

RESOLUTION NO. 08-227

**A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, RANKING AND AUTHORIZING THE NEGOTIATION OF A CONTRACT FOR EXTERNAL AUDITING SERVICES; PROVIDING FOR AN EFFECTIVE DATE**

WHEREAS, the City issued Request for Proposals 08-013-AUDIT on June 1, 2008 for external auditing services; and

WHEREAS, two firms responded, both of which the City Commission Audit and Finance Committee determined to be responsive at their July 24, 2008 meeting;

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.

(2) Cherry, Bekaert & Holland

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

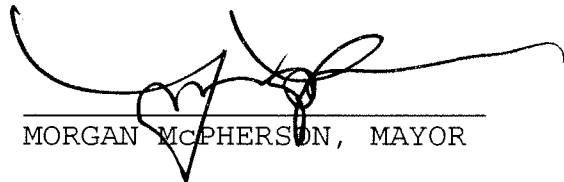
negotiations wit the second ranked firm. Upon completion of negotiations, the City Manager shall submit a contract to the City Commission for approval.

Section 3: 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 5 day of August, 2008.

Authenticated by the presiding officer and Clerk of the Commission on August 6, 2008.

Filed with the Clerk August 6, 2008.

  
MORGAN McPHERSON, MAYOR

ATTEST:

  
CHERYL SMITH, CITY CLERK



## EXECUTIVE SUMMARY

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**To:** City Commission  
**From:** Kathryn Watts, Internal Auditor *K.W.*  
**Through:** City Commission Audit and Finance Committee  
**Date:** July 24, 2008  
**Subject:** Ranking Bid firms for External Auditing Services

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### **BACKGROUND**

Florida Statutes, Section 218.391, establishes required procedures for the selection of auditors to perform the annual financial audits required by Section 218.39. This section of law was amended by Chapter 2005-32, Laws of Florida, effective July 1, 2005, to specify a consistent auditor selection process.

The auditor selection law establishes an auditor selection process that requires the use of an audit committee, a request for proposal (RFP) for the solicitation of the necessary audit services, and a selection and negotiation process in which fees cannot be the sole or predominant reason for selecting a particular audit firm.

Resolution 06-294 (amended in Resolution 08-160) established the City Commission Audit and Finance Committee (Committee) and adopted the Committee's Charter, providing a formal mechanism for the external and internal auditors and other interested parties to candidly discuss audit related issues, thus enhancing the auditors' independence and objectivity.

The Committee members include:

Dan Kolhage, City Commissioner, District 3, and Committee Chairman  
Teri Johnston, City Commissioner, District 5  
Michael Knowles, Public Member  
Scott Saunders, Public Member

In accordance with the auditor selection law, the following actions were taken:

- June 1, 2008 – "RFP #08-013-AUDIT" advertisement published for solicitation of auditing services commencing the fiscal year ending September 30, 2008.
- July 9, 2008 - Two proposals were received and opened by the City Clerk's Office in response to the RFP 3:00 p.m. deadline.
- July 24, 2008 – At a publicly noticed meeting the proposals were evaluated for completeness ensuring they meet the minimum requirements listed in the RFP.

## **OPTIONS**

**Option 1:** Rank the Independent auditing firms and authorize the City Manager to negotiate a contract.

**Advantage:** The City may proceed with a qualified independent auditing firm to perform the City's financial audits in compliance with State auditor selection law.

**Disadvantage:** None

**Option 2:** Do not rank the Independent auditing firms and do not authorize the City Manager to negotiate a contract.

**Advantage:** None

**Disadvantage:** Lose accountability from the stakeholders that utilize independent auditing firms' management letters to make financial decisions and potential repercussions from the Auditor General's oversight of non-qualified firms.

## **RECOMMENDATION**

Rank the Independent auditing firms and authorize the City Manager to negotiate and execute a contract for external auditing services commencing with the year ending September 30, 2008.



## INTERNAL MEMORANDUM

**To:** City Commission Audit and Finance Committee and City Commission  
**From:** Kathryn Watts, Internal Auditor *K.W.*  
**Date:** July 25, 2008  
**Subject:** Verification Checks for Bid firms for External Auditing Services

### BACKGROUND

In response to Request for Proposals #08-013-AUDIT, two proposals were received and opened by the City Clerk's Office on July 9, 2008. The two firms are:

- Cherry, Bekaert & Holland, LLP, and
- Keefe, McCullough & Co., LLP

### EVALUATION PROCESS

To assist the City Commission and Audit and Finance Committee members with the proposal evaluation and ranking processes, I performed the following actions:

- Independently contacted 3 government entities listed in each of the proposers' "Technical Proposal" section where similar engagements were performed. The contacts included: engagements performed within the Florida Keys; where key contact personnel could readily be identified through the government entity's public website; and where at least one entity no longer utilizes the firm.
- Visited the Florida Department of Business and Professional Regulation website to verify that the firm's Certified Public Accountant License status is current and whether any public complaints were issued.

The following tables indicate the results of the actions performed:

Name of Firm	Is License Current (Yes or No)?	Were Public Complaints Issued (Yes or No)?	If yes, describe the complaint and action taken.
Cherry, Bekaert, & Holland	Yes	No	No Complaints.
Keefe, McCullough & Co.	Yes	No	No Complaints.

Cherry, Bekaert, & Holland:

Name of Entity	Engagement Terms and Last Year Performed	Were Contract Terms Met (Yes or No)?	Level of Service (Excellent, Satisfactory, or Unsatisfactory)
Monroe County	Current	Yes	Excellent
City of Sanford	5 yr to FY06	Yes	Satisfactory
City of Largo	5 yr to FY06	Yes	Excellent

Keefe, McCullough & Co.:

Name of Entity	Engagement Terms and Last Year Performed	Were Contract Terms Met (Yes or No)?	Level of Service (Excellent, Satisfactory, or Unsatisfactory)
Village of Islamorada	Current	Yes	Excellent
City of Margate	1975 to 2005, each contract for a 5 year period	Yes	Excellent
City of Aventura	5 yr to FY04	* Yes	* Good to Excellent

\* The City of Aventura's Controller and Finance Director have been with that City less than one year and could not comment on how the firm performed during their contract. However, they provided the prior Controller's contact information who responded back with comments regarding the contract performance and level of service expectations.

Additional comments received regarding the 2 firms:

- Aventura – “Aventura has a mandatory five year rotation policy written in the charter. It was a pleasure to have the same audit staff from Keefe, McCullough return two years in a row. City in existence 12 years.”
- Monroe County – “My personal experience in working with the CB&H staff has been a rewarding one. I have worked with two partners and two audit managers over the years. While there is always an initial adjustment period with new audits, I have found them to be helpful, cooperative, and knowledgeable”.
- Sanford – “The last year of their 5 year contract was FY06, and we extended one year. The 06 audit fee included additional costs for SRF loan closeout audits. FY07 was negotiated, however they asked for additional costs due to extra hours they had to spend. Except for the extra fee, they met expectations”.
- Largo – “We would engage CB&H again in the future. Largo engaged CB&H for 5 years and would have engaged them longer, except that the City has a five year auditor rotation policy. We did purchase CBH's Go Fund software, which helps prepare the government-wide statements. The product works well and we have received excellent support”.
- Islamorada – “This engagement isn't structured as an hourly billing arrangement, so I don't have information on the number of hours proposed to perform the engagement. Keefe, McCullough has been serving as the Village's auditor for several years, and I have personally had the opportunity to work with them on audit engagements for other entities. They are professional and knowledgeable. While they always maintain their role as independent external auditors, they are able to do so without being adversarial or combative, working towards the goal of appropriate internal controls and financial statements which fairly and accurately represent the Village's financial position”.

**CONCLUSION**

The reference and license checks were independently verified for the City Commission and Committee Members' use during the evaluation and ranking processes.

**Cherry, Bekaert & Holland, L.L.P.**  
**The Firm of Choice.**

**Proposal to Provide Audit Services**

## **City of Key West, Florida**

**Request for Proposal # 08-013**  
**July 9, 2008**



Eddie Burke  
Partner  
Cherry, Bekaert & Holland, L.L.P.  
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Raleigh, NC 27608

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Table of Contents

1. Firm Qualifications and Experience..... 1
Overview..... 1
Local Service Commitment..... 1
Independence..... 2
License to Practice in Florida..... 2
Government Services Group..... 2
Experience with the GFOA Certificate of Achievement for Excellence..... 2
Audit Experience with Local Governments..... 2
Peer Reviews and Desk Reviews..... 4
Disciplinary Action and Litigation..... 4
2. Qualifications of Assigned Personnel..... 5
Resumes..... 5
Continuing Professional Education and Training..... 7
3. Similar Engagements with Other Government Entities..... 9
4. Specific Audit Approach..... 10
Audit Approach..... 10
Proposed Segmentation of the Engagement..... 11
Statistical Sampling and Sample Sizes..... 12
Use of EDP Software..... 13
Analytical Procedures..... 14
Understanding of Internal Control Structure..... 14
Test of Compliance – Audit Samples..... 15
Review and Auditing EDP Software..... 15
Communication Philosophy..... 16
5. Fee..... 17
Appendix A: Peer Review Report
Appendix B: Anti-Kickback Affidavit
Appendix C: Public Entity Crimes Certification



**Proposal to Serve the City of Key West, Florida**



July 9, 2008

Roger D. Wittenberg, Finance Director  
City of Key West  
Post Office Box 1409  
Key West, Florida 33040

Dear Mr. Wittenberg:

Cherry, Bekaert & Holland, L.L.P. ("CB&H") is pleased to present this proposal to serve as independent auditors for the City of Key West, Florida ("the City"). This proposal is to perform audit services for the City for the years ending September 30, 2008 through 2010 with two additional option years.

CB&H is one of the largest accounting firms based in the southeastern United States, with 25 offices throughout six states. Our primary business is that of serving the public sector, with more than 100 public sector entities served throughout the southeast. City government comprises a significant portion of the CB&H Government Services Group, including several cities currently being served in Florida.

Our proposed service team for the City consists of seasoned professionals, the vast majority of whom have significant City experience. I will be the lead service team professional and will be directly responsible for the performance of our services. The continuity of our professional experience and expertise, not only in the management but also in the performance of our work, will ensure high quality performance and priority for the City.

Outlined in this proposal are key factors that distinguish CB&H from other providers of government auditing services. Among these are the experience level and expertise of our client service team, our firm's stature, capabilities and focus on government services, and our knowledge of City governments. Please feel free to contact me, as an authorized firm representative, at (919) 782-1040 should you have any questions regarding this proposal. This proposal is a firm and irrevocable offer for sixty (60) days and is subject to the successful completion of the Firm's standard client acceptance procedures.

Very truly yours,  
**CHERRY, BEKAERT & HOLLAND, L.L.P.**

A handwritten signature in black ink, appearing to read "Eddie T. Burke".

Eddie T. Burke, CPA  
Partner



## 1. Firm Qualifications and Experience

### Overview



Cherry, Bekaert & Holland, L.L.P. (CB&H) is one of the largest regional CPA firms headquartered in the Southeast, with 13 practice units (25 offices) in six states from Florida to Virginia, and a staff complement of over 700 people. Since its establishment in 1947, CB&H has grown to rank as the 27th largest CPA firm in the nation. We offer the highest caliber of personal attention, responsiveness, and accessibility our clients expect and deserve — coupled with the worldwide resources to satisfy their needs. Today, the Firm comprises a broad network of professionals offering a wide range of quality services to over 25,000 clients. Our significant growth over the last several years is directly related to our strong commitment to our people and our clients.

CB&H clients primarily are local and state governments and agencies, privately held businesses, and not-for-profit organizations. Public sector audits and services comprise the strongest industry segment among this client base. As with several other key sectors, service to government entities is organized as a firm-wide industry group to coordinate staffing, quality control, continuing education, marketing and overall service delivery.

### **National and International Resources**

CB&H is an independent member of Baker Tilly International, a global alliance of more than 138 premier accounting and consulting practices focused on serving the global needs of growing enterprises. As the 8th largest network in the world, Baker Tilly International has over 500 offices in 104 countries with a staff of more than 24,000.

CB&H is a founding member of this alliance, which offers a powerful fusion of local expertise with global reach. Baker Tilly International members — all prominent practices in their home markets — are skilled at helping enterprises compete effectively in the global arena. We also bring you a wide range of services, expanded ability to improve all areas of your operations, enhanced expertise in virtually any industry and extensive geographic coverage.

### **Regional Resources**



Headquartered in Richmond, Virginia, CB&H has practice offices in Virginia, North and South Carolina, Georgia, Alabama and Florida. CB&H provides a unique alternative to other national, regional and local firms. Clients choose us to be their accounting firm primarily because we provide the depth of knowledge and experience of a national firm and the attention and service of a large local firm. Our clients appreciate the ability to access the level of resources and capabilities of a national firm while enjoying the benefits of direct partner involvement; staff continuity; communication; responsiveness; and tailored, streamlined service plans, all of which are hallmarks of CB&H service.

### **Local Service Commitment**

CB&H prides itself on fostering the success of its clients. For over 60 years, CB&H has been the professional Firm of Choice for government entities in the Southeast U.S. With four office locations in Florida: Orlando, the Tampa Bay Practice (offices in Tampa and St. Petersburg) and West Palm Beach, CB&H has a strong presence throughout the state.

CB&H is well-entrenched in the Florida business community, and successfully services clients throughout the state in a variety of industries. Government services represent the most significant portion of our Florida practice.

CB&H has served the Florida community for more than 30 years, with such notable clients as the City of Sanford, City of Haines City, City of Stuart, City of Pinellas Park, City of Clearwater, City of Ft. Myers, State of Florida, Orange County, Martin County, Charlotte County, Monroe County, Sarasota County, Florida Virtual School, the District School Board of Osceola



**Proposal to Serve the City of Key West, Florida**

County, the District School Board of Pasco County, the District School Board of Collier County, the District School Board of Seminole County, the District School Board of St. Lucie County, the District School Board of Sarasota County, the District School Board of Lee County, Orange County Housing Finance Authority, LYNX, HARTline, Orlando-Orange County Expressway Authority, Orange County Library District, International Drives Master Transit and Improvement District, and Rollins College. As indicated by clients listed above, our practice is highly concentrated on serving government organizations, and our professionals are very specialized in this area.

**Independence**

CB&H is independent of the City of Key West and its agencies, in accordance with *Government Auditing Standards*. Specifically, CB&H is independent with respect to the City Commissioners.

We have had no professional relationships involving the City of Key West or any of its agencies or component units during the past five years.

**License to Practice in Florida**

CB&H and its key assigned professional staff are properly licensed or in the process of getting licensed to practice in the State of Florida.

