

RESOLUTION NO. 13-221

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, RANKING THE PROPOSALS RECEIVED IN RESPONSE TO RFP 007-13 FOR EXTERNAL AUDITING SERVICES; AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A CONTRACT IN SUBSTANTIAL CONFORMANCE WITH THE BID DOCUMENTS; PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City issued Request for Proposals 007-13 on May 29, 2013 for external auditing services; and

WHEREAS, eight firms responded, and it was determined that five proposals were fully responsive to the RFP; and

WHEREAS, a committee comprised of City staff convened at a properly noticed meeting conducted consistent with the "Sunshine Law," on July 31, 2013, and ranked the responsive proposals, in order of their qualifications; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, AS FOLLOWS:

Section 1: That the proposals for external auditing services are hereby ranked and approved by the City Commission as follows:

- (1) Keefe, McCullough & Co., LLP
- (2) Marcum LLP
- (3) Nowlen, Holt & Miner, P.A.
- (4T) Alberni, Caballero & Co.
- (4T) GLSC & Company

Section 2: That the City Manager is hereby authorized to negotiate a contract with the first ranked firm. Should the City Manager be unable to negotiate an acceptable contract with the first ranked firm, he shall discontinue negotiations and commence negotiations with the second ranked firm.

Section 3: Upon completion of negotiations, the City Manager is authorized to execute a contract upon advice and consent of the City Attorney in substantial conformance with the RFP documents.

Section 4: That this Resolution shall go into effect immediately upon its passage and adoption and authentication by the signature of the presiding officer and the Clerk of the Commission.

Passed and adopted by the City Commission at a meeting held
this 4th day of September, 2013.

Authenticated by the presiding officer and Clerk of the
Commission on September 5, 2013.

Filed with the Clerk September 5, 2013.

Mayor Craig Cates	<u>Yes</u>
Vice Mayor Mark Rossi	<u>Absent</u>
Commissioner Teri Johnston	<u>Yes</u>
Commissioner Clayton Lopez	<u>Yes</u>
Commissioner Billy Wardlow	<u>Yes</u>
Commissioner Jimmy Weekley	<u>Yes</u>
Commissioner Tony Yaniz	<u>Yes</u>


CRAIG CATES, MAYOR

ATTEST:


CHERYL SMITH, CITY CLERK



CITY MANAGER'S OFFICE MEMORANDUM

TO: Mayor and Commissioners

FROM: Bob Vitas, City Manager
Mark Z. Finigan, Assistant City Manager
Nancy S. Gibson Kielman, Acting Finance Director

DATE: September 3, 2013

SUBJECT: Request for Proposals: 007-13
External Audit Services

ACTION STATEMENT:

This purpose of this resolution is to request acceptance and approval by the City Commission of the rating and ranking by the Evaluation Team for external audit services and authorize the Evaluation Team to negotiate a contract with the highest ranked proposer, Keefe, McCullough & Co. LLP. Authorizing the City Manager to execute a contract with Keefe, McCullough & Co. LLP, subject to City Attorney review.

BACKGROUND:

Pursuant to Resolution 08-227 (copy attached) the accounting firm of Keefe, McCullough & Co., LLP has provided the City external audit services for the last five (5) years.

A new three year contract is contemplated. The contract will contain a provision allowing the City to exercise one additional option for two years.

On May 29, 2013 RFP No. 007-13, External Audit Services, was formally advertised. Two addendums were released. Due date / time for receipt of proposals was established for June 26, 2013 at 3:30 p.m. To follow is a list of the eight proposals that were received. A copy of RFP No. 007-13 is attached along with the two addendums.

COST PROPOSAL BY YEAR

1. Alberni, Caballero & Co., LLP	2013:	\$105,000.00
4649 Ponce de Leon Boulevard, Suite 404	2014:	\$108,600.00
Coral Gables, FL 33146	2015:	\$112,400.00

2.	Carr, Riggs & Ingram, LLC 2111 Drew Street Clearwater, FL 33765	2013: \$110,000.00 2014: \$114,000.00 2015: \$118,000.00
3.	Cherry Bekaert, LLP 800 North Magnolia Avenue, Suite 1300 Orlando, FL 32803	2013: \$139,000.00
4.	Clifton, Larson, Allen, LLP 811 East Main Street Lakeland, FL 33801	2013: \$108,300.00
5.	GLSC & Company, PLLC 6303 Blue Lagoon Drive, Suite 200 Miami, FL 33126	2013: \$132,000.00 2014: \$136,000.00 2015: \$143,000.00
6.	Keefe, McCullough & Co., LLP 6550 N. Federal Highway, Suite 410 Ft. Lauderdale, FL 33308	2013: \$116,000.00 2014: \$118,000.00 2015: \$120,000.00
7.	Marcum LLP One Southeast Third Avenue, 10 th Floor Miami, FL 33131	2013: \$123,500.00 2014: \$127,000.00 2015: \$131,000.00
8.	Nowlen, Holt & Miner, P.A. 515 N. Flagler Drive, Suite 1700 West Palm Beach, FL 33402	2013: \$ 96,000.00 2014: \$ 97,900.00 2015: \$ 99,900.00

Prior to receipt of proposals the City Manager called for the creation of an Evaluation Team/Committee comprised of the following three (3) members:

- | | |
|---|------------------|
| • City Manager | Bob Vitas |
| • Assistant City Manager – Administration | Mark Z. Finigan |
| • Finance Director | Roger Wittenberg |

Subsequent to the City Manager appointments, Nancy S. Gibson Kielman, Acting Finance Director, replaced Roger Wittenberg. Roger retired effective the end of June 2013.

On July 31, 2013 at 1:00 p.m. the Evaluation Team met in a properly noticed meeting (meeting notice attached). Standardized reference checks were completed prior to the meeting for all proposers. Reference results are attached. During the meeting the following discussions occurred:

- There was consensus that all proposals were responsive to the solicitation as it related to completion of required representations and certifications with the **exception** of the following three proposals:

- Carr, Riggs & Ingram, LLC

The Executive Committee for Carr Riggs decided not to modify their health program to extend equal health benefits to domestic partners.

- Cherry Bekaert, LLP

Did not provide pricing for Fiscal years 2014, 2015. The solicitation called for prospective proposers to provide all relative pricing information required to perform the audit engagement in accordance with the Request for Proposal. These prices should be "determined on an annual basis for the term of the contract".

- Clifton, Larson, Allen, LLP

Did not provide pricing for Fiscal years 2014, 2015. The solicitation called for prospective proposers to provide all relative pricing information required to perform the audit engagement in accordance with the Request for Proposal. These prices should be "determined on an annual basis for the term of the contract".

- General discussion on the strengths and weaknesses of each proposal.
- All Evaluation Team members felt they had sufficient understanding of each responsive proposal to move forward to the rating and ranking of the five (5) remaining proposals.

To follow are the results of the rating and ranking by the Evaluation Team (attached):

Alberni Caballero & Co.	GLSC & Company	Keefe, McCullough & Co.	Marcum	Nowlen, Holt & Miner
92	92	98	93	96
80	83	97	96	81
<u>97</u>	<u>94</u>	<u>98</u>	<u>95.5</u>	<u>97.2</u>
269	269	293	284.5	274.2
		1	2	3

FINANCIAL IMPACT:

The fifth year cost (FYE 2012) for external audit services delivered by Keefe, McCullough & Co., LLP was \$132,500. This amount is budgeted in the FY 2013-14 proposed budget. The first year (FY 2013-14) proposed cost of Keefe, McCullough & Co., LLP (the recommended firm) under a new contract would be \$116,000. In fact, all of the three shortlisted firms have proposed a first year engagement fee less than the amount currently appropriated in the proposed FY 2013-14 budget.

