related control policies and procedures that reinforce the continued effective operation of the particular policy or procedure.

Audit sampling will normally be used in governmental audits to perform the following:

- Test internal accounting control procedures that we plan to rely on in restricting the scope of planned substantive tests;
- Substantive tests as part of the audit of the City's financial statements;
- Substantive tests of compliance with laws and regulations for the purpose of reporting on compliance with laws and regulations.





We use statistical sampling in selecting items for testing internal controls and/or substantive tests where it is determined to be cost beneficial to sample the population. To assist in the selection and evaluation of the samples, data extraction software that sorts data and aids in statistical sampling, will be employed to ensure the most efficient sampling techniques are used. For the audit of the City, we anticipate using a random sample generator software package to determine sample sizes for the tests of payroll expenditures, cash disbursements, cash receipts and other areas that may be identified during the audit process.

To assist in the selection of other samples for substantive tests and compliance, we anticipate that we would use systematic selection or judgmental selection. We will make that determination based on the characteristics of the account balance or compliance provision being tested and the controls in place.

### **Auditing Legal and Regulatory Compliance**

Our audit procedures are designed to identify and test those transactions and activities that are likely to have a financial impact on the City's basic financial statements, and to determine whether they were carried out in accordance with the provisions of laws, rules, regulations, contracts and guidelines. Our reports note instances of noncompliance that could have a direct and material effect on the City's financial statements. The nature and extent of our compliance tests are derived from evaluating the results of our analysis and review of internal controls over compliance and include the following:

- Reviewing and testing budget compliance;
- Reviewing bond documents and testing debt covenant compliance;
- Reviewing significant City contracts and agreements, such as pension plan documents, and testing for compliance;
- Reviewing internal City policies, such as investment, financial management and fund balance policies, and testing for compliance;
- Reviewing City ordinances and resolutions and testing compliance with purchasing guidelines and fee schedules for utilities, permitting, business licenses, etc.;
- Testing compliance with the Rules of the Auditor General of the State of Florida;
- Testing compliance for the use of restricted funding sources, such as local option gas tax funds, infrastructure funds, donations, and grant funds;
- Testing compliance with other Florida Statutes;
- Testing compliance provisions in accordance with the Federal and State Single Audit Acts, as applicable.

### **Workpapers**

CPA Associates retains all workpapers for a period of five years from the date of the audit opinion as required by Government Auditing Standards, and will provide the City and/or its assignees access upon request.

EXHIBIT B

BASIS OF COMPENSATION

As consideration for providing the Services as set forth in the Agreement, the CITY agrees to pay, and the CONTRACTOR agrees to accept payment on a time and reimbursement cost basis [or other basis] as follows [or in Exhibit B-1, which is attached and made part of this Agreement]:

Appendix B

Price Format

PROPOSAL COST FOR AUDIT SERVICES

Use this form or a reasonable facsimile.

Name of Firm:

CPA Associates, PLC

The City expects to sign a contract with the successful proposer for a three (3) year period with the expectation that amendments may be awarded for two (2) additional one-year periods subject to the mutual consent of the City and the proposer. The proposer shall submit a flat fee for each of the three years covered by the request for proposals, excluding a Single Audit Fee, which shall be listed separately. Fees for the option years will be negotiated.

Contract year	Proposal Amount
Year one ending September 30, 2011	\$ 70,000
Year two ending September 30, 2012	\$ 72,500
Year three ending September 30, 2013	\$ 75,000

Additional Fee if Single Audit is Required

\$ 3,500 per major program

SCHEDULE OF SUPPLEMENTAL PROFESSIONAL SERVICES

	Hourly rate to be charged
<b>Partners</b>	\$ 250
<b>Accountants</b> (staff)	\$ 115
<b>Other</b>	\$
Managers	\$ 185
Supervisors	\$ 160
Seniors	\$ 140

BID NUMBER: 031-11  
OPENING DATE: 4/11/11



# PRICE SCHEDULE

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## Audit Fees

We have enclosed the required Price Format Form in Appendix B. The actual fees billed will not exceed the amounts estimated on the Price Format Form unless unanticipated changes in the scope of our work are required due to: (i) a significant change in the operating size of your City, (ii) a change in applicable laws, regulations or generally accepted auditing standards as applied in the United States, (iii) new accounting standards are issued that have a significant effect on your City and/or (iv) the incomplete or untimely receipt by us of the information on the client participation list which significantly affects our ability to perform our audit procedures on a timely and efficient basis. All provisions of this proposal will survive any fee adjustment.