**Government Services Group**



For CB&H, the coordination and allocation of resources and talents is accomplished through the Government Services Group (GSG). The GSG is responsible for assuring seamless service delivery, quality control and continuing education for government engagements throughout the Firm. The commitment of the Firm to government service is demonstrated by our sustained growth in this practice area as well as the depth of experience of personnel in

this group. As a result of this commitment, our personnel have extensive knowledge of the methods and techniques applicable to government auditing and have applied this knowledge successfully for many clients. Currently, over 80 professionals firm-wide provide services to government entities. The Firm is committed to provide varied auditing and consulting services to governments and authorities. CB&H audits over 150 local governments, authorities and public agencies throughout the Southeastern United States.

**Experience with the GFOA Certificate of Achievement for Excellence**

The Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting is a mark of financial accountability and quality reporting. We will assist you in any way necessary to continue to receive this award every year. CB&H has extensive experience in assisting with the preparation of and the review of the statements and related information for submission to the GFOA for this award. Firm-wide we have assisted over 100 governmental entities with this award.

Florida clients that currently receive the Certificate of Achievement include Orange County, Charlotte County, Martin County, Monroe County, Sarasota County, the City of Clearwater, the City of Ft. Myers, the City of Sanford, the City of Stuart, the City of Pinellas Park, Orange County Library District, LYNX, Orlando-Orange County Expressway Authority, Lee County District School Board, Pasco County District School Board and Sarasota County District School Board.

**Audit Experience with Local Governments**

CB&H is committed to providing auditing and consulting services to governmental organizations. We audit over 150 local governments, authorities and public agencies throughout the Southeastern United States. As a result, we have an extensive

## Proposal to Serve the City of Key West, Florida

understanding of government auditing and accounting requirements and have a thorough knowledge of methods and techniques applicable to government auditing. Our ability to apply this knowledge is demonstrated by our extensive list of government clients, as well as by our clients' satisfaction with our work. A representative listing of government entities we have served over the last five years follows (**bold text** designates Florida clients).

### CITIES AND TOWNS

- City of Augusta, GA
- **City of Clearwater, FL (2005 to Present)**
- City of Charlotte, NC
- City of Chesapeake, VA
- City of East Point, GA
- City of Greensboro, NC
- City of Greenville, NC
- City of Hampton, VA
- **City of Largo, FL (2002 to 2006)**
- City of Lumberton, NC
- City of Manassas, VA
- City of Newport News, VA
- City of Norfolk, VA
- City of Portsmouth, VA
- City of Durham, NC
- City of Fayetteville, NC
- **City of Ft. Myers, FL (2005 to Present)**
- Town of Denton, MD
- City of Raleigh, NC
- City of Douglasville, GA
- City of Greenville, SC
- **City of Haines City, FL (2005 to Present)**
- City of Hapeville, GA
- City of Lincolnton, NC
- City of Morrow, GA
- **City of Pinellas Park, FL (2003 to Present)**
- **City of Sanford, FL (2002 to Present)**
- City of Fredericksburg, VA
- City of Spartanburg, SC
- **City of Stuart, FL (2006 to Present)**
- City of Virginia Beach, VA
- Town of Cary, NC
- City of Oak Ridge, TN
- Town of Spring Lake, NC
- City of Wilson, NC

### COUNTIES

- Aiken County, SC
- **Charlotte County, FL (2005 to Present)**
- Cumberland County, NC
- Durham County, NC
- Fauquier County, VA
- Gaston County, NC
- Greenville County, SC
- Hanover County, VA
- Lincoln County, NC
- **Martin County, FL (2005 to Present)**
- **Monroe County, FL (2003 to Present)**
- Moore County, NC
- New Kent County, VA
- **Orange County, FL (2001 to Present)**
- Pasquotank County, NC
- Richmond County, GA
- Rockingham County, NC
- **Sarasota County, FL (2004 to Present)**
- Wake County, NC

### AUTHORITIES, COMMISSIONS AND AGENCIES

- Appalachian Electric Cooperative, TN
- **Casselberry CRA, FL (2006 to Present)**
- **Central Florida Regional Transit Authority (LYNX) (2005 to Present)**
- Central Virginia Planning County Commission, VA
- Central Virginia Waste Management Authority, VA
- City of Atlanta/Fulton County Recreation Authority, GA
- City of Augusta Water Works, GA
- Charlotte-Douglas Airport, NC
- Chesapeake Redevelopment & Housing Authority, VA
- Cleveland County Sanitary District, NC
- Columbia County Water & Sewer System, GA
- Eastern Band of the Cherokee Indians
- Fayetteville Convention & Visitors Bureau, NC
- Fayetteville Public Works Commission, NC
- Greater Lynchburg Transit Authority, VA
- Greensboro Housing Development Partnership, NC
- Greenville Utilities Commission, NC
- Greer Commission of Public Works, SC
- Hartsfield International Airport, GA
- Hillsborough Area Regional Transportation Authority (HARTline) (2005 to Present)
- Norfolk Redevelopment and Housing Authority, VA
- North Carolina Independent Housing Authority, NC
- North Carolina Eastern Municipal Power Agency, NC
- North Carolina Municipal Power Agency No. 1, NC
- Office of the Secretary of State, GA
- **Orange County Educational Facilities Authority, FL (2001 to Present)**
- **Orange County Health Facilities Authority, FL (2001 to Present)**
- **Orlando-Orange County Expressway Authority, FL (2002 to Present)**
- **Orange County Library District, FL (2001 to Present)**
- **Orange County Housing Finance Authority (2004 to Present)**
- Pitt Greenville Convention and Visitors Bureau, NC
- Portsmouth Housing Development Corporation, VA
- Qualla Housing Authority, SC
- Raleigh Durham Airport Authority, NC
- Randolph Electric Membership Cooperative, NC
- Sheppard Memorial Library, NC
- **State of Florida (2001 to Present)**
- Tampa Bay Regional Planning Council, FL (1998 to Present)



## Proposal to Serve the City of Key West, Florida

- Present)
  - International Drive Master Transit and Improvement District, FL (2001 to Present)
  - Johnston County Housing Authority, NC
  - Metro Atlanta Regional Transit Authority (MARTA)
  - Moore County Airport Commission, NC
  - Richmond County Water/Sewer, GA
  - Richmond International Airport, VA
  - Richmond Redevelopment Authority, VA

### SCHOOL DISTRICTS

- Asheboro City Board of Education, NC
- Clarke County, VA
- Cleveland County Board of Ed., NC
- Collier County, FL (2000 to Present)
- Columbia County Schools, GA
- County of Spartanburg School District 4, SC
- County of Spartanburg School District 7, SC
- Escambia County, FL (2000 to Present)
- Goochland County, VA
- Lake County, FL (2000 to 2005)
- Lee County, FL (2003 to Present)
- Manatee County, FL (1999-2003)
- Manassas, VA
- New Kent County, VA
- Sarasota County, FL (1999 to Present)
- Orange County, FL (2001 to Present)
- Pasco County, FL (2005 to Present)
- Pinellas County, FL (2000 to Present)
- Osceola County, FL (2002 to Present)
- Georgia University System Board of Regents: Valdosta St University
- Lancaster County School District, SC
- Norfolk, VA
- Seminole County School District (2004 to Present)
- St. Lucie County, FL (2007 to Present)
- Union County Board of Ed., NC
- Virginia Beach, VA
- Wake County Schools, NC
- Warren County, VA
- Suffolk, VA

## Peer Reviews and Desk Reviews

CB&H has passed, without exception, nine consecutive peer reviews conducted under the auspices of the AICPA. A copy of our most recent peer review report as well as the management letter and response is included as **Appendix A**. The review included a number of specific government engagements.

CB&H is a member of the AICPA's SEC Practice Section and Private Companies Practice Section (PCPS) of the Division for CPA Firms and practices under the AICPA recognized quality control program. Selected CB&H professionals are approved by the AICPA to perform peer review, quality assurance review and consulting review of other CPA firms' quality assurance programs. CB&H is a member firm of the PCAOB.

CB&H leaders and partners in charge of industry practice areas maintain vital links to policy-making bodies in public accounting. CB&H's personnel committee assignments and industry associations include:

- Accounting Standards Executive Committee
- AICPA Professional Ethics Committee
- AICPA Auditing Standards Board
- AICPA Accounting and Review Services Committee
- The President's Council on Integrity and Efficiency and its Standards Subcommittee
- AICPA Technical Issues Committee, Private Companies Practice Section
- AICPA Tax Division and its Individual Taxation Subcommittee
- AICPA SEC Practice Section Executive Committee
- AICPA Accounting Practice Committee
- Florida Institute of Certified Public Accountants Committees

## Disciplinary Action and Litigation

At CB&H, we distinguish ourselves by the quality and accuracy of the work we perform. There has been no disciplinary action taken against the Firm or any individual associated with the Firm by any other regulatory authority in the past three (3) years. Furthermore, there are no judgments, or pending or threatened lawsuits against the Firm or its employees which will affect CB&H's ability to serve the City.



## **2. Qualifications of Assigned Personnel**

The selection of our project team reflects our approach to this project and brings together expertise in the areas of governmental and electronic data processing auditing. The following is a summary of our service team members' resumes. All of these professionals are employed on a full-time basis and have exceeded continuing professional education requirements during the past three years.

### **Resumes**

#### **Eddie Burke, Partner**

Eddie is a Certified Public Accountant in Florida, North Carolina and South Carolina with over 27 years of experience in public accounting. As an Audit Partner, he focuses his practice on providing audit and consulting solutions to some of the Firm's largest government clients.

Eddie has served as engagement partner or concurring reviewer for over 50 local government entities during his career, including large cities, counties, school districts, public utilities and various authorities throughout the Southeast. He was actively involved in assisting more than 25 local governments with the implementation of GASB 34. In addition, he has assisted various organizations with obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting.

Eddie received a Bachelor of Science from Elon University. Eddie is an instructor and speaker for Firm-sponsored government updates. He is a member of the American Institute of Certified Public Accountants (AICPA), North Carolina Association of Certified Public Accountants (NCACPA), the South Carolina Association of Certified Public Accountants (SCACPA), the Government Finance Officers Association (GFOA), the North Carolina Government Finance Officers Association (NCGFOA), the North Carolina League of Municipalities, the North Carolina County Finance Officers Association and the North Carolina Association of School Board Officers. He currently serves on the GFOA Special Review Committee and the NCACPA Government Audit Committee.

#### **Ronald Conrad – Concurring Review Partner**

Ron is a licensed Certified Public Accountant in the state of Florida. He is the Director of CB&H's Florida Public Sector Group. Ron has 27 years of public accounting experience, including 20 with an international accounting firm, where he led the Central Florida government industry practice and had nationally published books on government industry accounting and auditing developments.

Based in CB&H's Orlando office, Ron has also been a featured speaker on government industry matters for various organizations, and participates as a member of the board of directors for numerous not-for-profit organizations. He has served on the Government Finance Officers Association (GFOA) review committee for the Certificate of Achievement Program since the 1980s and has assisted many government organizations to receive the Certificate of Achievement for Excellence in Financial Reporting.

Ron received his Bachelor of Arts in Business Administration and Accounting from Iowa Wesleyan College. He is a member of the American Institute of Certified Public Accountants (AICPA), the Florida Institute of Certified Public Accountants (FICPA), the GFOA and the Florida Government Finance Officers Association (FGFOA).

#### **Ed Mazur, Technical Resource**

Ed is a Certified Public Accountant with over 30 years of experience serving the financial and accounting management needs of federal and state governmental entities. As CB&H's Senior Advisor for Governmental Financial Management, Ed works to focus the resources of the Firm's Government Services Group to address the specific financial accounting and reporting, risk management, compliance, and performance requirements applying to governmental entities.



Nationally recognized for his expertise in government reporting and accountability, Ed has held a number of prominent government positions throughout his career, and recently completed his second and final term on the Governmental Accounting Standards Board (GASB). During his ten years on the Board, Ed contributed to the development of the GASB Statement 34 model for external financial reporting for state and local government entities, as well as 20 additional standards and concept statements, including those requiring the disclosure of risks associated with deposits and investments, the reporting for intangible assets, and the reporting of other post employment benefits.

As State Comptroller for of the Commonwealth of Virginia from 1980 to 1991, Ed was responsible for ensuring the proper execution of the annual statewide budget. He approved and directed the development of all statewide and agency accounting systems and accomplished the Commonwealth's first unqualified audit opinion. He also implemented established performance standards for a number of financial areas and received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

Appointed by the President and confirmed by the U.S. Senate as the first controller named under the Chief Financial Officers Act of 1990, Ed directed the Office of the Federal Financial Management in the Office of Management and Budget from 1991 to 1993. He also previously served as the Controller of Virginia Commonwealth University from 1977 to 1980, where he developed and approved accounting policies and systems and issued the university's first full disclosure financial statements. He also served as Virginia State University's Vice President for Administration and Finance from 1993 to 2004.

### **Lonnie Keogh, Senior Manager**

Lonnie is a licensed Certified Public Accountant in North Carolina with more than 30 years of accounting and auditing experience. Her experience in compliance auditing provides insight as to the challenges and opportunities facing companies as well as awareness of possible suggestions for improving internal control and operational efficiency. She has had extensive audit experience during her accounting career, ranging from small commercial and not-for-profit organizations to multi-office organizations.

Lonnie received a Bachelor of Science in Accounting from the University of New Orleans. She is a member of the American Institute of Certified Public Accountants (AICPA), North Carolina Association of Certified Public Accountants (NCACPA), the Government Finance Officers Association (GFOA), and the North Carolina Government Finance Officers Association (NCGFOA).

### **Bill Simpson, Information Technology Manager**

Bill is a Manager in the Raleigh office's Information Technology Audit Group (ITAG) of Cherry, Bekaert & Holland. He has been a Certified Information Systems Auditor (CISA) since 1999 and has over ten years of experience with system process and controls analysis, security assessment, and IT compliance at large and mid-sized enterprises. At CB&H, Bill is responsible for the planning, staffing and engagement management at CB&H.

Prior to joining Cherry, Bekaert & Holland, Bill has worked at two Big 4 firms, most recently as a Manager in the Technology, Security, and Risk Services group. He has directed audit teams in assessing IT general controls and application controls for multiple clients supporting annual financial audits as well as SAS 70 engagements. Bill's work has covered most of the significant ERP systems including SAP, Oracle Financials, PeopleSoft, Lawson, and Great Plains along with AS/400. Associated with that, Bill has evaluated supporting operating systems including multiple versions of UNIX, mainframe, and Wintel platforms. Bill's other experience includes three years at one of the largest consumer banks in America in an internal audit role. He has experience with clients in diverse areas including retail, transportation and distribution, manufacturing, services, and healthcare industries.