OPTIONS:

1. City Commission can accept, without presentations, the ranking of the Evaluation Team as follows (With 1. being the highest ranked firm):

1. Keefe, McCullough & Co., LLP
2. Marcum LLP
3. Nowlen, Holt & Miner, P.A.

Keefe, McCullough & Co., LLP has provided exemplary audit services over the last five years as the City's external auditor. Their proposed price is competitive and their references provided nothing less than superior markings on their performance for comparable audit services.

2. City Commission can require presentations from the three highest ranked firms at the next regularly schedule City Commission meeting and then select a proposal from the three highest ranked proposals independent of rating or ranking by the Evaluation Team.
3. The Evaluation Team does not recommend the City Commission select a proposal for award from any proposer other than one of the three (3) referenced in 1. above.

RECOMMENDATION:

This purpose of this resolution is to request approval by the City Commission of the following:

City Commission acceptance and approval of the rating and ranking by the Evaluation Team for external audit services and authorize the Evaluation Team to negotiate a contract with the highest ranked proposer, Keefe, McCullough & Co. LLP. Authorizing the City Manager to execute a contract with Keefe, McCullough & Co. LLP, subject to City Attorney review.

**CITY OF KEY WEST, FLORIDA
AUDIT CONTRACT**

This CONTRACT is made and entered into this 31 day of October, 2013, by and between the City of Key West, Florida, a municipal corporation (hereinafter "CITY"), and KEEFE, McCULLOUGH & CO., LLP, a limited liability partnership licensed to do business in the State of Florida (hereinafter "AUDITOR").

WHEREAS, CITY promulgated its Request for Proposals #007-13, soliciting proposals from qualified firms of certified public accountants to audit CITY'S financial statements commencing the fiscal year ending September 30, 2013, a copy of which is attached hereto, incorporated by reference, and more particularly described as Exhibit "A"; and

WHEREAS, AUDITOR submitted its Proposal for Auditing Services dated June 26, 2013 in response to CITY'S Request, a copy of which is attached hereto, incorporated by reference, and more particularly described as Exhibit "B"; and

WHEREAS, terms satisfactory to both parties have been negotiated.

Now, therefore, in consideration of the mutual promises and covenants below, the parties agree:

1. SCOPE OF SERVICES.

AUDITOR will perform the CITY'S audit in accordance with the Engagement Letter, a copy of which is attached hereto, incorporated by reference, and more particularly described as Exhibit "C".

2. TERM OF ENGAGEMENT.

This Contract provides for professional auditing services for the fiscal years ending September 30, 2013, 2014, and 2015. CITY shall have the option to engage AUDITOR'S services for one two-year period, corresponding to the fiscal years ending September 30, 2016, and 2017. This Contract shall come into effect on the date first written above and shall remain in effect until the completion of the 2015 financial audit, unless earlier terminated in accordance with paragraphs 11 or 12, below, or unless extended as provided herein.

3. COMPENSATION AND TERMS OF PAYMENT.

The CITY shall compensate AUDITOR in accordance with the hourly fee schedule attached hereto, incorporated by reference, and more particularly described as Exhibit "B". However, AUDITOR expressly agrees herein that AUDITOR'S gross fee shall not exceed the following:

<u>FISCAL YEAR ENDING</u>	<u>CONTRACT AMOUNT</u>
September 30, 2013	\$116,000
September 30, 2014	\$118,000
September 30, 2015	\$120,000
September 30, 2016 (in the event option is exercised)	\$122,000
September 30, 2017 (in the event option is exercised)	\$124,000

The above fee is based upon anticipated cooperation from CITY'S personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, AUDITOR shall not incur additional costs prior to conferring with CITY and agreeing upon a new fee estimate. Any requested work outside the scope of the audit will be approved by the CITY'S Finance Director and billed at the hourly rates referenced on Exhibit "B".

Termination prior to the end of this Contract shall occur whenever funds cannot be obtained or cannot be continued at a level sufficient to allow for the continuation of this Contract pursuant to the terms herein. In the event that funds cannot be continued at a level sufficient to allow the continuation of this Contract pursuant to the terms specified herein, this Contract may then be terminated immediately by written notice of termination delivered in person or by mail to AUDITOR.

The invoices submitted will include detail as to the hours worked by each of the following personnel for both the annual audit and any single audit required: Partners, Managers, Associates, Senior Accountants and Staff Accountants. Invoices will also include any incidental out-of-pocket expenses incurred in the "not-to-exceed total." An invoice for the portion of the total amount proportionate to the work completed during the month shall be submitted to the CITY on a monthly basis, along with a narrative of work completed. The invoices shall be in a form approved by the CITY.

4. RECORDS.

The AUDITOR shall keep such records as are necessary to document the performance of the Contract and give access to these records at the request of the CITY, the State of Florida or authorized agents and representatives of said government bodies. AUDITOR shall retain the documents related to this Contract and work thereunder, including all workpapers for a period of five years after the termination of the work under this Contract.

5. MODIFICATIONS, AMENDMENTS, ASSIGNMENT AND SUBCONTRACTING.

Any and all modifications of the terms of this Contract shall be only amended in writing and approved by the City Commission of the City of Key West, Florida. The AUDITOR shall not assign or subcontract or transfer any interest in this Contract or assign any claims for money due or to become due under this Contract.

6. INDEPENDENT CONTRACTOR.

At all times and for all purposes hereunder, the AUDITOR is an independent contractor and not an employee of the CITY. No statement contained in this Contract shall be construed as to find the AUDITOR or any of its employees, contractors, servants or agents to be employees of the CITY, and they shall be entitled to none of the rights, privileges or benefits of employees of CITY.

7. COMPLIANCE WITH LAW.

In carrying out its obligations under this Contract, the AUDITOR shall abide by all statutes, ordinances, rules and regulations pertaining to or regulating the provisions of this agreement, including those now in effect and hereafter adopted. Any violation of said statutes, ordinances, rules or regulations shall constitute a material breach of this Contract and shall entitle the CITY to terminate this agreement immediately upon delivery of written notice of termination to the AUDITOR.

8. INSURANCE AND INDEMNIFICATION REQUIREMENTS

Auditor shall indemnify CITY and shall obtain and maintain insurance in accordance with the provisions more particularly described as Exhibit "D", which is attached hereto and incorporated by reference.

9. ANTI-DISCRIMINATION.

The AUDITOR agrees it will not discriminate against any of their employees or applicants for employment or against persons for any benefit or service because of their race, color, religion, sex, national origin, or physical or mental handicap where the handicap does not affect the ability of an individual to perform in a position of employment, and to abide by all federal and state laws regarding non-discrimination.

10. ANTI-KICKBACK.

The AUDITOR warrants that no person has been employed or retained to solicit or secure this Contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, and that no employee or officer of the CITY has any interest, financially or

otherwise, in the said funded project, except for general membership. For breach or violation of this warranty, the CITY shall have the right to annul this Contract without liability or, in its discretion, to deduct from the agreement price or consideration, the full amount of such commission, percentage, brokerage or contingent fee.

