

# Executive Summary



To: Jim Scholl, City Manager

CC: Mark Z. Finigan, Assistant City Manager

From: Roger D. Wittenberg, Finance Director

Date: June 20, 2011

RE: Independent Audit Services Contract

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## Action:

This is a request to exercise the two year extension option between the City of Key West and Keefe, McCullough & Co., LLP. for independent financial audit services.

## Background:

The City entered into a three (3) year contract, for external/independent audit services, with Keefe, McCullough & Co., LLP in 2008 for a term of three fiscal years. The contract also included an additional 2 year option to extend.

"Auditor will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of City of Key West, Florida, as of and for the years ended September 30, 2008, 2009, 2010, and in the event CITY exercises the option referred to in paragraph 2 below, 2011 and 2012. Accounting standards generally accepted in the United States provide for certain required supplementary information, such as management's discussion and analysis (MD&A), to accompany CITY'S basic financial statements."

## Advantages/Disadvantages:

### Advantages:

1. The firm is already knowledgeable of the City and its financial practices. They have been extremely diligent and independent in conducting annual City audits as well as providing constructive feedback on means and methods in improving the City's financial reporting requirements as well as improving the City's operations as it relates to financial processes and policies.
2. Exercising the option will result in no loss of Staff time or cost to extend the current contract versus going out to bid.

### Disadvantages:

1. No bid process to compete for fees.

**Options:**

1. The Commission can approve the extension of the contract as recommended by Staff.
2. The Commission can disapprove the extension of the contract and direct staff to go out to bid for audit services.

**Financial:**

The contract includes a yearly 3% increase to the maximum gross that can be charged. The first year extension amount is \$117,000. The second year extension amount is \$121,000. When this contract was bid in 2007 we received two bids, \$105,000 (Keefe, McCullough & Co., LLP.) and \$183,700 from an out of state accounting firm. At that time, the contract that had just expired we had paid \$129,500. We therefore feel the rate being charged is very competitive. Additionally, we have received no indications of "interest" from local accounting firms who may wish to propose.

**Recommendation:**

Staff supports exercising the contract extension of audit services to Keefe, McCullough & Co., LLP. The 3% increase amount has a minimal financial impact. The bid process has a cost associated with it – staff time and advertising. In addition, the familiarity with the City and its financial practices, gained through the last 3 audits, reduces the amount of hours/cost required to perform a thorough audit and results in less impact on City staff resources.

**Attachments:**

2011 Engagement Letter  
Audit Services Contract