As a manager, Bill has been responsible for all phases of financial audit support on engagements, concentrating on SOX 404 compliance, while concurrently overseeing multiple teams at different clients. Bill has also led teams performing various SAS70 reviews. Bill has assisted clients in identifying appropriate significant business processes and supporting IT processes for control assessments to meet Sarbanes-Oxley Section 302 and 404 compliance goals in both external and internal roles.

## Proposal to Serve the City of Key West, Florida



Bill was appointed the lead manager in the Carolinas for data analysis to perform journal entry analysis using computer assisted auditing techniques (CAAT.)

Bill received a Bachelor of Science in Accounting from West Virginia University as well as Masters of Accountancy in Accounting Information Systems from Virginia Polytechnic Institute and State University's Pamplin School of Business.

### **Additional Staff**

CB&H has a number of governmental auditors. These professionals will be chosen for your engagement, based on their individual skill set and their industry expertise. Throughout the state of Florida, CB&H has the auditors available to ensure your engagement is performed on your schedule.

Each staff member at CB&H is required to obtain at least 24 hours of continuing professional education every two years in the area of governmental accounting and at least 40 hours of continuing professional education each year. We provide additional training in areas of specialization such as the not-for-profit industry. Each year, CB&H requires its staff to attend internal and external training courses in technical and non-technical skills. CB&H also holds annual seminars for staff, clients and non-clients in areas of specialization such as the not-for-profit and governmental industries.

Additionally, each of the above indicated staff and any other staff assigned to this engagement have experience in performing audits in accordance with the provisions of OMB Circular A-133 and the State Single Audit Implementation Act.

### **Continuing Professional Education and Training**

At CB&H, we consider the training of our professionals to be extremely important in order to best meet the evolving needs of our profession and provide the highest quality of service to our clients. We support our Firm's commitment to lifelong learning through CBHU, or CBH University – a formal, year-round program of intensive, industry-specific training conferences held throughout the Southeast. The CBHU training program is designed to effectively utilize the Firm's resources to offer continuing professional education at a regional level.

Proposed staff assigned to the City's engagement have met, and will continue to meet, the Continuing Professional Education requirements delineated by *Government Auditing Standards*, issued by the Comptroller General of the United States.

We believe that in order to consistently offer our clients the most current information, continuing education of our personnel is a must. It is the policy of our Firm that all professional personnel comply with the continuing professional education requirements of the AICPA, the SEC Practice Section of the AICPA Division for Firms, the appropriate state boards of accountancy, the U.S. General Accounting Office, and other regulatory agencies as applicable; that all professional staff maintain an adequate awareness and understanding of current developments in technical literature; and that all professional staff assist in the training and development of staff members under their supervision.

Updated information on recent changes in technical standards, as well as the Firm's professional policies and procedures are distributed to staff on a regular basis. Personnel are required to familiarize themselves with all current changes in both standards and procedures. In addition, all partners and staff assigned to government audits meet the continuing education requirements of *Government Auditing Standards*. Examples of continuing education earned by most of the engagement team for this engagement are as follows:

- CB&H Annual Governmental Conference
- CB&H University
- GFOA Annual Conference, NCGFOA and FGFOA conferences
- Local training on specific government subjects (clients may attend)





## **Engagement Team Continuity**

CB&H is committed to maintaining audit staffing for the City. We have a significant depth of professionals available to the City, supported by our firm-wide governmental group. We believe knowledge, efficiency and effectiveness are optimized over time in a client relationship. We, therefore, strive to maintain continuity in partners and key professionals from beginning to end of an engagement and from year to year. Our high percentage of partners and managers relative to our overall personnel complement, particularly compared to large international firms, allows CB&H to utilize significant involvement of our management team in the performance of our services. This allows our clients to be consistently served by knowledgeable and experienced professionals.

We reassign staff to jobs for continuous years, allowing their knowledge of the client to increase the efficiency of our team. Staff continuity benefits both the City and CB&H — you gain the support of professionals who truly understand your environment; we gain professionals with industry-specific expertise. Typically, we will periodically introduce new staff to a particular client. Bringing fresh talent and insight to the engagement team provides new ideas, while maintaining team continuity creates efficiency and reduces the learning curve for new team members.

The City will be a very important client and will be afforded our utmost priority. However, we understand that there may be times where staffing changes are required, and we will work with the City to mutually agree to any staffing changes.



### **3. Similar Engagements with Other Government Entities**

References from current clients served by our Florida practice and our engagement partner are described below. The experiences we have gained through serving local government clients will enable us to serve you effectively and cost-efficiently.

#### **Monroe County, Florida**

- Financial and compliance audit
- 2000 hours
- 2003 to present
- Engagement Partners: Eddie Burke & Ron Conrad
- Contact: Sandee Carfile
- 305.292.3560

#### **City of Clearwater, Florida**

- Financial and compliance audit
- 1,000 hours
- 2005 to present
- Engagement Partners: Ron Conrad
- Contact: Jay Ravins, Assistant Finance Director
- 727.562.4533

#### **City of Ft. Myers, Florida**

- Financial and compliance audit
- 1,100 hours
- 2005 to present
- Engagement Partners: Eddie Burke & Ron Conrad
- Contact: Leigh Walker, Controller
- 239.332.6371

#### **City of Pinellas Park, Florida**

- Financial and compliance audit
- 550 hours
- 2003 to present
- Engagement Partners: Ron Conrad & Jim Burdick
- Contact: Ron Miller, Accounting Manager
- 727.541.0700

#### **City of Stuart, Florida**

- Financial and compliance audit
- 800 hours
- 2006 to present
- Engagement Partners: Ron Conrad & Jim Burdick
- Contact: Dorothy Zaharako, Finance Director
- 772.288.5310

#### **City of Haines City, Florida**

- Financial and compliance audit
- 700 hours
- 2005 to present
- Engagement Partners: Ron Conrad & Jim Burdick
- Contact: Kari Giddens, Assistant Finance Director
- 863.421.9902

## **4. Specific Audit Approach**

### **Audit Approach**

#### **Audit Approach Overview**

The CB&H audit approach is heavily oriented toward involvement of experienced personnel, comprehensive planning and regular communication. We believe the level of staffing we will provide to the City differentiates CB&H from other providers of government auditing services. The City can expect long-term continuity among our engagement team, positive attitudes among professionals that identify the public sector as the focus of our firm, and on-site partner and manager participation in the conduct of our work. CB&H will not be using any subcontractors or "partner in" other firms for the city's audit.

We believe it is important to ensure technical issues are addressed throughout the year, avoiding uncertainties and bottlenecks at year-end. To this end, Eddie Burke and other service team members will utilize their experience to facilitate these efforts.

Our approach will be risk-based, specifically tailored to the City's unique circumstances. Our approach will encompass internal control procedures at each of the internal control systems on which we will report and will focus early on ways to assist the City to facilitate the year end closing process. As part of our audit approach, we will look beyond standard approaches and traditional services for innovative ways to deliver value to your business. The insight we gain from working with you will enable us to identify opportunities to enhance the City's performance.

The fact that CB&H audits Monroe County will provide additional advantages in our ability to serve the City. Already having a local community presence and experienced personnel in the area will provide greater access for the City and economies of scale for CB&H. As with our serves for Monroe County, CB&H services will be led by the engagement management team of Eddie Burke, Ron Conrad and Lonnie Keogh. This team will be supported by other management team members provided in this proposal and staffing that will consist of experienced personnel who have considerable government expertise, similar in manner to the successful approach formulated in serving Monroe County.

#### **Philosophy**

The Governmental Accounting Standards Board, in its Concept Statement #1, identified three objectives to governmental financial reporting: accountability, evaluation and planning. However, due to the unique stewardship responsibilities associated with the power to tax citizens, the document points out that "Accountability is the cornerstone of all financial reporting in government." As our discussion below explains in further detail, the focus on accountability influences the manner in which we treat materiality, and in the way we evaluate risk on a governmental audit engagement.

We also realize that it takes a collaborative effort between CB&H and the City to achieve a system of procedures and controls that assures accountability of public funds while maximizing the use of available City resources.

#### **Risk Assessment**

We believe that our experience with local governments is invaluable when it comes to risk assessment. The vastly different types of services and the tendency for local governments to be more decentralized require a different approach than would be taken with a traditional business. Also, our concept of "materiality" is different. For example, certain functions and departments may not be material to the financial statements but, because of the nature of the service, we may assign them a high audit risk. As a result, our audit focus may be expanded in these areas.



## **Proposed Segmentation of the Engagement**

### **Segmentation**

Our approach will focus on addressing accounting and auditing issues early and assisting the City as necessary to provide a smooth audit at year-end. We will communicate results of our interim procedures and reassess our audit plan to ensure issues have been addressed timely, staffing is appropriate, and our fieldwork is performed in a high quality manner.

We will begin our audit with an initial planning meeting to discuss issues, scheduling, expectations and other relevant issues. We will then formalize a plan that corresponds to the high end of the City's expectations and that appropriately addresses areas of audit and business risk. Communication aspects regarding audit progress and accounting and auditing issues will be incorporated in this plan, which will be provided to the City along with a list of schedules to be prepared during each fiscal year subject to audit. Our audit approach will be divided into four segments:

- Segment I: Orientation and planning
- Segment II: Risk assessment procedures
- Segment III: General audit procedures
- Segment IV: Reporting

#### **Segment I: Orientation and Planning**

Orientation and planning will include the following procedures:

- Meeting with the appropriate City personnel to confirm the timing of our work and review the preparation of schedules so that disruption of day-to-day operations can be minimized
- Review previously issued financial statements, reports and comment letters
- Update and enhance our understanding of the City's accounting policies and procedures, including the financial and other management information systems utilized by the City
- Review the City's current year's budget, the organization chart, investment and other fiscal policies and procedures, security lending agreements, capital leases, bond documents and covenants, etc.

#### **Segment II: Risk Assessment Procedures**

This segment relates to the performance of risk assessment and other planning procedures to obtain information about the City and its environment, including internal controls, and to assess the risks of material misstatement. This segment will include:

- Acquiring in-depth knowledge of the EDP equipment, software and systems in use through completion of a computer control evaluation
- Reviewing for possible areas of exposure in asset protection, custodianship and similar matters
- Inquiries of management and others
- Preliminary analytical procedures to identify potential risks of material misstatement and unusual or unexpected account balances.
- Obtain an understanding of internal controls which will include inquiry, observation and inspection, including tracing transactions through the information systems (i.e. walkthroughs).
- Discussion among engagement team members about the susceptibility of the financial statements to material misstatements, areas of significant audit risk, areas susceptible to management override of controls, important control systems, application of generally accepted accounting principles, materiality at the financial statement level and how materiality will be used to determine the nature timing and extent of testing.
- Planning for this segment includes:
- Obtaining excerpts of pertinent sources to determine the laws and regulations that will be subject to testing

## Proposal to Serve the City of Key West, Florida

- Developing detailed audit programs to test compliance with laws and regulations
- Preparing detailed audit programs based upon the evaluation of internal controls
- Review the preliminary schedule of federal and state financial assistance and make preliminary major program determination. Obtain an understanding of internal controls and test internal controls and compliance.
- Completion of risk assessment questionnaires and other documents associated with risk assessment standards.

### Segment III: General Audit Procedures

General audit procedures includes the following:

- Testing internal controls as deemed cost effective by examining detailed transactions, using audit sampling techniques and substantive testing
- Obtaining listing of cash and investments for confirmation purposes
- Preparing year-end audit programs, which reflect interim findings
- Meeting with appropriate personnel to discuss status of audit and preliminary findings

Reviewing workpapers to ensure quality and thoroughness of work performed

- Confirming cash, investments and bonds payable
- Reviewing cut-off of receivable balances and test amounts recorded.
- Conducting an analytical review of account balances
- Reviewing calculations for doubtful accounts, prepayments and accruals
- Vouching property additions and analyzing changes for appropriate accounting
- Testing depreciation and bond covenant compliance
- Testing accounts payable cut-off through analysis of disbursements
- Completing additional audit procedures as required by the Federal and State Single Audits, if applicable
- Reviewing the financial statements and related notes and comparing to audited amounts
- Detailed review of workpapers by the senior manager and / or engagement partner

### Segment IV: Reporting

Year-end procedures consist of:

- Exit conference with appropriate City personnel to review proposed adjustments, draft of audit report, compliance and internal control reports, management letter and any other pertinent matters
- Review of draft of audit report, compliance and internal control reports, management letter and work papers by a partner with extensive experience in governmental and compliance audits who has not been associated with performance of the audit (quality review partner)
- Completion of audit report, compliance and internal control reports
- Final review of the State of Florida Annual Local Government Financial Report required under F.S. 218.32 for submission to the Department of Financial Services
- Meeting with appropriate City officials to discuss the final audited financial statements and management letter.

## Statistical Sampling and Sample Sizes

Statistical sampling will be used in all aspects of the testing phase, utilizing tailored audit programs. We will conduct tests to ascertain that the significant controls within the system are functioning as described to us. Transactions will be selected and

## Proposal to Serve the City of Key West, Florida

reviewed in sufficient detail to permit us to formulate conclusions regarding compliance with control procedures. Additional tests will be designed to provide reasonable assurance as to the validity of the information produced by the accounting system. The firm has developed sample size guidelines for all samples performed in order to form an opinion on the financial statements under auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

The objective of the guidelines is to improve the quality of sampling by:

- Relating sample sizes more directly with factors that influence sample size
- Reducing unexplainable sample size variability
- Encouraging the use of statistical sampling

Structured worksheets, which give appropriate recognition to factors such as reliance on internal control, nature and timing of audit procedures, size of the organization, dollar total of population being sampled, and sampling error, are used to effectively determine audit samples and evaluate the results of the procedures performed. We use these worksheets to determine the sample size and items selected for grant compliance testing, internal control testing and certain financial accounts. Sample size will vary based on materiality and the population being tested

The extent to which we apply detailed audit procedures and sampling is based on materiality, our evaluation of audit risks and internal accounting control, and the characteristics of items comprising the account balances or class of transactions.

Certain compliance matters, such as bond debt coverage requirements, are not subject to representative sampling procedures. In such instances, we will recalculate compliance requirements or perform other applicable procedures.

### Use of EDP Software



Our audit of the City will feature the combined use of data analysis software, wireless technology and engagement management software. As such, our documentation is virtually paperless with procedures documented in an automated environment and files shared through wireless technology among engagement team members.

**UData Analysis Software.** In order to assist us in the audit process, we use IDEA data analysis software for many of our larger engagements. IDEA is an excellent tool to test for ways to improve efficiency and effectiveness in addition to compliance. IDEA makes it possible for us to perform a 100% test of a transaction class for some attributes in less time that it would take to draw a statistical sample.

**UWork Paper Management.** Our work papers are managed using CCH Engagement, a software package that allows us to prepare, review, transfer and manage our work in a paperless environment.