11. TERMINATION WITHOUT CAUSE.

This Contract may be terminated, without cause, by either of the parties hereto upon written notice delivered to the other party at least 60 days prior to the intended date of termination.

12. TERMINATION FOR BREACH.

The CITY may immediately terminate this Contract for any breach of the terms contained herein. Such termination shall take place immediately upon receipt of written notice of said termination. Any waiver of any breach of covenants herein contained to be kept and performed by AUDITOR shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent the CITY from declaring a forfeiture for any succeeding breach either of the same conditions or of any other conditions.

13. ENTIRE AGREEMENT.

The City of Key West Request for Proposals #007-13-External Audit Services dated May 29, 2013, a copy of which is attached hereto, incorporated by reference, and more particularly identified as Exhibit "A", AUDITOR'S Proposal for External Audit Services dated June 26, 2013, a copy of which is attached hereto, incorporated by reference, and more particularly described as Exhibit "B", and this Contract constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede any and all prior agreements with respect to such subject matter between the CITY and the AUDITOR.

14. CONSENT TO JURISDICTION.

This Contract, its performance, and all disputes arising hereunder, shall be governed by the laws of the State of Florida, and both parties agree that the proper venue for any actions shall be in Monroe County.

15. ETHICS CLAUSE.

AUDITOR warrants that it has not employed, retained or otherwise had act on his behalf any former CITY officer or employee. For breach or violation of the provision the CITY may, at its discretion terminate this Contract without liability and may also, at its discretion, deduct from the agreement or purchase price, or otherwise recover, the full amount of any fee, commission, percentage, gift, or consideration paid to the former or present CITY officer or employee.

16. PUBLIC ENTITY CRIME STATEMENT.

A person or affiliate who has been placed on the convicted vendor list following a conviction for public entity crime may not submit a bid on an contract to provide any goods or services to a public entity, may not submit a bid on a agreement with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to public entity, may not be awarded or perform work as a contractor, supplier, sub-contractor, or consultant under a agreement with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vendor list.

17. AUTHORITY.

AUDITOR warrants that it is authorized by law to engage in the performance of the activities encompassed by the project herein described. The signatory for the AUDITOR below certifies and warrants that the AUDITOR'S name as contained in this Contract is the full name as designated in the documents creating and regulating the limited liability partnership, that he is empowered to act and contract for the AUDITOR, and that this Contract has been approved by the partners of AUDITOR or other appropriate authority.

18. LICENSES.

AUDITOR warrants that it shall have, prior to commencement of work under this Contract and at all times during said work, all required licenses whether federal, state, county or city.

19. NOTICE.

Any written notice to be given to either party under this Contract or related hereto shall be addressed and delivered as follows:

For AUDITOR: William G. Benson, Partner
Keefe, McCullough, & Co., LLP
6550 North Federal Highway, Suite 410
Fort Lauderdale, Fl. 33308

For CITY: Bogdan Vitas, City Manager
P.O. Box 1409

Key West, Florida 33041

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed the day and year first above written.



ATTEST:

Cheryl Smith
Cheryl Smith, City Clerk

CITY OF KEY WEST, by and through its
KEY WEST CITY COMMISSION

By:

Bogdan Vitas
Bogdan Vitas, City Manager

30 day of Oct., 2013.

ATTEST:

By: Beth C. Anderton

KEEFE, McCULLOUGH, & CO., LLP

By:

William G. Benson
William G. Benson, Partner

Beth C. Anderton
(Print Name of Secretary)

31st day of OCTOBER, 2013.



City of Key West Request for Proposals 007-13

External Audit Services

I. INTRODUCTION

A. General Information

The City of Key West is soliciting proposals from qualified firms of certified public accountants to audit the City of Key West's financial statements commencing the fiscal year ending September 30, 2013. These audits are to be performed in accordance with the following.

1. Section 11.45, Florida Statutes
2. Requirements of the Florida Department of Financial Services
3. Rules of the Florida Auditor General (Chapter 10.550, Local Government Entity Audits)
4. Audit and Accounting Guide – Audits of State and Local Governmental Units ("The AICPA Guide")
5. The Provisions of Federal Single Audit Act and OMB Circular No. A-133, Executive Office of the President, Office of Management and Budget, Washington D.C.
6. Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, published by the Comptroller General of the United States ("Yellow Book")
7. Florida Single Audit Act (Florida Statutes 215.97)
8. Governmental Accounting Standards Board Statement No. 34, and any other required statements applicable to the City of Key West
9. Any other applicable Federal, State, and local laws or regulations

Any updates of, or amendments to, these described auditing standards are to be incorporated in future audits performed for the City of Key West in future years.

There is no expressed or implied obligation for the City of Key West to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, a proposal must be received by 3:00 p.m. on June 26, 2013 at the office of the City Clerk, 3126 Flagler Avenue, Key West, Florida 33040. Proposals must be submitted in two sealed envelopes (one within the other) clearly marked with the name of the audit firm and "Proposal, External Audit Services." The sealed proposals will be opened by the City Clerk at 3:00 p.m. on June 26, 2013. Proposals may not be withdrawn after this time or within the ensuing sixty (60) day period. Proposals may be withdrawn prior to this time if so requested in writing. Proposals received after this time will not be considered.

The City of Key West reserves the right to reject any or all proposals submitted and to waive nonmaterial irregularities in any or all proposals submitted.

Proposals submitted will be evaluated by a City Manager led Evaluation Committee consisting of:

Bob Vitas – City Manager

Mark Z. Finigan - Assistant City Manager

Roger Wittenberg - Finance Director

During the evaluation process, the Evaluation Committee reserves the right, where it may serve the City of Key West's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the Evaluation Committee or at the request of the City Commission, firms submitting proposals may be asked to make oral presentations as part of the evaluation process.

The City of Key West reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Key West and the firm selected.

It is anticipated the final selection of an auditor will occur at the City Commission Meeting scheduled to be held at 6:00 p.m. on August 6, 2013 in the City Commission Chambers. Firms that have been ranked should plan to attend this meeting and be prepared to make oral presentations.

The negotiation process will follow this selection and it is expected a contract will be executed between both parties and approved by the City Commission by August 20, 2013.

B. Term of Engagement

A three year contract is contemplated. The contract will contain a provision allowing the City to exercise one additional option for two years.

C. Joint Venture/Subcontracting

Firms submitting proposals are neither encouraged nor discouraged from considering joint ventures or subcontracting portions of the engagement. If this is to be done, that fact and the name of the proposed joint venture or subcontracting firms must be clearly identified in the proposal. The firm that will serve as the principal auditor (unless a special consortium is formed to conduct the engagement), should be identified in the proposal. All information and qualifications required by this Request For Proposal must be submitted and met by both firms. Following the award of the audit contract, no additional joint ventures or subcontracting will be allowed without the express prior written consent of the City of Key West and is subject to the City of Key West's right to approve or reject subcontracting firms.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Key West is soliciting proposals from qualified firms of certified public accountants to audit three years of the City of Key West's financial statements commencing the fiscal year ending September 30, 2013, with the City's option for two additional fiscal years (five years maximum) These audits are to be performed in accordance with the provision contained in this Request For Proposal.

B. Scope of Work to be Performed

The City of Key West desires the auditor to express an opinion on the fair presentation of its comprehensive annual financial report in conformity with the audit standards as outlined below.