We recognize the strain and effect the state of the economy is putting on our local governmental entities, and have therefore, discounted our fees to provide some economic relief. The audit fees noted in the Price Format Form are based on the time to complete the audit times the hourly rate of the respective audit team members less a discount. Our policy is to be open and frank on the subject of our fees. We are always prepared to discuss or explain our fee estimates or bills in as much detail as necessary.

	Engagement Partner	Concurring Review Partner	Seniors/ Staff	Total
Segment 1	40	2	80	122
Segment 2	8	4	8	20
Segment 3	80	4	170	254
Segment 4	60	32	8	100
Segment 5	12	8	9	29
Estimated Hours	<u>200</u>	<u>50</u>	<u>275</u>	<u>525</u>
Hourly Rates	<u>185</u> *	<u>250</u>	<u>140</u>	
Total Fee	<u>\$ 37,000</u>	<u>12,500</u>	<u>38,500</u>	88,000
Less Discount				<u>(18,000)</u>
Fee - Year One				<u>\$ 70,000</u>
Fee - Year Two				<u>\$ 72,500</u>
Fee - Year Three				<u>\$ 75,000</u>

\* Blended partner/manager rate.



An additional fee of \$3,500 per major program will be assessed those years in which a Federal and/or State Single Audit is required.

No fees will be assessed for travel costs.

**Additional Professional Services**

Should the City require additional services to either supplement the services outlined in the Request for Proposal or to perform additional work, then such additional work will be performed at the rates set forth in the Price Format Form.

**Manner of Payment**

Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission and will cover a period of no less than one calendar month. We understand final payment will be made upon delivery of our reports.

## EXHIBIT C

### GENERAL INSURANCE REQUIREMENTS

The Contractor shall not commence work until he has obtained all the insurance required under this heading, and until such insurance has been approved by the CITY, nor shall the Contractor allow any subcontractor to commence work until all similar insurance required of the subcontractor has also been obtained and approved by the CITY.

Certificates of insurance must be issued by an authorized representative of the insurance company at the request and direction of the policyholder and must include sufficient information so as to identify the coverage and the contract for CITY's improvements for which they are issued. Certificates of insurance must be issued by a nationally recognized insurance company with a Best's Rating of no less than B+VII, satisfactory to the CITY, and duly licensed to do business in the state of said Contract.

The Contractor shall procure and maintain, during the life of this Contract, Workmen's Compensation Insurance for all of his employees to be engaged in work under this Contract, and he shall require any subcontractor similarly to provide Workmen's Compensation Insurance for all of the latter's employees to be engaged in such work, unless such employees are covered by the protection afforded by the Contractor's insurance. In case any employees are to be engaged in hazardous work under this Contract, and are not protected under this Workmen's Compensation statute, the Contractor shall provide, and shall cause each subcontractor to provide, adequate coverage for the protection of such employees. It is acceptable to use a State-approved Workmen's Compensation Self-Insurance fund.

The Contractor shall take out and maintain during the life of this Contract, Public Liability and Property Damage and shall include Contractual Liability, Personal Injury, Libel, Slander, False Arrest, Malicious Prosecution, Wrongful Entry or Eviction, Broad Form Property Damage, Products, Completed Operations and XCU Coverage to be included on an occurrence basis, and to the full extent of the Contract to protect him, the CITY, and any subcontractor performing work covered by this Contract from damages for personal injury, including accidental death, as well as from claims for property damage, which may arise from operations under this contract, whether such operations be by himself or by a subcontractor, or by anyone directly or indirectly employed by either of them. The Contractor shall also maintain automobile liability insurance including "non-owned and hired" coverage. The entire cost of this insurance shall be borne by the Contractor.