**Wireless Technology.** On site, our computers are linked using encrypted wireless technology, which greatly facilitates our ability to efficiently manage our engagements. In automating our approach to the City's audit, we will be careful not to duplicate the City's software capabilities. We will take a long-term view toward the City's audit, investing considerable time and effort to automate in order to enhance long-term efficiency. We believe that these perspectives will enhance both the quality and efficiency of the City's audit.

### Commitment to Security and Privacy



At CB&H, we consider the security and privacy of our clients to be of the utmost priority. All workstation computer systems within Cherry Bekaert & Holland, L.L.P. are loaded with POINTSEC encryption. POINTSEC encryption protects all client and Firm data in the event of the loss or theft of an associate's laptop or desktop computer. POINTSEC locks down any use of a lost or stolen computer, requiring the intervention of CB&H's IT department in order to access any files. Also included with this encryption system is the ability to encrypt any data transferred to external storage devices, such as memory sticks, DVDs, CDs, or any other external storage device.



## **Proposal to Serve the City of Key West, Florida**

With the POINTSEC encryption system in place, we use a secure, external Web site for the sole purpose of transferring files between our offices as well as to and from clients. Clients can create their own account and create their own password once provided with the secure address of the site. This Web site only accepts zip files, and notifies the receiving office when a transferred file is available for download. Client accounts created on this site have restricted access to ensure the security of other client accounts.

### **Analytical Procedures**

In addition to testing supporting documents and details of the accounting records, we will perform an overall evaluation of account balances and their interrelationship with each other. We design this analytical review to identify unexpected fluctuations in accounts, the absence of expected fluctuations and other items that appear unusual in light of expected results, past performances, normal relationships and other factors. This provides a business operation approach to auditing. Specifically, we perform analytical procedures:

- To assist in planning the nature, timing and extent of our auditing procedures
- As a substantive test to obtain evidential matter about particular assertions
- As an overall review of financial statements in the final review stage of the audit

Our analytical procedures, which include comparisons of recorded amounts or ratios to expectations, involve developing expectations based on plausible relationships (industry data, budget, prior year amounts recorded, etc.). These procedures are included in the planning, substantive testing, and report review phases of our audit. Examples of our analytical procedures include:

- Comparisons of interim financial balances to budget and prior year data to assist in planning
- Comparison of utility revenues to equivalent residential and/or commercial units
- Comparison of year-end balance sheet amounts to expectations based on related data, such as customer deposits to number of utility customers
- Comparison of year-end operating balances to prior year and budgeted data, and updating analytical results from our interim planning
- Comparison of budgeted and prior year data at the financial statement level

### **Understanding of Internal Control Structure**

In our audit process, we invest a significant amount of time planning the engagement. In the planning segment of the engagement, we will meet with certain key employees of the City to develop mutual expectations as relating to timelines and any assistance you may provide us in the audit. During this process we will also identify the significant audit areas and account balances to test. Identification of these areas is typically performed through a preliminary analytical review. The analytical review is where we detect unusual trends in account fluctuations and where we develop expectations about the relationships in the account balances.

During the preliminary segment we will review the internal control environment over the financial processes of the City. The internal control review will be conducted from an information technology perspective but will also include manual controls over the transactional flow in the account balances. The intention of the control review is to rely on controls from a compliance perspective and to gain an understanding of the processes and controls related to the City. As appropriate, during this control review we may test certain controls that we will rely on in performing the audit.

By focusing on the planning segment of the engagement, as well as reviewing and testing controls over the financial processes of the City, we believe we will have a strong understanding of the significant areas and processes of the City in order to perform an efficient and effective audit.

## Test of Compliance – Audit Samples

Our sample sizes will consider audit risk through reliability and precision factors. SAS No. 39 prescribes the criteria for developing sample sizes, which we have utilized based on carrying degrees of reliance and confidence in internal control structure. Because our sample sizes are affected by many variables, as prescribed by SAS No. 39, a statement about sample sizes cannot be made in absolute terms. However, with regard to sample selection, we generally will utilize statistically generated, representative sampling for internal control and compliance tests, including those related to Single Audit compliance. Samples will also be used in conjunction with other tests of compliance (e.g. Florida Statutes, Ordinances, etc.).

Our use of sampling also considers requirements of the Federal and State Single Audit Acts and OMB Circular A-133. Representative sample selections will be drawn for each separate system of internal control over major federal and state financial assistance programs. We will integrate these tests, to the extent possible, with required sampling for reliance on other aspects of the City's internal control structure. Certain compliance matters, such as bond debt coverage requirements, are not subject to representative sampling procedures. In such instances, we will recalculate compliance requirements or perform other applicable procedures.

## Review and Auditing EDP Software

A firm-designated IT specialist will perform the review of the City's information systems environment. The City will have the assurance of direct review by a senior level individual with significant experience directly related to information systems.

The IT specialist will work with the City to assess the effect of systems processing on the City's business and will assess the reliability of systems processing. They will focus on providing constructive service comments intended to improve the quality of information and system controls. The results of this assessment will be integrated into our audit approach to improve audit efficiency and to further define the way in which we address identified risk factors.

Examples of computer controls that will be reviewed for each system include the following:

- **Access Control** - The first and foremost responsibility of the City's Information Technology Department is to assure that logical and physical access to the City's information, network and computing facilities is based upon the organization's need as defined by Management's policy statements. Our audit program is designed to ensure that policies and processes are in place to fulfill this responsibility using best practice methods and addressing the unique needs of the City in terms of local, remote and physical access.
- **Network Security** - In order for the City to fulfill its responsibilities, it must maintain a secure electronic network, which facilitates communication across all of its facilities and with other governmental and corporate entities. Our audit program is designed to ensure that sufficient controls are in place to protect that network from internal and external attacks and abuse.
- **Change Management/Problem Tracking** - The management of change in a modern technology environment is essential to assuring efficient, orderly and secure processing of information. Our audit includes a review of change management and problem tracking aspects of the City's IT organization and evaluates them against current best practices and the specific needs of the City.
- **Backup and Recovery** - In order to assure continuity of operation, the City must maintain best practice processes that provide continuously available backup media. These processes must address short-term and long-term recovery operations whether applicable to incidental missing information or long-term processing outages. Our audit includes a review of these processes and recommends improvements where appropriate.
- **Information Workflow** - Accuracy of financial reporting for the City is dependent upon definition and management of effective electronic and manual controls at key junctures in the network's operation. This control process must extend from the capturing of all supporting information to the posting of subsequent journal entries. Our audit program will define the electronic and manual workflow associated with the City's revenue stream and evaluate the associated key controls for effectiveness.



## Proposal to Serve the City of Key West, Florida



- **COSO** - Because our Information Technology Controls Review methodology is based upon the COSO framework, it not only addresses the control activities that are in place but also the underlying management policies, documentation of the controls and monitoring of the controls by management. Furthermore, our review examines controls imbedded in the key business workflows of the City.

### **Internal Control Philosophy**

Adequate assessment of the City's internal control is a key component of the audit. Our audit procedures are tailored to address specific risks for each individual client. We obtain an understanding of an entity wide control environment during audit planning to provide us an understanding of "what can go wrong," and use that understanding as a basis in formulating our client service plan and our audit procedures. We use a variety of methods in obtaining our understanding of internal controls. Typically, these include interviewing entity personnel, observing processes and controls, walking through transactions from initiation to recording, and discussing controls and risks of fraud with various company personnel. We also utilize our information systems audit specialists in assessing controls and risks over information systems processing. We will communicate with management any weaknesses we may find in the internal controls or opportunities for strengthening controls or making processes more efficient.

### **Communication Philosophy**

At CB&H, we emphasize the value of communication with our clients. Open and regular communication is a part of our Firm's culture and an integral part of our service philosophy. We would meet quarterly with the City management, if requested, to:

- Review operations to generate ideas, discuss opportunities and seamlessly deliver service
- Determine accounting, reporting and tax strategies for operations and special transactions
- Communicate regarding tax law changes, developments and opportunities
- Discuss newly issued accounting pronouncements and implementation issues

Open, candid communication with management will occur throughout the year as well as through formal correspondence required by auditing standards. We meet with management prior to beginning the audit to discuss expectations and the timeline for our work. At the completion of the audit, we will meet with City management to review our findings. If appropriate, we will issue a management letter with items related to internal control practices as well as recommendations for improving management of and control over the City's resources.

We believe communication throughout the audit process is critical to meeting your expectations for your audit firm and an integral part of an effective and efficient audit. We will bring to the attention of management any accounting or internal control issues noted during the course of the audit as soon as they arise, so they can be resolved as quickly as possible. We will also communicate opportunities for improvements in internal control informally during the course of the audit to allow immediate consideration, and will formally communicate those opportunities in a management letter at the conclusion of the audit.

In preparing management comments/recommendations, CB&H utilizes a "bottom-up" review approach to avoid any surprises. This approach allows any draft comments or recommendations to be initially reviewed at the level within the department where direct management responsible for the activity under review rests and only subsequently discussed at higher levels. Any operational issues will be reported in a constructive manner. Our findings will contain a statement of condition describing the situation and the problem that needs attention, what should be corrected, and why.

In addition to accounting issues noted during the audit, we will alert you to developing accounting standards that we believe would be of interest to you. In most situations, accounting and internal control matters are identified, communicated and resolved as a normal part of the audit process. However, should there be items of such magnitude or significance that warrant communication to management prior to our next scheduled meeting, we will do so immediately.

Open and frequent communication will be a hallmark of our service to the City. We welcome your questions, comments and observations throughout the year.



**Proposal to Serve the City of Key West, Florida**

### 5. Fee

Our fees are generally based on the time required to complete the work at our established billing rates, plus clerical and computer charges and out-of-pocket expenses. Our fees are also based on other factors such as the complexity of the work, the skill required, time limits, the experience and abilities of our personnel, and the value of the services rendered.

#### Base Year

	Interim		Year-End		Total Hours	Rate per Hour	Total
	Work from CB&H Office	On-Site	Work from CB&H Office	On-Site			
Partner	12	8	30	93	143	\$275	\$39,325
Manager	24	16	40	140	220	\$200	\$44,000
Senior	60	80	60	130	330	\$150	\$49,500
Staff	60	80	70	197	407	\$125	\$50,875
<b>FY 2008 TOTAL</b>	156	184	200	560	1,100	-	<b>\$183,700</b>

#### Option Years

<b>FY 2009 Estimated Total</b>	<b>\$170,000</b>
<b>FY 2010 Estimated Total</b>	<b>\$175,000</b>

#### Other Costs

Below are the hourly rates we will bill for any additional services performed during the engagement. Any additional services will be discussed and approved by both the City and CB&H prior to the start of the service.

Partner	\$275
Manager	\$200
Senior	\$150
Staff	\$125



## **Appendix A: Peer Review Report**



August 30, 2007

To the Partners of  
Cherry Bekaert & Holland L.L.P.  
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Cherry Bekaert & Holland L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended April 30, 2007. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with the system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Cherry Bekaert & Holland L.L.P. in effect for the year ended April 30, 2007, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with applicable professional standards.

As is customary in a peer review, we have issued a letter under this date that sets forth comments relating to certain policies and procedures or compliance with them. The matters described in the letter were not considered to be of sufficient significance to affect the opinion expressed in this report.

*Clifton Henderson LLP*

**Attachment to the Peer Review Report of Cherry Bekaert & Holland L.L.P.  
Description of the Peer Review Process**

**Overview**

Firms enrolled in the AICPA Center for Public Company Audit Firms (the Center) Peer Review Program have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objectives of evaluating whether:

The reviewed firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers has been designed to meet the requirements of the Quality Control Standards established by the AICPA.

The reviewed firm's quality control policies and procedures applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards.

A peer review is based on selective tests and directed at assessing whether the design of and compliance with the firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers provides the firm with reasonable, not absolute, assurance of complying with professional standards. Consequently a peer review on the firm's system of quality control is not intended to, and does not, provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated.

The Center's Peer Review Committee (PRC) establishes and maintains peer review standards. At regular meetings and through report evaluation task forces, the PRC considers each peer review, evaluates the reviewer's competence and performance, and examines every report, letter of comments, and accompanying response from the reviewed firm that states its corrective action plan before the peer review is finalized. The Center's staff plays a key role in overseeing the performance of peer reviews working closely with the peer review teams and the PRC.

Once the PRC accepts the Peer review reports, letters of comments, and reviewed firms' responses, these documents are maintained in a file available to the public. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the PRC.

Firms that perform audits or play a substantial role in the audit of one or more SEC issuers, as defined by the Public Company Accounting Oversight Board (PCAOB), are required to be registered with and have their accounting and auditing practice applicable to SEC issuers inspected by the PCAOB. Therefore, we did not review the firm's accounting and auditing practice applicable to SEC issuers.

### **Planning the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers**

To plan the review of Cherry Bekaert & Holland L.L.P., we obtained an understanding of (1) the nature and extent of the firm's accounting and auditing practice, and (2) the design of the firm's system of quality control sufficient to assess the inherent and control risks implicit in its practice. Inherent risks were assessed by obtaining an understanding of the firm's practice, such as the industries of its clients and other factors of complexity in serving those clients, and the organization of the firm's personnel into practice units. Control risks were assessed by obtaining an understanding of the design of the firm's system of quality control, including its audit methodology, and monitoring procedures. Assessing control risk is the process of evaluating the effectiveness of the reviewed firm's system of quality control in preventing the performance of engagements that do not comply with professional standards.

### **Performing the Review for the Firm's accounting and Auditing Practice Applicable to Non-SEC Issuers**

Based on our assessment of the combined level of inherent and control risks, we identified practice units and selected engagements within those units to test for compliance with the firm's system of quality control. The engagements selected for review included engagements performed under the Government Auditing Standards, multi-office audits, and audits of Employee Benefit Plans. The engagements selected for review represented a cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagement reviews included examining working paper files and reports and interviewing engagement personnel.

The scope of the peer review also included examining selected administrative and personnel files to determine compliance with the firm's policies and procedures for the elements of quality control pertaining to independence, integrity, and objectivity; personnel management; and acceptance and continuance of clients and engagements. Prior to concluding the review, we reassessed the adequacy of scope and conducted a meeting with firm management to discuss our findings and recommendations.



August 30, 2007

To the Partners of  
Cherry Bekaert & Holland L.L.P.  
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Cherry Bekaert & Holland L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended April 30, 2007 and have issued our report thereon dated August 30, 2007. The matters described below were not considered to be of sufficient significance to affect the opinion expressed in that report, which should be read in conjunction with this letter.