C. Auditing Standards Required for the Engagement

To meet the requirements of this Request for Proposal, the audit shall be performed in accordance with the following:

1. Section 11.45, Florida Statutes
2. Requirements of the Florida Department of Financial Services
3. Rules of the Florida Auditor General (Chapter 10.550, Local Government Entity Audits)
4. Audit and Accounting Guide – Audits of State and Local Governmental Units ("The AICPA Guide")
5. The Provisions of Federal Single Audit Act and OMB Circular No. A-133, Executive Office of the President, Office of Management and Budget, Washington D.C.
6. Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, published by the Comptroller General of the United States ("Yellow Book")
7. Florida Single Audit Act (Florida Statutes 215.97)
8. Governmental Accounting Standards Board Statement No. 34, and any other required statements applicable to the City of Key West
9. Any other applicable Federal, State, and local laws or regulations

D. Reports to be Issued

Following completion of the audit of each fiscal year's financial statements during the terms of the contract, the auditor shall issue:

The Comprehensive Annual Financial Report (CAFR) for submittal to the GFOA awards program by March 31.

1. All required reports for the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards and schedule of state financial assistance and related reports to the financial statements.

2. A report on compliance and other matters and internal control over financial reporting based on an audit of the financial statements. (Yellow Book)
3. A report on compliance and internal control over compliance applicable to each major federal program and state project. (OMB Circular A-133, chapter 10.550 Rules of Florida Auditor General and Florida Statutes 215.97)
4. A report to management when applicable (management letter).
5. A report to city management on the requirements by the Rules of the Auditor General for Financial Condition Assessment.
6. Federal and State single audit reports that comply with OMB Circular A-133 and the Florida Single Audit act.
7. Agreed upon procedures report as required by the Florida Department of Transportation Section 5311 grant program requirements.
8. Agreed upon procedures report as required by the Florida Department of Transportation Public Transit Block Grant program requirements.

In the required reports on compliance and internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on compliance and internal controls.

The reports on compliance and internal controls shall include all instances of noncompliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the City Manager and the City Commission.

E. Special Considerations

1. The City will be responsible for completing the MD&A, statistical section and transmittal sections of the Comprehensive Annual Report (CAFR) while the auditor will be responsible for all of the schedules, statements and footnotes in the CAFR. The auditor will be responsible for the preparation, review and finalization of the CAFR .
2. The City of Key West will send its CAFR to the Government Finance Officers Association of the States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide any special assistance to the City of Key West to meet the requirements of that program.
3. The City of Key West does not anticipate that it will prepare official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor

and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters". Costs directly related to these issues will be negotiated as they arise.

4. The schedule of federal awards and state financial assistance and related auditors' reports, as well as the reports on the internal control structure and compliance are to be issued as a separate report.
5. A list of findings and other weaknesses from the City of Key West's most recent financial statement audit are available upon request .
6. The Auditor will review prior to submission the annual financial report (AFR) prepared by the City and filed with the Department of Banking and Finance, State of Florida, pursuant to Section 218.32, Florida Statutes, to verify that it is in agreement with the financial statements for the year ended September 30.
7. The auditor will assist the City in complying with changes in reporting requirements to remain in conformity with accounting principles generally accepted in the United States of America.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, after completion dated of the audit, unless the firm is notified in writing by the City of Key West of the need to extend the retention period. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact/ Person/Organizational Chart/Key Personnel

The auditor's principal contact with the City of Key West will be Roger D. Wittenberg, Finance Director, or a designated representative, who will coordinate the assistance to be provided by the City of Key West to the auditor.

B. Background Information

The City of Key West serves an area of 4.8 square miles with a population of 25,000. The City of Key West's fiscal year begins on October 1 and ends on September 30. The City operates under a commission-manager form of government and provides services authorized by its charter including public safety, welfare, improvements, planning and zoning, recreation, and general administrative services.

The City of Key West has a biweekly gross payroll of \$900,000 covering 475 employees.

The City of Key West has departments located throughout the city and only its core functions are centralized at City Hall, Habana Plaza, and Flagler Avenue in Key West. The accounting and financial

reporting functions of the City of Key West are centralized and located at 3104 Flagler Avenue, Key west, FL 33040.

More detailed information on the City of Key West and its finances can be found in its CAFR .

C. Fund Structure

The City of Key West uses the following fund types and account groups in its financial reporting:

Fund Type/Account Group	# of Funds	#w/Annual Budgets
General	1	1
Special revenue funds	8	8
Debt service funds	0	0
Capital projects funds	2	2
Enterprise funds	6	6
Internal service funds	1	1
Fiduciary funds	2	0

D. The City of Key West prepares the budgets for all funds on the cash basis of accounting.

E. Federal and State Financial Assistance

During the fiscal year ending September 30, 2012 the City of Key West received federal and state financial assistance. Prior year Schedule of Federal and State Financial Assistance is available upon request.

F. Pension Plans

The City of Key West provides two single employer, defined benefit pension plans. One plan is for Police Officers and Firemen; the other covers general employees. The Police and Firemen's plan is audited annually each year by the plans auditors.

G. Component Units

The Key West Housing Authority is a discreetly presented component unit in the City of Key West's financial statements.

H. Joint Ventures

The City of Key West does not currently participate in joint ventures with other governments.

I. Magnitude of Finance Operations

The finance department is headed by Roger D. Wittenberg and consists of ten associates. The positions and number of employees assigned to each are as follows:

<u>Positions</u>	<u>Number of Employees</u>
Supervisor of Revenue	1
Finance Director	1
Deputy Director	1
Accounting Clerk III	1
Purchasing Agent	1
Accounting Coordinator	1
Budget Analyst	1
Coordinator III	3

J. Computer System

1. Hardware

Type - Mainframe

Number - 1

Make - IBM AS400

2. Software

Make - HTE

Major Applications

General Ledger

Purchasing

Accounts Payable

Utility Billing

Receivables

Community Development

Building Permits

Work Orders

Fleet

K. Internal Audit Function

Current staffing levels permit a minimum number of routine internal audit procedures conducted by the Finance Department. Areas of concern are addressed as they arise.

L. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Roger D. Wittenberg, Finance Director, at City of Key West, 3104 Flagler Avenue, Key West, Florida 33040 by telephone (305) 809-3822 or by emailing rwittenb@keywestcity.com. The City of Key West will use its best efforts to make prior audit reports and supporting working papers available for on-site reviews to proposers to aid their response to this request for proposals.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for Proposals issued	May 31, 2013
Due date for proposals	June 26, 2013

B. Notification and Contract Dates

Firms Rated & Ranked by Evaluation Committee	July 12, 2013 (tentative)
Presentation to City Commission	August 6, 2013
Contract date /Approval by Commission	August 20, 2013

C. Date Final Report is Due

It is anticipated that the auditor will deliver the opinion letter, management letter, CAFR and all requested reports by March 31st of each year. The City requires 10 bound copies of all reports.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department and Clerical Assistance

Finance department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the City.

B. Information Technologies (IT) Assistance

The availability of IT personnel to assist the auditor in performing the engagement is limited so the need should be specifically addressed in submitted proposals. Personnel will be available to provide systems documentation and explanations. The auditor will be provided computer time and the use of the City's computer hardware and software if necessary.

C. Statements and Schedules to be prepared by the Staff of the City of Key West.

The City of Key West will prepare the working trial balances and account analyses for all funds.