The amount of such insurance shall be no less than \$1,000,000 annual aggregate for bodily injury and property damage combined per occurrence.

The City of Naples and their Engineer must be named as **Additional Insured** on the insurance certificate **and the following must also be stated on the certificate.** "These coverages are primary to all other coverages the City possesses for this contract only." The City of Naples shall be named as the Certificate Holder. **The Certificate Holder shall read as follows:**

**The City of Naples  
735 Eighth Street South  
Naples, Florida 34102**

No City Division, Department, or individual name should appear on the Certificate.  
No other format will be acceptable.

Thirty (30) days cancellation notice required.

The Certificate must state the bid number and title.

When using the "Accord" form of insurance certificate, please note that under the cancellation clause, the following must be deleted: "endeavor to" and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company"

*[If other insurance or insurance requirements or any waivers, attach as Exhibit C-1 through C-\_\_ ]*

## EXHIBIT D

### CERTIFICATION OF COMPLIANCE WITH IMMIGRATION LAWS

The undersigned, is the \_\_\_\_\_ of **Mauldin & Jenkins Certified Public Accountants, LLC** "the CONTRACTOR"), and hereby certifies to the following:

1. The CONTRACTOR is in full compliance with all provisions of the Immigration Reform and Control Act of 1986 ("IRCA"), as well as all related immigration laws, rules, regulations pertaining to proper employee work authorization in the United States.

2. The undersigned has verified that the CONTRACTOR has obtained and maintains on file, and will continue to obtain and maintain on file, all documentation required by law, including but not limited to, Form I-9, Employment Eligibility Verification, for all persons employed by or working for the CONTRACTOR in any capacity on any project for the City of Naples (CITY). All such persons have provided evidence of identity and eligibility to work to the CONTRACTOR in accordance with the IRCA and related law. The undersigned hereby affirms that no person has been or will be employed by the CONTRACTOR to work on projects for the CITY who is not authorized to work under law. The undersigned further affirms that the CONTRACTOR's files will be updated by written notice any time that additional employees work on projects for the CITY.

3. The CONTRACTOR will have its contractors, subcontractors, suppliers and vendors who are involved in projects for the CITY to sign a written acknowledgment that they too are in compliance with immigration law. It is understood that failure to do so could result in the CONTRACTOR being liable for any violation of the law by such third parties.

4. The CONTRACTOR will fully cooperate with and have its contractors, subcontractors, suppliers and vendors to fully cooperate with, all inquiries and investigations conducted by any governmental agency in connection with proper compliance with the laws pertaining to appropriate work authorization in the United States.

5. The undersigned, on behalf of the CONTRACTOR, acknowledges that this Certification may be relied upon by the CITY, its officers, directors, employees, and affiliates or related persons and entities.

6. If it is found that the CONTRACTOR has not complied with the laws pertaining to proper employment authorization, and any legal and administrative action ensues against the CITY, the CONTRACTOR will indemnify, defend and hold the CITY harmless along with their officers, directors, employees, and affiliated or related persons and entities.

7. The CONTRACTOR acknowledges that the CITY by their authorized representatives shall have the right, at any time, upon 24 hours notice, to examine the CONTRACTOR's books and records to confirm that the CONTRACTOR is in compliance with the terms of this certification.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

By: \_\_\_\_\_

**ACKNOWLEDGMENT**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

The Affiant, \_\_\_\_\_, is [ ] personally known to me or [ ] has produced \_\_\_\_\_ as identification, which is current or has been issued within the past five years and bears a serial number of other identifying number.

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
NOTARY PUBLIC - STATE  
OF \_\_\_\_\_

Commission Number: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

(Notary Seal)