#### **Engagement Performance**

*Comment* – The firm's audit programs outline steps for performing and documenting audit procedures for obtaining representation letters, testing federal funds expended in single audits, and using sampling in the audit process. However, our review disclosed several instances where the firm's working papers did not include adequate documentation for understanding and testing controls regarding federal funds or for the use of sampling in substantive and control tests. In addition, several representation letters did not contain appropriate dates or did not cover the periods presented in the financial statements. Through discussion with engagement personnel, we were able to satisfy ourselves that the procedures were performed but were not adequately documented for single audits and sampling instances. The representation letter deficiencies were individually not significant.

*Recommendation* – The firm should remind all professionals of the matters to be considered when documenting procedures performed in the above areas and when obtaining representation letters. The firm should consider conducting a training session to highlight the documentation matters noted during the review. Increased emphasis should also be placed on the accuracy of dates and years incorporated in the representation letters obtained during the course of engagements. Reviewers of audit engagements should monitor these areas closely.

*Comment* – The firm's quality control procedures require compliance with professional standards including review of client controls and communication of any weaknesses or deficiencies noted. We found in several instances that the firm identified such issues but did not document communication of such issues or did not document clearly the type of deficiency being communicated. Based on discussions with firm personnel, these items were communicated to clients but not adequately documented.



*Recommendation* – The firm should re-emphasize its policies and procedures for communicating control weaknesses or deficiencies and hold a training session to review such procedures. In addition, all reviewers should closely monitor the communication of these matters and determine that they are clearly identified as to the type of weakness or deficiency.

*Clifton Henderson LLP*



September 20, 2007

Center for Public Company Audit Firms Peer Review Committee  
American Institute of Certified Public Accountants  
Practice Monitoring Department  
220 Leigh Farm Road  
Durham, NC 27727-8110

This letter represents our responses to the letter of comments issued in connection with our firm's peer review for the year ended April 30, 2007, and should be read in conjunction with that letter.

The Firm will issue communications to all professionals to focus their attention on the matters noted in the peer review. In addition, these matters will be the focus of training sessions to be conducted in the near future. The items noted in the peer review will also be given emphasis in the design and delivery of future professional development programs for all levels of professionals.

The communications and training described above will emphasize the necessity of ensuring complete documentation in all areas of the audit, especially (i) accurate completion and review of the Firm's standardized sampling forms to ensure that our documentation with respect to sampling applications is appropriate, (ii) obtaining a well tailored representation letter that accurately addresses all periods covered by the Firm's opinion and that is dated consistent with that opinion, (iii) accurate completion and review of documentation of controls applicable to the expenditures of federal funds and (iv) ensuring that communications of client control matters noted during audits of financial statements are adequately documented. In addition, we will hold a training session for all of our second partner quality reviewers during which we will reinforce the need for those reviewers to specifically review the items noted in the peer review.

*Cherry, Bekaert & Holland, L.L.P.*

December 27, 2007

Howard Joseph Kies, CPA  
Cherry Bekaert & Holland LLP  
Suite 300  
1700 Bayberry Court  
Richmond, VA 23226-3791

Dear Mr. Kies:

It is my pleasure to notify you that on December 13, 2007 the Center Peer Review Committee accepted the report on the most recent peer review of your firm, the related letter of comments, and your firm's response thereto. Those documents will now be placed in the public files of the Center for Public Company Audit Firms. The due date for your next review is October 31, 2010. This is the date by which all review documents should be completed and submitted.

As you know, the reviewer's opinion was unmodified. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Robert Rohweder, Chair  
CPCAF Peer Review Committee

cc: James Leo Comisky, CPA

Firm Number: 10011816

Review Number: 255167

**Proposal to Serve the City of Key West, Florida**



## **Appendix B: Anti-Kickback Affidavit**

ANTI-KICKBACK AFFIDAVIT

STATE OF FLORIDA

SS:

COUNTY OF MONROE

I the undersigned hereby duly sworn, depose and say that no portion of the sum herein bid will be paid to any employee of the City of Key West as a commission, kickback, reward or gift, directly or indirectly by me or any member of my firm or by an officer of the corporation.

BY: \_\_\_\_\_

sworn and prescribed before me this 8 day of July, 2008

NOTARY PUBLIC, State of Florida

Laura M. Wolff  
*Laura M. Wolff*  
FL # DD 431879

My commission expires:

06/12/2009

**Proposal to Serve the City of Key West, Florida**



## **Appendix C: Public Entity Crimes Certification**

SWORN STATEMENT PURSUANT TO SECTION 287.133(3)(A)  
FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES

THIS FORM MUST BE SIGNED AND SWORN TO IN THE PRESENCE OF A NOTARY  
PUBLIC OR OTHER OFFICIAL AUTHORIZED TO ADMINISTER OATHS.

1. This sworn statement is submitted to  
by Edward T. Burke  
(print individual's name and title)  
for Cherry, BeHaert & Holland, L.L.P.  
(print name of entity submitting sworn statement)

whose business address is

2626 Glenwood Ave, Ste 300 Raleigh, NC 27608  
and (if applicable) its Federal Employer Identification Number (FEIN) is

56-0574444 (if the entity has no FEIN, include the Social Security  
Number of the individual signing this sworn statement):

2. I understand that a "public entity crime" as defined in Paragraph 287.133(1)(g), Florida Statutes, means a violation of any state or federal law by a person with respect to and directly related to the transaction of business with any public entity or with an agency or political subdivision of any other state or of the United States, including, but not limited to, any bid or contract for goods or services to be provided to any public entity or an agency or political subdivision of any other state or of the United States and involving antitrust, fraud, theft, bribery, collusion, racketeering, conspiracy, or material misrepresentation.
3. I understand that "conviction" as defined in Paragraph 287.133(1)(g), Florida Statutes, means a finding of guilt or a conviction of a public entity crime, with or without an adjudication of guilt, in any federal or state trial court of record relating to charges brought by indictment or information after July 01, 1989, as a result of a jury verdict, nonjury trial, or entry of a plea of guilty or nolo contendere.
4. I understand that an "affiliate" as defined in Paragraph 287.133(1)(a), Florida Statutes, means:
  1. A predecessor or successor of a person convicted of a public entity crime; or

2. An entity under the control of any natural person who is active in the management of the entity and who has been convicted of a public entity crime. The term "affiliate" includes those officers, directors, executives, partners, shareholders, employees, members and agent who are active in the management of an affiliate. The ownership by one person of shares constituting a controlling interest in another person, or a pooling of equipment of income among persons when not for fair market value under an arm's length agreement, shall be a prima facie case that one person controls another person. A person who knowingly enters into a joint venture with a person who has been convicted of a public entity crime in Florida during the preceding 36 months shall be considered an affiliate.
5. I understand that a "person" as defined in Paragraph 287.133(1)(e), Florida Statute means any natural person or entity organized under the laws of any state or of the United States with the legal power to enter into a binding contract and which bids or applies to bid on contracts for the provision of goods or services let by a public entity, or which otherwise transacts or applies to transact business with a public entity. The term "person" includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in management of an entity.
6. Based on information and belief, the statement which I have marked below is true in relation to the entity submitting this sworn statement (indicate which statement applies).

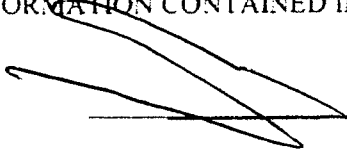
Neither the entity submitting this sworn statement, or any of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, nor any affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July, 1989.

The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 01, 1989.

The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 01, 1989. However, there has been a subsequent proceeding before a Hearing Officer of the State of Florida, Division of Administrative Hearings and the Final Order entered by the Hearing Officer determined that it was not in the public interest to place the entity submitting this sworn statement on the convicted vendor list. (attach a copy of the final order)



I UNDERSTAND THAT THE SUBMISSION OF THIS FORM TO THE CONTRACTING OFFICER FOR THE PUBLIC ENTITY IDENTIFIED IN PARAGRAPH ONE (1) ABOVE IS FOR THAT PUBLIC ENTITY ONLY AND, THAT THIS FORM IS VALID THROUGH DECEMBER 31 OF THE CALENDAR YEAR IN WHICH IT IS FILED. I ALSO UNDERSTAND THAT I AM REQUIRED TO INFORM THE PUBLIC ENTITY PRIOR TO ENTERING INTO A CONTRACT IN EXCESS OF THE THRESHOLD AMOUNT PROVIDED IN SECTION 287.017, FLORIDA STATUTES, FOR THE CATEGORY TWO OF ANY CHANGE IN THE INFORMATION CONTAINED IN THIS FORM.

  
\_\_\_\_\_  
(SIGNATURE)

7-8-08  
\_\_\_\_\_  
(DATE)

STATE OF Florida

COUNTY OF Orange

PERSONALLY APPEARED BEFORE ME, the undersigned authority Edward Burke who, after first being sworn by me, (name of individual) affixed his/her signature in the space provided above on this 8 day of July, 2008

*Laura M. Wolff*  
*Laura M. Wolff*  
NOTARY PUBLIC  
FL# DD431879

My commission expires:  
06/12/2009

**KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

**PROPOSAL FOR AUDITING SERVICES  
RFP 08-013  
FOR**

**CITY OF KEY WEST**

**SUBMITTED ON JULY 9, 2008**

**KEEFE, MCCULLOUGH & CO., LLP, C.P.A.'S  
6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FT. LAUDERDALE, FLORIDA 33308  
954-771-0896**

**FIRM CONTACT PERSONS:**

**William G. Benson, C.P.A., Partner  
Cynthia L. Calvert, C.P.A., Partner**

KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

PROPOSAL FOR AUDITING SERVICES  
RFP 08-013  
FOR

CITY OF KEY WEST

*TABLE OF CONTENTS*

	<u>SECTION</u>
Transmittal Letter	I
Technical Proposal	II
Service Team Member Profiles	III
Peer Review Documents	IV
Price Proposal	V
Addenda	VI

**KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

***TRANSMITTAL LETTER***



**KEEFE, MCCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
STEVEN H. WOODS, C.P.A.  
DAVID T. WILLIAMS, C.P.A.  
JOSEPH D. LEO, C.P.A.  
WILLIAM G. BENSON, C.P.A.  
KENNETH G. SMITH, C.P.A.

LOUIS R. PROIETTO, C.P.A.  
CYNTHIA L. CALVERT, C.P.A.  
JOHN E. MCCULLOUGH, C.P.A. (RETIRED)  
THOMAS T. CARPENTER, C.P.A. (RETIRED)  
PAUL B. SNEIDER, C.P.A. (RETIRED)  
BRIAN D. PINNELL, C.P.A. (RETIRED)

ISRAEL J. GOMEZ, C.P.A.  
CHARLES K. RUMPF, C.P.A.  
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.  
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmc CPA.com](mailto:kmc@kmc CPA.com)

July 8, 2008

City Clerk and City Audit and Finance Committee  
City of Key West  
525 Angela Street  
Key West, Florida 33040-1409

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 and account groups of the City for an initial three-year period commencing with the fiscal year ending September 30, 2008, with the City's option of the two subsequent fiscal years (five years maximum).

Our examination of the City's financial statements will be conducted in accordance with;

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA);
2. The standards for financial audits set forth in the U.S. General Accounting Offices's (GAO) Government Auditing Standards (2007 Revision);
3. The provisions of the Federal Single Audit Act of 1984 (as amended in 1996 and subsequently);
4. The Florida Single Audit Act, should thresholds be met requiring such review;
5. The provisions of U.S. Office of Management and Budget (OMB) Circular A-133;
6. Audits of States, Local Governments and Non-Profit Organizations, Audits of State and Local Governments (revised) - AICPA;
7. Section 218.39 and 11.45, Florida Statutes;
8. State of Florida Department of Banking and Finance Regulations;
9. Rules adopted by the State of Florida Auditors General for form and content of government unit audits;
10. Any other applicable Federal, State and local laws or regulations as well as City of Key West Bond Ordinances and Resolutions.

Keefe, McCullough & Co., LLP, C.P.A.'s is committed to performing the auditing services within the prescribed time frame as outlined in the City's request for RFP number 08-013, beginning with the fiscal year ending September 30, 2008.

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

William G. Benson, C.P.A., Partner  
Cynthia L. Calvert, C.P.A., Partner

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 best qualified to perform your audit engagement based on 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 accounting staff in this specialized area, our absolute dedication to excellence and quality in our practice and our unique service philosophy which has created a dedicated 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 existed as a firm for over thirty-seven years and we are located in Fort Lauderdale to serve the South Florida area. Our office consists of nine partners, approximately fifty (50) 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 have listed several of these entities for your reference as part of this detailed proposal.

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 participates in the American Institute of Certified Public Accountants Quality Review Program and we received an unqualified opinion on our last four quality reviews. We have included documentation relating to the most recent review in Section IV.



## TECHNICAL PROPOSAL

### 1. General Requirements (continued)

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.

### 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 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. Keefe, McCullough & Co., LLP is independent of all of the blended component units of the City of Key West as defined by those same standards

**The firm should also list and describe the firm's (and/or proposed subcontracts') 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 has had no previous professional relationships involving the City of Key West or any of its component units for the past five (5) years.

We will 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 that the firm and all assigned key professional staff are properly licensed to practice in 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 respondent should state 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 or part-time basis.**

Our governmental audit staff consists of thirty-five professionals. Keefe, McCullough & Co., LLP, C.P.A.'s has existed as a firm for over thirty-seven 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 III.

## TECHNICAL PROPOSAL

### 4. Firm Qualifications and Experience (continued)

**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 governmental 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 IV. This quality control review included a specific review of the City of Weston and the City of Margate 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 action 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 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.**

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

William G. Benson, C.P.A.	Engagement Partner
Cynthia L. Calvert, C.P.A.	Second Review Partner
Ross S. Gotthoffer, C.P.A.	Field Leader

A profile of each audit team member is included in Section III, which lists specific governmental experience.

We have substantial experience in the areas of internal control and compliance auditing in accordance with "Government Auditing Standards" ("The Yellow Book"), Federal Single Audits in accordance with OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations," the Florida Single Audit Act, and the Rules of the Auditor General of the State of Florida. Due to the concentration of this type of work in our practice, we provide each of our Governmental and non-profit accounting staff members with at least eighty hours of continuing professional education every two years. In addition, the firm belongs to the AICPA, FICPA, AICPA Governmental Audit Quality Center, the Government Finance Officers Association and the Broward County League of Cities.

## TECHNICAL PROPOSAL

### 5. Partner, Supervisory and Staff Qualifications and Experience

**The firm should 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 should also indicate how the quality of staff over the term of the agreement will be assured.**

A profile of each audit team member is included in Section III, which lists specific governmental experience, qualifications and continuing professional education. 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 a significant number of "governmental qualified" continuing education courses every year.

**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 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. We will communicate with City finance personnel in the event of staff turnover and promptly identify a mutually agreeable and governmentally qualified replacement team member. However, we understand that the City 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.**

We understand that the City may change audit personnel, at its discretion, for replacements that 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 firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.**

We have had no previous professional relationships involving the City for the past five (5) years.