D. Work Area, Telephones, Computers, Photocopying and Fax Machines

The City will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to one telephone line, photocopying facilities, computer, and FAX machines.

E. Report Preparation

All report preparation, editing and printing shall be the responsibility of the Auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the Request for Proposal may be made in writing or via telephone facsimile. All inquiries and responses will be transcribed and sent to all interested parties. Inquiries must be addressed to:

Roger D. Wittenberg, Finance Director
City of Key West
3104 Flagler Avenue
Key West, Florida 33040
PH: (305)809-3822
Fax:(305)809-3806
Email rwittenb@keywestcity.com

2. Submission of Proposal

The following material is required to be received by 3:00 p.m. on June 26, 2013 for a proposing firm to be considered. A master copy (so marked) of a Audit Proposal to include the following:

- i. Title Page -Title page showing the Request for Proposal subject; the firm name, name, address, and telephone number of a contact person; and the date
- ii. Table of Contents
- iii. Transmittal Letter - A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for sixty (60) days.
- iv. Detailed Proposal - The detailed proposal should follow the order set forth in Section VI B of this Request for Proposal. Executed copies of Sworn Statement on Public Entity Crimes, Anit-Kickback Affidavit, Local Vendor Certification and Equal Benefits for Domestic Partners Affidavit .

B. Audit Proposal

1. General Requirements

The purpose of the proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City of Key West in conformity with the requirements of this Request for Proposal. As such, the substance of proposals will carry more weight than their form or manner of presentations. The proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the firm's qualifications requirements.

The proposal should be prepared simply and economically, providing a straight-forward, concise description of the proposer's capabilities to satisfy the requirements of the Request for Proposals. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Key West as defined by generally accepted auditing standards and the U.S. General Accounting Office's "Government Auditing Standards" (1988).

The firm should also list and describe the firm's (and/or proposed subcontractors') professional relationships involving the City of Key West or any of its agencies for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City of Key West written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in Florida

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Florida.

4. Firm(s) Qualifications and Experience

If the proposer is a joint venture or subcontractor, the qualifications of each firm comprising the same must be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable. All information and qualifications required by this request must be submitted and met by each firm.

The proposal should state the size of the firm, the size of the firms' governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time or part-time basis.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement as to whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory, and Staff Qualification and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Florida. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations.

The firm should provide as much information as possible regarding the number, qualifications, experiences and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The Firm also should indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City of Key West. However, in either case, the City of Key West retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this Request for Proposal can only be changed with the express prior written permission of the City of Key West, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the City of Key West

The firm should list separately all engagements within the last five years, ranked on the basis of total staff hours, for the City of Key West by type of engagement (i.e., audit, management advisory services, other). For each engagement, the firm should indicate the scope of work, date, engagement partners, total hours, the location of the firms' office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit:

a. List the most significant engagements (maximum of 5) performed in the last five years similar to the engagement described in this Request for Proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, the name and telephone number of the principal client contact, and the extent of their participation in the GFOA Certificate program.

b. List all current similar engagements including scope of work, preparer of financial statements and participation in the GFOA Certificate program.

8. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this Request for Proposal. In developing the work plan, reference should be made to such sources of information as the City of Key West's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems. Proposers will be required to provide the following information on their audit approach:

a. Proposed segmentation of the engagement

b. Level of staff and number of hours to be assigned to each proposed segment of the engagement

c. Extent to which statistical sampling is to be used in the engagement

d. Extent of use of MIS software in the engagement

e. Type and extent of analytical procedures to be used in the engagement

f. Approach to be taken to gain and document an understanding of the City of Key West's internal control structure

g. Approach to be taken in determining laws and regulations that will be subject to audit test work

h. Approach to be taken in drawing audit samples for purposes of tests of compliance

9. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City of Key West.

10. The proposed cost of services should contain all pricing information relative to performing the audit engagement as described in this Request for Proposal. The total all inclusive maximum prices is to

contain all direct and indirect costs including all out of pocket expenses. These prices should be determined on an annual basis for the term of the contract, to include the option period.

VII. EVALUATION PROCEDURES

A. Proposal Evaluation

Proposals submitted will be evaluated by a four member Evaluation Team consisting of:

Bob Vitas – City Manager
Mark Z. Finigan, Assistant City Manager - Administration
Roger Wittenberg, Finance Director

B. Review of Proposals

The Evaluation Committee will meet to review and discuss the proposals. The Evaluation Committee will then evaluate and rank the responses based on the items described in Section VII C below. The Committee may short list firms to be submitted to the City Commission should the number of respondents exceed three. The City Commission may accept the ranking recommendation of the Evaluation Committee, request ranked firms to give presentations and/or answer questions, amend the rankings or reject all proposals. The City Commission will make the final selection.

The City of Key West reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria: Mandatory Elements, Technical Qualifications and Cost of Service Requirements. Firms meeting the mandatory criteria will have their proposals evaluated and scored for technical qualifications and costs. Price will not be the sole or predominant factor. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent.
- b. Licensed to practice in Florida
- c. The audit firm's professional personnel have received adequate continuing Professional education within the preceding two years.
- d. The firm has no conflict of interest with regard to any other work performed by the firm for the City of Key West

e. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.

f. The firm has the competence and capabilities to satisfy the requirements of the engagement

2. Technical Qualifications (50 points)

a. Expertise and Experience (35 Points)

(1) The firm's experience and performance on comparable government engagements

(2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

(3) The firm's experience with similar federal or state financial assistance programs.

b. Audit Approach (15 Points)

(1) Adequacy of proposed staffing plan for various segments of the engagement

(2) Adequacy of sampling techniques

(3) Adequacy of analytical procedures

3. Cost of Service Requirements (40 points)

a. Total All-Inclusive Maximum Price

The proposed cost of services should contain all pricing information relative to performing the audit engagement as described in this Request for Proposal. The total all inclusive maximum prices is to contain all direct and indirect costs including all out of pocket expenses. These prices should be determined on an annual basis for the term of the contract. To include:

- (1) Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each
- (2) Out-of-pocket Expenses Included in the Total All- inclusive Maximum Price and Reimbursement Rates
- (3) Rates for Additional Professional Services

4. References (10 Points)

The City will not be responsible for expenses incurred in preparing and submitting the request for proposal. Such costs should not be included.

VIII. ADDITIONAL CONSIDERATIONS

A. Oral Presentations

During the evaluation and selection process, the Evaluation Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions on a firm's proposal. Not all firms may be asked to make such oral presentations. Firms may also be requested to give oral presentations in the final selection proceedings. All presentations shall be at the firm's own expense.

B. Final Selection

The City Commission will make the final selection. Only the three (3) highest rated Proposals as determined by the City Manager appointed Evaluation Committee will go forward to the City Commission in ranked order. Each short-listed proposal may be required to make a presentation to the City Commission; the exact length of the presentation is up to the discretion of the Commission and will be determined by them in advance of the scheduled hearing. Final award will be made by the City Commission, based solely on that response which, in their opinion, is in the best interest of the City of Key West, all factors considered, irrespective of the City Manager appointed Evaluation Committee ranking. The final selection will be on the agenda of the City Commission Meeting scheduled to be held at 6:00 p.m. on August 6, 2013. All firms to be ranked should plan to attend at their own expense and be prepared to give an oral presentation.

Following notification of the firm selected, the negotiation process will begin. It is anticipated a contract will be executed between both parties and approved by the City Commission by August 20, 2013.

C. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this Request for Proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Key West and the firm selected.

The City of Key West reserves the right without prejudice to reject any or all proposals.

D. Request for Proposal/Contract

All requirements and conditions set forth in this Request For Proposal shall be incorporated into the contract between the City of Key West and the selected auditor.

All City contracts are subject to all legal requirements provided for in City ordinances and/or State and Federal Statutes.

E. Termination Provisions

1. Termination for Convenience of the City of Key West.

The City, by written notice, may terminate this contract, in whole or in part, when in the City's interest. If this contract is terminated, the City shall not be liable for damages. The City shall be liable only for services rendered before the effective date of termination.

F. Insurance and Indemnification Requirements

Auditor shall indemnify Client and shall obtain and maintain insurance in accordance with the provisions contained herein.

H. Changes in Scope of Work

CITY and AUDITOR may request changes that would extend, decrease or otherwise modify the scope of professional services set forth in the Request for Proposal. Such changes and method of compensation must be set forth in writing as a change order.



Keefe, McCullough & Co., LLP
Certified Public Accountants

PROPOSAL FOR EXTERNAL AUDIT SERVICES
RFP 007-13

FOR

CITY OF KEY WEST

SUBMITTED ON JUNE 26, 2013

KEEFE, MCCULLOUGH & CO., LLP, C.P.A.'S
6550 NORTH FEDERAL HIGHWAY, SUITE 410
FT. LAUDERDALE, FLORIDA 33308

PHONE: 954-771-0896
FAX: 954-938-9353

FIRM CONTACT PERSONS:

William G. Benson, C.P.A.
Israel J. Gomez, C.P.A.

EXHIBIT B



Keefe, McCullough & Co., LLP
Certified Public Accountants

PROPOSAL FOR EXTERNAL AUDIT SERVICES
RFP 007-13

FOR
CITY OF KEY WEST

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Keefe, McCullough & Co., LLP
Certified Public Accountants

TRANSMITTAL LETTER



June 26, 2013

City Clerk and City Audit and Finance Committee
City of Key West, Florida
3126 Flagler Avenue
Key West, FL 33040

Dear City Clerk and Members of the City Audit and Finance Committee:

We are pleased to propose to perform auditing services for the City of Key West (the "City"). It is our understanding that our proposal covers the annual financial and compliance audit of the various funds of the City for the fiscal years ending September 30, 2013, 2014 and 2015, with the City's option of the two subsequent fiscal years (five years maximum).

Our examination of these financial statements will be conducted in accordance with the following:

1. Section 11.45, Florida Statutes;
2. Requirements of the Florida Department of Financial Services;
3. Rules of the Florida Auditor General (Chapter 10.550, Local Government Entity Audits);
4. Audit and Accounting Guide – Audits of State and Local Governmental Units (The AICPA Guide);
5. The Provisions of Federal Single Audit Act and OMB Circular No. A-133, Executive Office of the President, Office of Management and Budget, Washington, D.C.;
6. Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, published by the Comptroller General of the United States (Yellow Book);
7. Florida single Audit Act (Florida Statutes 215.97);
8. Governmental Accounting Standards Board Statement No. 34, and any other required statements applicable to the City of Key West;
9. Any other applicable Federal, state and local laws or regulations.

Keefe, McCullough & Co., LLP, C.P.A.'s is committed to performing the auditing services as outlined in the City's RFP No. 007-13.

The following individuals are authorized to make representations for the firm:

William G. Benson, C.P.A., Partner
Israel J. Gomez, C.P.A.

Keefe, McCullough & Co., LLP, C.P.A.'s
6550 North Federal Highway, Suite 410
Ft. Lauderdale, Florida 33308
954-771-0896

We believe our firm to be the best qualified to perform your audit engagements based on our substantial governmental experience obtained over the entire period of our firm's existence, our firm's commitment to continue to provide the necessary continuing professional education to qualify all of our professional governmental accounting staff in this specialized area, our absolute dedication to excellence and quality in our practice and our unique service philosophy which has resulted in a loyal and satisfied clientele over many years.

We hereby attest to our authority to submit this proposal and to individually bind Keefe, McCullough & Co., LLP, C.P.A.'s to perform this audit in accordance with the resulting contract agreement should the firm be selected. This proposal is a firm and irrevocable offer for sixty (60) days from the date of the proposal.

Regards,

KEEFE, McCULLOUGH & CO., LLP



William G. Benson, C.P.A.



Keefe, McCullough & Co., LLP
Certified Public Accountants

TECHNICAL PROPOSAL

TECHNICAL PROPOSAL

1. General Requirements

Keefe, McCullough & Co., LLP, C.P.A.'s has grown as a firm for over forty (40) years and we are located in Fort Lauderdale to serve the South Florida area. Our office consists of nine partners, approximately sixty (60) professional accounting staff members and administrative support personnel. We have the capacity to handle the City's auditing needs and significant experience representing Florida municipalities and other governmental entities. All of the firm's professional accounting staff are a part of the governmental audit staff. We are members of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants.

Our practice includes audit engagements, management advisory services, tax planning and tax return preparation, and consulting services. We believe our growth can be attributed to our ability to give each client, regardless of size, personalized and timely service of the highest quality.

Our service philosophy is based on the premise that every engagement receives personal overall supervision from a firm partner or partners. This approach guarantees that the same person will be in charge of your audit year after year. In addition, while the primary purpose of our auditing services is completing the audit of your financial statements and rendering an opinion on their fairness, we pride ourselves in continually looking for, and communicating by management letter or informal discussion, recommendations that may result in more efficient operations, stronger accounting and administrative controls or cost savings to our clients.

Our firm's attention does not cease when your financial statements have been completed. We will be accessible to you throughout the year to provide answers to questions and consulting services, as needed.

Our firm presently provides auditing services for a number of governmental entities, community mental health centers, employee benefit plans, not-for-profit organizations, and other entities. We are very proud to have served as independent auditors for governmental units similar to yours and numerous not-for-profit organizations.

We believe that engagement tenure is indicative of the quality and continuity of our service, our flexibility in handling growth situations, and dealing with changing management and personnel. We feel that we excel in dealing with our clients on an individual basis and tailoring our service to meet their specific requirements.

We have substantial experience in the area of compliance auditing in accordance with *Government Auditing Standards* ("The Yellow Book") and the OMB Circulars "Audits of State and Local Governments" and "Audits of Institutions of Higher Education and Other Nonprofit Organizations." We have many clients with substantial grant revenue that require Federal Single Audit and Florida Single Audit procedures. Due to the concentration of this type of work in our practice, we provide each member of our professional accounting staff with eighty hours of continuing professional education every two years. Of this total, twenty-four hours directly relate to governmental or other "Yellow Book" type engagements.

Our firm recognizes that the most important product we can provide to a client is prompt and effective service of the highest quality. All our efforts, as a firm are directed toward achieving that goal. We are confident we can serve you to your complete satisfaction and we are committed to utilizing the highest level of skills available in our firm to accomplish that very important responsibility.

TECHNICAL PROPOSAL

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Key West as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards (1988).

We are independent of the City of Key West, Florida and of all its component units as defined by auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

The firm should also list and describe the firm's (and/or proposed subcontractors') professional relationships involving the City of Key West or any of its agencies for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

Keefe, McCullough & Co., LLP is the City's current auditing firm, and we have been performing auditing services for the City of Key West for the past five (5) years. We look forward to continuing our relationship with the City.