## TECHNICAL PROPOSAL

### 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.

All municipalities listed below have received the Certificate of Achievement for Excellence in Financial Reporting on their Comprehensive Annual Financial Reports (CAFR) every year with the exception of one city that elects not to participate in the program.

Mr. John Lavisky, City Administrator  
**City of Lighthouse Point**  
2200 N.E. 38<sup>th</sup> Street  
Lighthouse Point, FL 33064  
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  
Assistance in helping the City comply with the requirements of Governmental Accounting Standards Board Statement Number 34 (GASB 34) and related pronouncements

Date of work: 1995 through 2008

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

Approximate number of hours: 250

Mr. Herbert Herriman, Finance Director  
**City of Plantation, Florida**  
400 N.W. 73rd Avenue  
Plantation, FL 33317  
954-797-2202

Scope of work:

Annual financial and compliance audits of the City and its blended component units  
Assistance in helping the City comply with the requirements of Governmental Accounting Standards Board Statement Number 34 (GASB 34) and related pronouncements

Date of work: 1994 through 2008

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

Approximate number of hours: 800

Mr. John R. Flint, City Manager  
**City of Weston, Florida**  
2500 Weston Road, Suite 101  
Weston, FL 33331  
954-385-2000

## TECHNICAL PROPOSAL

### 7. **Similar Engagements with other Government Entities** (continued)

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 2008

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

Approximate number of hours: 1,000

Ms. Maria Camacho, Finance Director

**Town of Golden Beach**

One Golden Beach Drive

Golden Beach, FL 33160

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

Date of work: 2002 through 2008

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

Approximate number of hours: 400

Dr. Robert Levy, Town Manager

**Town of Pembroke Park**

3150 S.W. 52nd Avenue

Pembroke Park, FL 33023

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

Date of work: 2002 through 2008

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

Approximate number of hours: 375

All of the municipalities listed above have implemented Governmental Accounting Standards Board (GASB) Statement Number 34.

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

**City of Dania Beach**

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

Assistance in helping the City comply with the requirements of  
Governmental Accounting Standards Board Statement Number  
34 (GASB 34) and related pronouncements

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

## TECHNICAL PROPOSAL

### 7. Similar Engagements with other Government Entities (continued)

#### **City of Lighthouse Point**

##### 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  
Assistance in helping the City comply with the requirements of  
Governmental Accounting Standards Board Statement Number  
34 (GASB 34) and related pronouncements

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

#### **City of Parkland**

##### 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  
Assistance in helping the City comply with the requirements of  
Governmental Accounting Standards Board Statement Number  
34 (GASB 34) and related pronouncements

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

#### **City of Plantation**

##### Scope of work:

Annual financial and compliance audits of the City and its blended  
component units  
Assistance in helping the City comply with the requirements of  
Governmental Accounting Standards Board Statement Number  
34 (GASB 34) and related pronouncements

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

#### **City of Weston**

##### 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  
Assistance in helping the City comply with the requirements of  
Governmental Accounting Standards Board Statement Number  
34 (GASB 34) and related pronouncements

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

#### **Islamorada, Village of Islands**

##### 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  
Assistance in helping the Village comply with the requirements of  
Governmental Accounting Standards Board Statement Number  
34 (GASB 34) and related pronouncements

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

## TECHNICAL PROPOSAL

### 7. Similar Engagements with other Government Entities (continued)

#### **Town of Golden Beach**

##### 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  
Assistance in helping the Town comply with the requirements of Governmental Accounting Standards Board Statement Number 34 (GASB 34) and related pronouncements

Engagement partner(s):

#### **Town of Hillsboro Beach**

##### 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  
Assistance in helping the Town comply with the requirements of Governmental Accounting Standards Board Statement Number 34 (GASB 34) and related pronouncements

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

#### **Town of Pembroke Pines**

##### 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  
Assistance in helping the Town comply with the requirements of Governmental Accounting Standards Board Statement Number 34 (GASB 34) and related pronouncements

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

#### **Town of Southwest Ranches**

##### 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  
Assistance in helping the Town comply with the requirements of Governmental Accounting Standards Board Statement Number 34 (GASB 34) and related pronouncements

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

#### **Village of Pinecrest**

##### 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

### 7. **Similar Engagements with other Government Entities (continued)**

#### **Village of Sea Ranch Lakes**

##### 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
- Assistance in helping the Village comply with the requirements of Governmental Accounting Standards Board Statement Number 34 (GASB 34) and related pronouncements

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

### 8. **Specific Audit Approach**

**The proposal must set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of the 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 to be assigned 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 IT 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 subject to audit test work**
- h. **Approach to be taken in drawing audit samples for purposes of tests of compliance**

Keefe, McCullough & Co., LLP, C.P.A.'s anticipated approach to the examination of the financial statements of the City of Key West is summarized as follows:

#### Engagement work plan:

We have provided below a preliminary engagement work plan to perform the financial and compliance audits which involve the government-wide financial statements, the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and the capital assets and long-term debt of the City of Key West.

In performing the financial and compliance audits for the City of Key West and its separately issued component units 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:



## TECHNICAL PROPOSAL

### 8. Specific Audit Approach (continued)

#### 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.

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.

## TECHNICAL PROPOSAL

### 8. Specific Audit Approach (continued)

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.

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 judgement 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 Report on the Basic Financial Statements as a part of the CAFR.

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 Schedule of Expenditures of Federal Awards and State Financial Assistance.

## TECHNICAL PROPOSAL

### 8. **Specific Audit Approach** (continued)

Preparation of Schedule of Findings and Questioned Costs.

Preparation of the management letter.

Preparation of the Data Collection Form.

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.

Due to the fact that our firm presently represents numerous local South Florida municipalities and many governmental special taxing districts, we have substantial experience to provide other consulting services to the City. We also have experience in franchise fee auditing, audit work in connection with bond underwriting and other internal consulting projects which the City may require.

### 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.**

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 of Key West's personnel.

**KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

***AUDIT TEAM MEMBER PROFILES***

**KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

*SERVICE TEAM MEMBER PROFILE*



**William G. Benson, C.P.A.**  
*Partner*

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**Education**

Washington and Lee University                      BS degree                      Major - accounting

**Career Experience**

Keefe, McCullough & Co., LLP, C.P.A.'s                      Partner                      23 years  
Coopers & Lybrand, C.P.A.'s                      Senior                      2 years

**Engagement Experience**

Keefe, McCullough & Co., LLP, C.P.A.'s  
Audit Engagements:

- \* After Care Educators, Inc.
- \* Air-Conditioning & Refrigeration Wholesalers
- \* Alzheimer's Family Center, Inc.
- \* American Eldercare, Inc.
- \* Arbor Greene Community Development District
- \* Baywinds Community Development District
- \* Bobcat Trail Community Development District
- \* Bonita Springs Charter School
- \* Bonnet Creek Resort Community Development District
- \* Broward County League of Cities, Inc.
- \* Cape Coral Charter School
- \* Carnahan, Proctor and Cross, Inc. (DOT overhead audit)
- \* Caroch Properties
- \* Center for Family and Child Enrichment, Inc.
- \* Championsgate Community Development District
- \* Charter Schools USA, Inc.
- \* Charter Schools USA 401(k) Plan
- \* City of Margate, Florida
- \* City of Plantation, Florida
- \* City of Weston, Florida
- \* Colonial Inn at Heritage Park, LLP
- \* Community Asphalt Corp.
- \* Coral Springs Improvement District
- \* County Sanitation, Inc.
- \* Delray Youth Enrichment Development Center, Inc.
- \* Deer Island Community Development District
- \* Downtown Development Authority
- \* The Downtown Miami Charter School, Inc.
- \* Driftwood Beach Club Association, Inc.
- \* East Homestead Community Development District
- \* Ecological Technologies, LLC
- \* Falls at Marina Bay, Ltd.
- \* Fiddler's Creek II Community Development District
- \* First Presbyterian Continuing Church of Coral Springs, Inc.
- \* Fogmaster Consolidated, Inc. and Subsidiaries
- \* Fresh Harvest International, Inc.
- \* Gateway Charter High School
- \* Gateway Charter School
- \* HBC, Inc. (Hillsboro Bay Club Apartments)
- \* Habitat Community Development District
- \* Hamal Community Development District
- \* Henderson Mental Health Center, Inc.
- \* Heritage Greens Community Development District
- \* Heritage Harbour South Community Development District

- \* Heritage Home Health, Inc.
- \* Heritage Park, LLLP
- \* Heritage Park, LLLP 401(k) Salary Reduction Plan and Trust
- \* Heritage Park of West Delray, LLLP
- \* Heritage Park Retirement Communities, LLC
- \* Hillsboro Inlet District
- \* Hollywood Academy of Arts & Science
- \* The Homestead Charter Foundation, Inc.
- \* Islamorada, Village of Islands, Florida
- \* Junior Achievement of South Florida, Inc.
- \* Key Largo Fire Rescue and EMS District
- \* Killarney Community Development District
- \* Lake Powell Community Development District
- \* Lakewood Ranch Community Development District
- \* Landmark at Doral Community Development District
- \* Lewis Marine Supply, Inc. Profit Sharing Plan
- \* Lexington Oaks Community Development District
- \* Liberty Inn, LLC
- \* Meadow Pointe Community Development District
- \* Mediterra North Community Development District
- \* Mediterra South Community Development District
- \* Midtown Miami Community Development District
- \* Miromar Lakes Community Development District
- \* Monterra Community Development District
- \* Narcoossee Community Development District
- \* New River Cabinet and Fixture Holdings, Inc.
- \* New River Cabinet and Fixture, Inc.
- \* New River Corporate Holdings, Inc.
- \* North Broward Academy of Excellence
- \* North County Charter School
- \* North Pompano Baptist Church Holding Company, Inc.
- \* Northeast Academy
- \* Northwood Community Development District
- \* Oakwood Center of the Palm Beaches, Inc.
- \* Ocean Grande Beach and Marina Condominium Association, Inc.
- \* Old Palm Community Development District
- \* Orchid Grove Community Development District
- \* Palm Bay Community Development District
- \* Palm Glades Community Development District
- \* Parklands West Community Development District
- \* Petmed Express, Inc.
- \* Pine Air Lakes Community Development District
- \* Plantation Acres Improvement District
- \* Plaza South Association, Inc.
- \* Regency Tower Association, Inc.
- \* Remington Community Development District
- \* Renaissance Charter School, Inc.
- \* Renaissance Community Development District
- \* Retirement Plan for Employees of Oakwood Center of the Palm Beaches, Inc.
- \* River's Song Community Development District
- \* Sarasota National Community Development District
- \* South County Foundation for Mental Health, Inc.
- \* South County Mental Health Center, Inc.
- \* South Dade Venture Community Development District
- \* Southern Specialties, Inc.
- \* Spicewood Community Development District
- \* Starlink Telecommunication Technologies, Inc.
- \* Stevens Plantation Community Development District
- \* Stonegate Community Development District
- \* StoneLake Ranch Community Development District
- \* Taplin Group Marina Bay, Ltd.
- \* The Town Foundation, Inc.
- \* University Square Community Development District
- \* Verandah West Community Development District
- \* Viera East Community Development District
- \* VillaSol Community Development District
- \* Village of Pinecrest, Florida
- \* Vizcaya Community Development District
- \* W. Jackson & Sons Construction Co.
- \* Westwind Contracting, Inc.
- \* Woodland Hammock Community Development District

## **Other Experience**

Attended seminars and courses dealing with accounting and audit problems, reporting and disclosure issues (these courses include accounting and reporting for nonprofit organizations, governmental entities and the Federal and Florida Single Audit Acts)

Experienced and qualified with respect to "Yellow Book", OMB Circular A-133 and Rules of the Auditor General of the State of Florida compliance auditing and reporting

Attended numerous seminars and courses dealing with accounting, auditing and taxation of employee benefit plans

Litigation support services in the areas of business valuations, business losses, contract settlements and divorce issues

Experience in dealing directly with the State of Florida Department of Children and Families concerning various compliance, audit and other issues

Special consulting partner regarding the acquisition of manufacturing companies

Worked with underwriters regarding various certifications required in connection with the Florida Community Provider Pooled Loan Program

Assisted the First Presbyterian Continuing Church of Coral Springs, Inc. in restructuring their existing bond indenture

Past President and Treasurer of the Executives of Broward

Graduate of, and continuing involvement in, the Leadership Broward Program

Member of the Leadership Broward Foundation, Inc.

Member and Officer in Knights of Columbus

Appointed to the Broward County, Florida Homeless Initiative Partnership

Partner in charge of special audit procedures engagement of a Emergency Medical Services Company

Partner in charge of special audit procedures regarding various county franchise reports for waste hauling companies

Partner in charge of due diligence procedures in connection with potential mergers and acquisitions

Special consultant to Seventeen City Coalition (a Partnership of seventeen Broward municipalities) regarding special audit procedures of Broward County's Emergency Medical System records and negotiations with Broward County management

Extensive experience regarding accounting and tax issues of Limited Liability Companies (LLC's)

Past Treasurer of St. Gregory the Great Catholic School

Member of St. Gregory the Great Catholic School Advisory Board

Experience in the development of annual operating budgets for churches and schools

Member of the Board of Directors of St. Thomas Aquinas High School

Member of the Board of Directors of Food for the Poor

Member of the Finance Council of the Archdiocese of Miami

Consulting partner on State of Florida Broward County Health Department audit

Experience in assisting clients in dealings with financial institutions

Experience in assisting clients with the development of business plans, financial planning and proforma financial statements

Consulting assistance in the analysis of potential investment opportunities in a variety of industries. The analysis included due diligence procedures on both historical financial information and projected future financial results

KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

SERVICE TEAM MEMBER PROFILE



**Cynthia L. Calvert, C.P.A.**  
*Partner*

**Education**

Florida Atlantic University  
Auburn University

BBA degree  
BA degree

Major - accounting  
Major - political science

**Career Experience**

Keefe, McCullough & Co., LLP, C.P.A.'s

Partner

13 years

**Engagement Experience**

Keefe, McCullough & Co., LLP, C.P.A.'s

**Audit Engagements:**

- \* Achievement and Rehabilitation Centers
- \* Amelia National Community Development District
- \* American Red Cross of Greater Miami and the Keys
- \* Arbor Greene Community Development District
- \* Assistance Unlimited, Inc.
- \* Baywinds Community Development District
- \* Beaux Arts of Museum of Art, Inc.
- \* The Benjamin Private School, Inc.
- \* Big Brothers / Big Sisters Association of Florida, Inc.
- \* Big Brothers / Big Sisters of Broward, Inc.
- \* Bobcat Trail Community Development District
- \* Bonnet Creek Resort Community Development District
- \* Briger Community Development District
- \* Broward Adjustment Services, Inc.
- \* Broward County Chapter - American National Red Cross
- \* Broward County League of Cities, Inc.
- \* Broward House, Inc.
- \* Broward Risk Management Association
- \* Caroch Properties
- \* Center for Independent Living of Broward, Inc.
- \* Central and South American World Sector, Inc.
- \* Championsgate Community Development District
- \* Child Protection Team of Palm Beach, Inc.
- \* Children's Service Council of Broward County
- \* City of Aventura, Florida
- \* City of Aventura Police Officers Retirement Plan
- \* City of Dania Beach, Florida
- \* City of Margate, Florida
- \* City of Parkland, Florida
- \* City of Plantation, Florida
- \* City of Weston, Florida
- \* City of Wilton Manors, Florida
- \* The Clinton Mortgage Network, Inc.
- \* Colonial Inn at Heritage Park, LLLP
- \* Community Television Foundation of South Florida, Inc.
- \* Community Television Foundation of South Florida, Inc. Money Purchase Thrift Plan
- \* Community Television Foundation of South Florida, Inc. Retirement Plan
- \* Coral Springs Improvement District
- \* Daily Bread Food Bank, Inc.
- \* Deer Island Community Development District
- \* Downtown Development Authority
- \* East Homestead Community Development District
- \* Episcopal Church of St. Mark the Evangelist
- \* Elizabeth H. Faulk Foundation, Inc.



- \* Fiddler's Creek II Community Development District
- \* Firefighters Charitable Foundation, Inc.
- \* Florida Atlantic University Foundation, Inc.
- \* Florida International Academy, Inc.
- \* Fogmaster Consolidated, Inc.
- \* Habitat Community Development District
- \* Habitat for Humanity of Palm Beach County
- \* Hamal Community Development District
- \* Harbourage on Braden River Community Development District
- \* The Haven, Inc.
- \* Heritage Greens Community Development District
- \* Heritage Harbour South Community Development District
- \* Heritage Home Health, Inc.
- \* Heritage Park, LLLP 401(k) Salary Reduction Plan and Trust
- \* Heritage Park, LLLP
- \* Heritage Park of West Delray, LLLP
- \* Hugs for Kids
- \* Islamorada, Village of Islands, Florida
- \* Julington Creek Plantation Development District
- \* Jupiter Marine International, Inc.
- \* Keith and Schnars, P.A. (Overhead audit)
- \* Key Largo Fire Rescue and EMS District
- \* Killarney Community Development District
- \* Lake Powell Community Development District
- \* Lakewood Ranch Community Development District
- \* Landmark at Doral Community Development District
- \* Lexington Oaks Community Development District
- \* Margate Community Redevelopment Agency
- \* Meadow Pines Community Development District
- \* Meadow Pointe Community Development District
- \* Mediterra North Community Development District
- \* Mediterra South Community Development District
- \* Messianique Training Center & Institute, Inc.
- \* Midtown Miami Community Development District
- \* Miromar Lakes Community Development District
- \* Mitigating Circumstances SKS Contractors, Inc.
- \* Monterra Community Development District
- \* Narcoossee Community Development District
- \* Northwest Focal Point Senior Center
- \* Northwood Community Development District
- \* OCO Partnership, Inc.
- \* Oakwood Center of the Palm Beaches, Inc.
- \* Old Palm Community Development District
- \* Orchid Grove Community Development District
- \* Osprey Health Care, Inc.
- \* PPGM Foundation, Inc.
- \* Palm Bay Community Development District
- \* Palm Glades Community Development District
- \* The Pantry of Broward, Inc.
- \* Parklands West Community Development District
- \* Pine Air Lakes Community Development District
- \* Pine Crest Preparatory School, Inc.
- \* Place of Hope Foundation, Inc.
- \* Place of Hope Holdings, Inc.
- \* Place of Hope, Inc.
- \* Planned Parenthood of Greater Miami & Florida Keys, Inc.
- \* Plantation Acres Improvement District
- \* Plaza South Association, Inc.
- \* Remington Community Development District
- \* Renaissance Community Development District
- \* SKS Engineering & Planning, Inc.
- \* SOS Children's Village of Florida, Inc.
- \* St. Mark's Episcopal School
- \* Sarasota National Community Development District
- \* Saxon Business Systems, Inc.
- \* Saxon Business Systems of North Florida, Inc.
- \* Security Mortgage Group, Inc.
- \* Severn Trent Services
- \* South County Foundation for Mental Health, Inc.
- \* South County Mental Health Center, Inc.
- \* South Dade Venture Community Development District
- \* South Miami Community Development District

- \* The South Florida Church of Christ, Inc.
- \* Spicewood Community Development District
- \* Stevens Plantation Community Development District
- \* Stonegate Community Development District
- \* StoneLake Ranch Community Development District
- \* Sunburst Sanitation Corporation (Franchise audit)
- \* Tomoka Community Development District
- \* The Town Foundation, Inc.
- \* Town of Golden Beach, Florida
- \* Town of Pembroke Park, Florida
- \* Town of Southwest Ranches, Florida
- \* University Square Community Development District
- \* Verandah West Community Development District
- \* Viera East Community Development District
- \* Village of Pinecrest, Florida
- \* Village of Sea Ranch Lakes, Florida
- \* VillaSol Community Development District
- \* Vizcaya Community Development District
- \* WPBT Communication Foundation, Inc.
- \* Westchase Community Development District
- \* Westchase East Community Development District
- \* Westwind Contracting, Inc.
- \* YWCA of Palm Beach County, Florida, Inc.

## **Other Experience**

Attended numerous seminars and courses dealing with accounting and audit problems and reporting and disclosure issues (these include accounting and reporting for nonprofit organizations, governmental entities and the Federal and Florida Single Audit Acts)

Experienced and qualified with respect to "Yellow Book", OMB Circular A-133 and Rules of the Auditor General of the State of Florida compliance auditing and reporting

Past President of Plantation Junior Woman's Club

Founding Board member of the Make-A-Wish Foundation of South Florida, Inc.

Past Director of DALI's, auxiliary of Young At Art

Past Director of Friends of Gilda's Club of South Florida

Participant in State of Florida Auditor General seminar for local governments and nonprofits regarding the Florida Single Audit Act

Experience in dealing directly with the State of Florida Department of Children and Families concerning various compliance, audit and other issues

Graduate of, and continuing involvement in, the Leadership Broward Program

Member of the Leadership Broward Foundation, Inc.

Treasurer of Junior League of Ft. Lauderdale

Participated in various seminars and in-house training programs concerning the requirements of GASB-34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (the Financial Reporting Model)

Assisted municipalities and other governmental entities in planning for and implementing GASB-34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (the Financial Reporting Model)

KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

SERVICE TEAM MEMBER PROFILE



**Ross S. Gotthoffer, C.P.A.**  
*Supervisor*

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**Education**

University of Florida	BS degree	Major - business administration
University of South Florida	Master degree	Business administration
	Master degree	Accounting

**Career Experience**

Keefe, McCullough & Co., LLP, C.P.A.'s	Supervisor	3 years
Severn Trent Services	Senior	2 years
Southern Exchange Bank	Accounting Officer	3 years

**Engagement Experience**

Keefe, McCullough & Co., LLP, C.P.A.'s

Audit Engagements:

- \* America one Funding Group Corp.
- \* Archimedean Academy, Inc.
- \* Automotive Warranty Solutions, LLC
- \* Boston Portfolio Advisors, Inc.
- \* Broward Adjustment Services, Inc.
- \* Broward Community College Foundation
- \* Broward House, Inc.
- \* Capital Partners Global Asset Fund, LLC
- \* Capital Partners High Yield Mezzanine Fund I, LLC
- \* Center for Family and Child Enrichment, Inc.
- \* City of Lighthouse Point, Florida
- \* City of North Bay Village, Florida
- \* City of Parkland, Florida
- \* Coral Springs Charter School
- \* F.R.S. & Associates, Inc.
- \* Finance First Mortgage Corp.
- \* Foster Marine Contractors, Inc.
- \* Heart to Heart Adoption Service, Inc.
- \* Henderson Mental Health Center, Inc.
- \* Hillsboro Inlet District
- \* HUGS for Kids
- \* Keith and Schnars, P.A.
- \* Oakwood Center of the Palm Beaches, Inc.
- \* Place of Hope, Inc.
- \* Plantation Acres Improvement District
- \* SEFLIN (Southeast Florida Information Network)
- \* South County Foundation for Mental Health
- \* South County Mental Health Center, Inc.
- \* The South Florida Church of Christ, Inc.
- \* Sunburst Sanitation Corporation
- \* Village of Hope of Palm Beach County, Inc.
- \* X Point Technologies, Inc.

**Other Experience**

Attended numerous courses and seminars dealing with numerous areas of accounting, auditing and taxation

Served as senior accountant for numerous districts as well as City of Weston, Florida

Expertise in general ledger, including going through two detailed general ledger conversions and setting up the general ledger

**KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

***PEER REVIEW DOCUMENTS***



## Abbott, Jordan & Koon, LLC

CERTIFIED PUBLIC ACCOUNTANTS

To the Partners  
Keefe, McCullough & Co., LLP

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

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, 2005. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with 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 with its system of quality control based on our review.

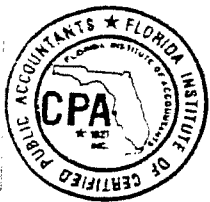
Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. (The engagements selected included among others, audits of Employee Benefit Plans and engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

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, 2005, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

*Albert Gordon & Koon*

Manchester, Georgia  
December 2, 2005



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

325 WEST COLLEGE AVENUE • P.O. BOX 5437 • TALLAHASSEE, FLORIDA 32314  
TELEPHONE (850) 224-2727 • FAX (850) 222-8190

April 24, 2006

Joseph D. Leo, CPA  
Keefe, McCullough & Co., LLP  
6550 N Federal Hwy Ste 410  
Fort Lauderdale, FL 33308-1417

Dear Mr. Leo:

It is my pleasure to notify you that on April 24, 2006 the Florida Peer Review Committee accepted the report on the most recent peer review of your firm. The due date for your next review is February 28, 2009. This is the date by which all review documents should be completed and submitted to the administering entity. Since your firm's due date falls between January and April, you may arrange to have your review a few months earlier to avoid having a review during tax season.

As you know, the reviewer's opinion was unmodified. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Paul N. Brown  
Peer Review  
Director of Technical Services

cc: David C Jordan, CPA

Firm Number: 10036786

Review Number: 227614

A I C P A

PEER REVIEW PROGRAM

is proud to present this

Certificate of Recognition

to

Keefe, McCullough & Co., LLP

*For having a system of quality control for its accounting and auditing practice in effect for the year ended August 31, 2005 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, appearing to read "David Jentho".

David A. Jentho, Chair  
AICPA Peer Review Board  
2005



**KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

***PRICE PROPOSAL***



**KEEFE, McCULLOUGH & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

***ADDENDA***

01028

CA/ING LOC/317-24440

Board of County Commissioners, Broward County, Florida  
BROWARD COUNTY LOCAL BUSINESS TAX RECEIPT

FOR PERIOD OCTOBER 1, 2007 THRU SEPTEMBER 30, 2008

FORM NO. 401-280/AC 25-081  
RV2007/30729 (Rev. 3/07)

RENEWAL     TRANSFER    SEC # 31 / 317  
 NEW    DATE BUSINESS OPENED \_\_\_\_\_  
STATE OR COUNTY CERT/REG # 45-004-0383  
Business Location Address:

4550 N FEDERAL HWY 410  
FT LAUDERDALE 33308-0000  
BUSINESS PHONE: (000) 771-0896

THIS RECEIPT MUST BE CONSPICUOUSLY DISPLAYED  
TO PUBLIC VIEW AT THE LOCATION ADDRESS ABOVE.

TAX	45.00
BACK TAX	
PENALTY	
T.C. FEE	
TRANSFER	
TOTAL	45.00

PENALTIES IF PAID	
OCT - 10%	NOV - 15%
DEC - 20%	After DEC: 31 - 25%
* Plus Tax Collection Fee of up to \$25.00 Based on Cost of Business Tax if Paid On or After November 30.	

ACCOUNT NUMBER  
317-0000111

KEEFE MCCULLOUGH & CO  
6550 N FEDERAL HIGHWAY #410  
FORT LAUDERDALE FL 33308-0000



TYPE OF BUSINESS TAX PAID

CPA-GROUP  
11 UNITS

2007 - 2008

BROWARD COUNTY REVENUE COLLECTION  
115 S. Andrews Avenue, Governmental Center Annex  
FORT LAUDERDALE, FL 33301  
www.broward.org/revenue

PAYMENT RECEIVED AS VALIDATED ABOVE \*SEE INSTRUCTIONS ON REVERSE SIDE

PAID 07/26/07 7706808.0001 45.00

CITY OF KEY WEST  
ANTI-KICKBACK AFFIDAVIT

State of Florida)  
                                  ) ss.  
County of Broward)

I, the undersigned hereby duly sworn, depose and say that no portion of the sum herein bid will be paid to any employee of the City of Key West as a commission, kickback, reward or gift, directly or indirectly by me or any member of my firm or by an officer of the corporation.

By: William A. Penner, CPA

Sworn and prescribed before me this 8th day of July 2008.

*Beth C. Anderton*  
NOTARY PUBLIC, State of Florida

My commission expires:



**Beth C. Anderton**  
Commission # DD471639  
Expires October 1, 2009  
Bonded Troy F&M Insurance, Inc. 888-385-7015

**CITY OF KEY WEST  
SWORN STATEMENT PURSUANT TO SECTION 287.133(3)(A)  
FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES**

**THIS FORM MUST BE SIGNED AND SWORN IN THE PRESENCE OF A NOTARY PUBLIC OR OTHER OFFICE AUTHORIZED TO ADMINISTER OATHS.**

1. This sworn statement is submitted to: City of Key West.
- by: William G. Benson, C.P.A.  
Partner
- for: Keefe, McCullough & Co., LLP  
whose business address is: 6550 North Federal Highway, Suite 410  
Fort Lauderdale, Florida 33308

Federal Identification Number (FEIN) is: 59-1363792

2. I understand that a “public entity crime” as defined in §287.133(1)(g), Florida Statutes means a violation of any state or Federal law by a person with respect to and directly related to the transaction of business with any public entity or with an agency or political subdivision of any other state or with the United States, including, but not limited to, any bid or contract for goods or services to be provided to any public entity or an agency or political subdivision or any other state or of the United States and involving antitrust, fraud, theft, bribery, collusion, racketeering, conspiracy or material misrepresentation.
3. I understand that “conviction” as defined in §287.133(1)(b), Florida Statutes means a finding of guilt or a conviction of a public entity crime, with or without an adjudication of guilt, in any federal or state trial court of record related to charges brought by indictment or information after July 1, 1989, as a result of a jury verdict, non-jury trial, or entry of a plea of guilty or nolo contendere.
4. I understand that an “affiliate” as defined in §287.133(1)(a), Florida Statutes means:
- a. A predecessor or successor of a person convicted of a public entity crime; or
  - b. An entity under the control of any natural person who is active in the management of the entity and who has been convicted of a public entity crime. The term “affiliate” includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in the management of an affiliate. The ownership by one person of shares constituting a controlling interest in another person, or a pooling of equipment or income among persons when not for fair market value under an arm’s length agreement, shall be a prima-facie case that one person controls another person. A person who knowingly enters into a joint venture with a person who has been convicted of a public entity crime in Florida during the preceding 36 months shall be considered an affiliate.
5. I understand that a “person” as defined in §287.133(1)(e), Florida Statutes, means any natural person or any entity organized under the laws of any state or of the United States with the legal power to enter into a binding contract and which bids or applies to bid on contracts led by a public entity, or which otherwise transacts or applies to transact business with a public entity. The term “person” includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in management of an entity.