In addition, the firm shall give the City of Key West written notice of any professional relationships entered into during the period of this agreement.

We agree to notify the City in writing of any professional relationships entered into during the period of this agreement.

3. License to Practice in Florida

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in the State of Florida.

Keefe, McCullough & Co., LLP, is properly licensed in the State of Florida by the Department of Professional Regulation. Our license number is AD 0010282. Further, all members of the firm that are designated as Certified Public Accountants are properly licensed in the State of Florida.

4. Firm Qualifications and Experience

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

Our office consists of nine partners, approximately sixty (60) professional accounting staff members and administrative support personnel. Our governmental audit staff consists of thirty-five professionals. Keefe, McCullough & Co., LLP, C.P.A.'s has grown as a firm for over forty (40) years and we are located in Fort Lauderdale to serve the South Florida area.

The number and level of full-time and part-time staff to be assigned to the engagements would be discussed and approved by client finance personnel. We have listed additional information regarding a proposed staffing plan in Section IV.

TECHNICAL PROPOSAL

4. (continued)

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

Our firm participates in the American Institute of Certified Public Accountants Peer Review Program and we have received unmodified opinions on all of our previous peer reviews. We have provided the most recent quality control review documentation for your reference in Section III. This quality control review included a specific review of the City of Coconut Creek audit workpapers, financial statements and reports.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary actions taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

Because our firm performs a substantial number of "Yellow Book" type engagements, we routinely receive desk reviews from various State of Florida departments (DCF, FDOT or DOEA). We have had no field reviews during the last three years, and we are not aware of any disciplinary action ever taken or now pending against our firm or any of our professional accounting staff.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Florida. The firm should also provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations .

Our proposed audit team is comprised of the following principal supervisory and management staff:

William G. Benson, C.P.A.
Israel J. Gomez, C.P.A.

Engagement Partner
Second Review Partner

A profile of each audit team member is included in Section IV, which lists specific governmental experience, qualifications, continuing professional education and memberships in professional organizations relevant to the performance of the audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also shall indicate how the quality of staff over the term of the agreement will be assured.

Due to our firm's concentration of governmental and not-for-profit clients, we sponsor continuing professional education courses annually regarding a variety of governmental subjects, including Governmental Accounting Standards Board (GASB) pronouncements. One eight-hour governmental seminar is offered to our governmental clients. In addition, our entire professional governmental accounting staff takes eighty hours of "governmental qualified" continuing education courses every two years.

TECHNICAL PROPOSAL

5. Partner, Supervisory and Staff Qualifications and Experience (continued)

A profile of each audit team member is included in Section IV, which lists specific governmental experience, qualifications and continuing professional education.

We have experienced very low turnover of our professional accounting staff members and our firm philosophy emphasizes direct partner involvement in each engagement including various phases of the audit fieldwork and review processes. We believe this partner involvement positively impacts engagement staff continuity.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City of Key West. However, in either case, the City of Key West retains the right to approve or reject replacements.

We understand that the engagement partners, managers, other supervisory staff and specialists mentioned in this request for proposal may only be changed with the express prior written permission of the City.

Consultants and firm specialists mentioned in response to this request for proposal can only be changed with the express prior written permission of the City of Key West, which retains the right to approve or reject replacements.

We understand that consultants and firm specialists mentioned in this request for proposal may only be changed with the express prior written permission of the City.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

We understand that other audit personnel mentioned in this request for proposal may only be changed with the express prior written permission of the City.

6. Prior Engagements with the City of Key West.

List separately all engagements within the last five years, for the City of Key West, by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

Scope of work:	External Audit Services
Date:	2008 to present
Engagement Partners:	William G. Benson, C.P.A./Israel J. Gomez, C.P.A.
Office Location:	Fort Lauderdale, Florida
Principal Client Contact:	Mr. Roger Wittenberg, Finance Director
Phone Number:	305-809-3822

TECHNICAL PROPOSAL

7. Similar Engagements with Other Governmental Entities

For the firm's office that will be assigned responsibility for the audit:

- a. List the most significant engagements (maximum of 5) performed in the last five years similar to the engagement described in this Request for Proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, the name and telephone number of the principal client contact, and the extent of their participation in the GFOA Certificate program.

Mr. Roger Wittenberg, Finance Director

City of Key West

Phone: 305-809-3700

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Date of work: 2008 through present

Engagement partner(s): William G. Benson, C.P.A./ Israel J. Gomez, C.P.A.

Total hours: 1,100

Mr. Dave Keller, Assistant City Manager/Chief Financial Officer

City of Weston, Florida

Phone: 954-385-2000

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Date of work: 2004 through present

Engagement partner(s): Cynthia L. Calvert, C.P.A.

Total hours: 1,000

Ms. Kristi Caravella, Ph.D., Director of Financial Services

City of Plantation, Florida

Phone: 954-797-2202

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Date of work: 1994 through present

Engagement partner(s): William G. Benson, C.P.A.

Total hours: 900

Ms. Peta-Gay Lake, Assistant Director of Finance

City of Coconut Creek

Phone: 954-973-6730

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Date of work: 2009 through present

Engagement partner(s): Cynthia L. Calvert, C.P.A.

Total hours: 600

Ms. Minal Shah, CPA, Assistant City Manager

City of Sunny Isles Beach

Phone: 305-792-1775

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Date of work: 2011 through present

Engagement partner(s): Cynthia L. Calvert, C.P.A.

Total hours: 450

TECHNICAL PROPOSAL

7. Similar Engagements with Other Governmental Entities (continued)

b. List all current similar engagements including scope of work, preparer of financial statements and participation in the GFOA Certificate program.

Mr. Brian K. Raducci, Finance Director

City of Aventura

305-466-8900

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Israel J. Gomez, C.P.A.

Ms. Peta-Gay Clemetson, Assistant Director of Finance

City of Coconut Creek

954-973-6730

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Cynthia L. Calvert, C.P.A.

Ms. Nicki Satterfield, Assistant Finance Director

City of Dania Beach

954-924-3672

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Cynthia L. Calvert, C.P.A.

Mr. Roger Wittenberg, Finance Director

City of Key West

305-809-3822

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Israel J. Gomez, C.P.A.

Mr. Frank DiPaolo, Director of Finance

City of Lighthouse Point

954-943-6500

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): David Tad Williams, C.P.A.

Mr. Gerard Piri, Finance Director

City of North Bay Village

305-756-7171

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Kenneth G. Smith, C.P.A.

Mr. Peter L. Rosaco, Financial Director

City of Marathon

305-743-0033

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Cynthia L. Calvert, C.P.A.

TECHNICAL PROPOSAL

7. Similar Engagements with Other Governmental Entities (continued)

Ms. Kristi Caravella, Ph.D., Director of Financial Services

City of Plantation

954-797-2202

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): William G. Benson, C.P.A.

Mr. Alfredo Riverol, Finance Director

City of South Miami

305-663-6343

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Israel J. Gomez, C.P.A.

Ms. Minal Shah, CPA, Assistant City Manager

City of Sunny Isles Beach

305-792-1775

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Cynthia L. Calvert, C.P.A.

Mr. David Keller, Assistant City Manager/Chief Financial Officer

City of Weston

954-385-2000

Scope of work:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Cynthia L. Calvert, C.P.A.

Ms. Maria Camacho, Finance Director

Town of Golden Beach

305-932-0744

Scope of work:

Annual financial and compliance audits of the Town

Assistance in helping the Town obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Kenneth G. Smith, C.P.A.

Ms. Georgina Rodriguez, CPA, CGFO, Finance Director

Town of Pembroke Park

954-966-4600

Scope of work:

Annual financial and compliance audits of the Town

Assistance in helping the Town obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Kenneth G. Smith, C.P.A.

Mr. Gary S. Clinton, CPA, CPFO, Finance Director

Village of Pinecrest

305-234-2121

Scope of work:

Annual financial and compliance audits of the Village

Assistance in helping the Village obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Cynthia L. Calvert, C.P.A.

Mr. John L. Tomlinson, Finance Director

Village of Sea Ranch Lakes

954-943-8862

Scope of work:

Annual financial and compliance audits of the Village

Assistance in helping the Village obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Engagement partner(s): Cynthia L. Calvert, C.P.A.

TECHNICAL PROPOSAL

8. Specific Audit Approach

The proposal shall set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal. In developing the work plan, reference shall be made to such sources of information as the City of Key West's budget, financial and other management information.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- c. Extent to which statistical sampling is to be used in the engagement.
- d. Extent of use of MIS software in the engagement.
- e. Type and extent of analytical procedures to be used in the engagement.
- f. Approach to be taken to gain and document an understanding of the City of Key West's internal control structure.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

We have provided below a preliminary engagement work plan to perform the financial and compliance audits which involve the government-wide financial statements, the various funds, and the capital assets and long-term debt of the City.

In performing the financial and compliance audits for the City we will follow very detailed and comprehensive audit programs. Further, it is our policy to utilize the talents of our client's personnel wherever and whenever it is feasible to do so in the course of any engagement in order to most efficiently and economically perform the engagement.

The following is a summary of the audit work plan:

Segment 1: Preliminary and Risk Assessment Work

The first segment will be performed by two professional staff members and will encompass approximately 300 hours.

Obtain an understanding of the accounting and management systems including documentation of the system of internal control through conferences with the various key finance department personnel and standardized checklists.

Obtain information needed to identify risk assessment by making certain inquiries and considering fraud risk factors and other information.

Obtain an understanding of the various funds, capital assets and long-term debt utilized.

Review the grants, contracts and various revenue sources and complete "Single Audit" checklist for determination of compliance audit and reporting requirements for both Federal and State single audit purposes.

Review of bond indenture covenants and pertinent ordinances for determination and completion of compliance audit requirements.

TECHNICAL PROPOSAL

8. Specific Audit Approach (continued)

Assess control risk and determine extent of testing.

Review and perform certain transaction and procedural tests which will include the examination of source documents. These tests of the system will include tests of cash receipts and disbursements, sales and utility billing, compliance, and payroll. Audit samples will be determined based on transaction size and number of total transactions.

Perform preliminary analytical review procedures.

Review commission and other pertinent minutes.

Perform compliance audit procedures where necessary.

Coordinate preparation of confirmation requests.

Working paper review.

Plan the additional segments of the financial audit procedures with the City's finance personnel including a list of schedules and working papers to be prepared by client personnel.

Segment 2: Final Work

The second segment will be performed by three professional staff members and will encompass approximately 500 hours.

Perform various tests and validation procedures on selected asset, liability and equity accounts in all funds and for capital assets and long-term debt.

Examine certain revenue and expenditure accounts in all funds.

Send confirmations where applicable.

Send correspondence to attorneys as necessary.

Perform final compliance testing as necessary.

Perform final analytical procedures.

Obtain a management representation letter.

Working paper review and proposed journal entry approval.

Exit conference with City Manager and Finance Director.

Sample sizes in the various phases of the engagement would be determined based on population sizes, audit objectives and nature of transaction and/or account. We have standardized checklists and audit software that assists in the selection of these samples. Additionally, we would utilize both "statistical" and "non-statistical" methods to select certain test transactions.

TECHNICAL PROPOSAL

8. Specific Audit Approach (continued)

We will also utilize various forms of analytical procedures to accomplish certain audit objectives. We anticipate areas of concentration subject to analytical procedures to be services revenues and expenditures. We retain the right to use judgment as to the extent of analytical procedures to be used based mainly on the results of other testing completed.

In addition, we utilize personal computers and paperless audit software, where applicable, in connection with our audit workpaper preparation and documentation

Segment 3: Reports

The third segment will be performed by three professional staff members and will encompass approximately 300 hours.

Preparation of the Basic Financial Statements.

Preparation of Reports on Internal Controls and Compliance.

Preparation of Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program and State Project in accordance with OMB Circular A-133.

Preparation of Report to City Management which will include any material weaknesses and any irregularities and illegal acts.

Preparation of the management letter.

Review of the Annual Local Government Financial Report filed with the Florida Department of Financial Services to verify that it is in agreement with the financial statements.

Review of the financial statements, reports and other information.

Cold review of the financial statements, reports and other information.

9. Identification of Anticipated Potential Audit Problems

The proposal shall identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City of Key West.

At this time we are not aware of any potential audit problem areas. If selected, we will communicate any potential problem areas we become aware of during the audit. At that time, we would outline our approach to resolving such problem areas and the level of assistance necessary from the City's personnel.



Keefe, McCullough & Co., LLP
Certified Public Accountants

PEER REVIEW DOCUMENTS

AJ&K

Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 609 □ 405 Second Street □ Manchester, GA 31816
(706) 846-8401 □ Fax (706) 846-3370

SYSTEM REVIEW REPORT

To the owners

Keefe, McCullough & Co., LLP

And the Peer Review Committee of the Florida Institute of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Keefe, McCullough & Co., LLP (the firm) in effect for the year ended August 31, 2011. Our review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/summary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Keefe, McCullough & Co., LLP in effect for the year ended August 31, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Keefe, McCullough & Co., LLP has received a peer review rating of *pass*.



Manchester, Georgia
December 7, 2011

PEER REVIEW DOCUMENTS



FICPA Peer Review Program
Administered in Florida by the
Florida Institute of CPAs



AICPA Peer Review Program
Administered in Florida by the
Florida Institute of CPAs

April 24, 2012

Joseph D. Leo, CPA
Keefe, McCullough & Co., LLP
6550 N. Federal Hwy., Ste. 410
Fort Lauderdale, FL 33308

Dear Mr. Leo:

It is my pleasure to notify you that on April 24, 2012 the Florida Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is February 28, 2015. This is the date by which all review documents should be completed and submitted to the administering entity. If your due date falls between January and April, you can arrange to have your review a few months earlier to avoid having a review during tax season.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in blue ink, which appears to read 'Paul N. Brown', is positioned above the typed name.

Paul N. Brown
Director of Technical Services
brownp@ficpa.org

cc: David C. Jordan, CPA

Firm Number: 10036786

Review Number: 327539



PEER REVIEW PROGRAM

is proud to present this

Certificate of Recognition

to

KEEFE, MCCULLOUGH & COMPANY, LLP

For having a system of quality control for its accounting and auditing practice in effect for the year ended August 31, 2011 which has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and which was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

A handwritten signature in dark ink, reading "Jacey C. Golden". The signature is fluid and cursive, with a horizontal line drawn underneath the name.

Jacey Golden, Chair
AICPA Peer Review Board
2012