CITY OF KEY WEST  
SWORN STATEMENT PURSUANT TO SECTION 287.133(3)(A)  
FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES  
(continued)

6. Based on information and belief, the statement that I have marked below is true in relation to the entity submitting this sworn statement. (Please indicate which statement applies):

  X   Neither the entity submitting the sworn statement, nor any of its officers, directors, executives, partners, shareholders, employees, members or agents who are active in management of the entity nor any affiliate of the entity have been charged with and convicted of a public entity crime subsequent to July 1, 1989.

       The entity submitting this sworn statement, or one or more of the officers, directors, executives, partners, shareholders, employees, members or agents who are active in management of the entity or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989.

       The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members or agents who are active in the management of the entity or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989. However, there has been a subsequent proceeding before a Hearing Officer of the State of Florida, Division of Administrative Hearings and the Final Order entered by the Hearing Officer determined that it was not in the public interest to place the entity submitting this sworn statement on the convicted vendor list. (attach a copy of the final order).

I UNDERSTAND THAT THE SUBMISSION OF THIS FORM TO THE CONTRACTING OFFICER FOR THE PUBLIC ENTITY IDENTIFIED IN PARAGRAPH ONE (1) ABOVE IS FOR THAT PUBLIC ENTITY ONLY AND, THAT THIS FORM IS VALID THROUGH DECEMBER 31 OF THE CALENDAR YEAR IN WHICH IT IS FILED.

William G. Benson CPA  
William G. Benson, C.P.A. \

7-08-08  
Date

State of Florida)  
                                  ) ss.  
County of Broward)

PERSONALLY APPEARED BEFORE ME the undersigned authority, William G. Benson who is personally known to me who affixed his signature in the space provided above on this 8th day of July 2008.



**Beth C. Anderton**  
Commission # DD471639  
Expires October 1, 2009  
Bonded Trust Firm Insurance Inc 888-305-7019

Beth C. Anderton  
NOTARY PUBLIC

My commission expires:



## **THE CITY OF KEY WEST**

Post Office Box 1409  
Key West, FL 33041-1409

To: All Prospective Bidders

City of Key West Request for Proposals #08-013-Audit contains the following documents.

- a. Cover letter one (1) page in length
- b. Request for Proposals seventeen (17) pages in length
- c. License Requirement
- d. Anti-Kickback Affidavit one (1) page in length
- e. Public Entity Crimes Certification three (3) pages in length
- f. Notice of Advertisement (1) page in length

Please review your bid package to ensure it contains all of these documents. If not, contact Sue Snider, City of Key West Purchasing Agent at (305) 809.3815, immediately, to obtain copies of any missing document(s).

Firms/corporations submitting to bid should ensure that the following documents are completed, certified, and returned as instructed: Anti-Kickback Affidavit, Public Entity Crimes Certification, copy of current Occupational License.



SUBJECT: REQUEST FOR PROPOSALS #08-013  
AUDIT

ISSUE DATE JUNE 01, 2008

PRE BID CONFERENCE: NONE

MAIL BIDS TO: CITY CLERK  
CITY OF KEY WEST  
525 ANGELA STREET  
KEY WEST, FL 33040

DELIVER BIDS TO: SAME AS ABOVE

BIDS MUST BE  
RECEIVED: JULY 9, 2008

NOT LATER THAN: 3:00 PM

A handwritten signature in cursive script that reads "Sue Snider". The signature is written in black ink and is positioned above the typed name and title.

SUE SNIDER  
PURCHASING AGENT  
CITY OF KEY WEST

ses

Enclosures

CITY OF KEY WEST  
REQUEST FOR PROPOSAL #08-013

## I. INTRODUCTION

### A. General Information

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, 2008, with the City's option of the two subsequent fiscal years (five years maximum). These audits are to be performed in accordance with the following:

1. Generally accepted auditing standards, as set forth by the American Institute of Certified Public Accountants;
2. The standards for financial audits set forth in the U.S. General Accounting Office's (GAO) Government Auditing Standards (2007 Revision);
3. The provisions of the Federal Single Audit Act of 1984 (as amended in 1996 and subsequently);
4. The Florida Single Audit Act, should thresholds be met requiring such review;
5. The provisions of U.S. Office of Management and Budget(OMB) Circular A-133;
6. Audits of States, Local Governments, and Non-Profit Organizations, Audits of State and Local Governments (Revised) – AICPA;
7. Section 218.39 and 11.45, Florida Statutes;
8. State of Florida Department of Banking and Finance Regulations;
9. Rules adopted by the state of Florida Auditors General for form and content of government unit audits;
10. Any other applicable Federal, State and local laws or regulations as well as City of Key West Bond Ordinances and Resolutions.

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 July 9, 2008 at the office of the City Clerk, 525 Angela Street, Key West, Florida 33040-1409. Proposals must be submitted in two sealed envelopes (one within the other) clearly marked with the name of the audit firm and "Request for Proposals #08-013-Audit". The sealed proposals will be opened by the City Clerk at 3:00 p.m. on July 9, 2008. 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 the City of Key West Audit and Finance Committee consisting of:

Teri Johnston, City Commissioner  
Dan Kollhage, City Commissioner  
Michael Knowles, Public Member  
Scott Saunders, Public Member

During the evaluation process, the Audit and Finance Committee and the City of Key West reserve 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 City of Key West or the Audit and Finance 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 firms will occur at the City Commission Meeting scheduled to be held at 6:00 p.m. on August 5, 2008 in the City Commission Chambers At 510 Greens St. 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 by September 3, 2008.

#### **B. Term of Engagement**

A three year contract is contemplated and is subject to the annual review by the Audit and Finance Committee and City Commission. Satisfactory negotiation of terms (including a price acceptable to both the City of Key West and the selected firm), concurrence of the City Commission and the annual availability of an appropriation will be key elements in the contract award. The contract will contain a provision allowing the City to exercise one additional option for two years, subject to the above conditions.

#### **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, 2008, 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 also desires the auditor to express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements and the combining and individual fund and account group financial statements and schedules. The auditor is not required to audit the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The auditor is not required to audit the schedule of federal financial assistance. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

### **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. Generally accepted auditing standards, as set forth by the American Institute of Certified Public Accountants;
2. The standards for financial audits set forth in the U.S. General Accounting Office's (GAO) Government Auditing Standards (2007 Revision);
3. The provisions of the Federal Single Audit Act of 1984 (as amended in 1996 and subsequently);
4. The Florida Single Audit Act, should thresholds be met requiring such review;
5. The provisions of U.S. Office of Management and Budget(OMB) Circular A-133;
6. Audits of States, Local Governments, and Non-Profit Organizations, Audits of State and Local Governments (Revised) - AICPA;
7. Section 218.39 and 11.45, Florida Statutes;
8. State of Florida Department of Banking and Finance Regulations;
9. Rules adopted by the state of Florida Auditors General for form and content of government unit audits;
10. Any other applicable Federal, State and local laws or regulations as well as City of Key West Bond Ordinances and Resolutions.

#### **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:

1. A Report of Independent Certified Public Accountants on the fair presentation of the financial statements in conformity with generally accepted accounting principles in the United States, pursuant to an audit conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.
2. A report of Independent Certified Public Accountants on Compliance and Internal Control over financial Reporting based on an audit of Financial Statements Performed in accordance with Government Auditing Standards.
3. A report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project.
4. Management Letter in accordance with the Rules of the Auditor General of the State of Florida.
5. An "in-relation-to" report on the schedule of federal financial assistance.
6. In the required report(s) 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.
7. In addition, the following conditions shall be considered reportable:
  - 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 Management Letter, which shall be referred to in the report(s) on compliance and internal controls.
8. The reports on compliance shall include all instances of noncompliance.
9. The auditors shall be required to make an immediate, written report to the City Manager, the Audit and Finance Committee, and the City Council, if appropriate, of all irregularities and illegal acts or indications of illegal acts of which they become aware.
10. Auditors shall assure themselves that the City of Key West's Finance Director is informed of each of the following:
  - a. The auditor's responsibility under generally accepted auditing standards
  - b. Significant audit adjustments
  - c. Difficulties encountered in performing the audit

10. Any requirement for separate opinions for any debt issues or to meet any other reporting requirements.
11. Annual presentation of financial position to the Commission.
12. Florida Department of Transportation compliance report in regards to their State Block Grant public transportation funding program.

Auditor reporting responsibilities are also referenced in the Rules of the Auditor General, Chapter 10.550 (Local Governmental Entity Audits).

#### **E. Special Considerations**

1. The staff of the City of Key West Finance Department will prepare the Comprehensive Annual Financial Report(CAFR) from the adjusted trial balances and working papers provided by the auditor. Some technical assistance from the auditor may be necessary.
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. It should be noted that the City has had to request an extension of the reporting deadline from GFOA for 3 out of the last 4 years in order to comply.
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 financial assistance and related auditors' reports, as well as the reports on the internal control structure and compliance are to be issued as part of the CAFR.
5. A list of findings and other weaknesses from the City of Key West's most recent financial statement audit can be obtained by contacting the Finance Director. Of those findings and other weaknesses, management believes that not all issues have been resolved.
6. The City of Key West is progressive in its attitude toward new accounting standards. Early implementation is practiced when recommended. The auditor should be able to provide guidance and assist in the implementation of current changes in governmental accounting standards.
7. Difficulties are not anticipated in implementing and complying with the specific reporting requirements mandated by GASB from time to time.
8. During the year ended 9-30-03, the City implemented Government Accounting Standards Board (GASB) 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments". This statement established new financial reporting requirements for state and local governments throughout the United States.

9. In accordance with GASB 34, the City elected to delay implementing the retroactive reporting of their major general infrastructure assets until the year ended 9/30/07, which included assets acquired (purchased, constructed or donated) prior to 10/1/02.

10 During the year ended 9/30/07, financial statement modifications were made in accordance with the Statement on Auditing Standards (SAS) No. 103, "Audit Documentation" for audit documentation requirements such that audit files stand alone.

11. The SAS No. 104 through SAS No. 111, "Risk Assessment Standards", became effective for audits of financial statements for periods beginning on or after December 15, 2006. These standards have not been implemented by the City.

12. Additional accounting and auditing standards continue to evolve. These include implementing SAS standards such as SAS No. 112, "Communicating Internal Control Related Matters Identified in an Audit", SAS No. 113, "Omnibus 2006", and SAS No. 114, "The Auditor's Communication with Those Charged with Governance". This will be a consideration for proposed audit fees.

13. The City is a major employer and attracting and maintaining qualified staff continues to prove more difficult due to the regulatory barriers encountered in generating any new affordable housing and also due to receding economy forecasts. This shortage in its' labor pool is a continuing trend in the foreseeable future.

#### **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, unless the firm is notified in writing by the City of Key West of the need to extend the retention period. The City of Key West Finance Department maintains file copies of all audit working papers on an annual basis. The auditor will be required to provide a full and complete set of copies of audit working papers, including all supporting documentation, upon completion of each annual audit. 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. An organizational chart and a list of key personnel are attached.

#### **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 \$950,000 covering 515 employees.

The City of Key West has departments located through out the city and only its core functions are centralized at City Hall 525 Angela Street and surrounding buildings. The accounting and financial reporting functions of the City of Key West are centralized and located at 626 Josephine Parker Street adjacent to City Hall.

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:

<u>Fund Type/Account Group</u>	<u># of Funds</u>	<u>#w/Annual Budgets</u>
General	1	1
Special revenue funds	9	8
Debt service funds	0	0
Capital projects funds	1	0
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, 2007 the City of Key West incurred \$5 million dollars in Federal Aid expenditures and \$1.5 million in State Aid expenditures.

### **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. Actuarial services for these plans annually.

### **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 seventeen associates. The



positions and number of employees assigned to each are as follows:

Positions	Number of Employees
Supervisor of Revenue	1
Accounting Supervisor	1
Accounting Clerk	8
Purchasing Agent	1
Accounting Coordinator	1
Budget Analyst	1
Parking Collections	2
Customer Service Representatives	2

The finance department is responsible for production of the Comprehensive Annual Financial Report, and the preparation of the annual City Budget.

#### **J. Computer System**

1. Hardware
  - Type - Mainframe
  - Number - 1
  - Make - IBM AS400
2. Software
  - Make - HTE
  - Major Applications
    - Community Service
    - Financial Systems
    - Utility Systems

#### **K. Internal Audit Function**

Current staffing levels permit a minimum number of routine internal audit procedures. Areas of concern are addressed as they arise. The Internal Audit department consists of one City of Key West Internal Auditor.

#### **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, Post Office Box 1409, Key West, Florida 33040 by telephone (305)809-3822 or by emailing [RWittenb@keywestcity.com](mailto: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

June 1, 2008

Due date for proposals July 9, 2008

**B. Notification and Contract Dates**

Firms Evaluated and Ranked by Audit Committee	July 17, 2008 (tentative)
Presentation to City Commission	August 5, 2008
Contract date (Anticipated)	September 3, 2008
Audit work	November 1 – March 31

**C. Date Final Report is Due**

Finance shall prepare financial statements, notes and all required supplementary schedules and statistical data. A draft of the CAFR, including draft auditors' reports will be delivered to the auditor by March 15. During this period, the auditor should be available for any meetings that may be necessary to discuss the audit reports and resolve all issues.

Twenty sets of final, signed and unbound original letters and reports should be delivered to Roger D. Wittenberg, Finance Director at P.O. BOX 1409, Key West, Florida 33040-1409, by March 20 of each year.

**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**

Report preparation, editing and printing shall be the responsibility of the City.

## 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  
Post Office Box 1409  
Key West, Florida 33040  
PH: (305)809-3822  
Fax:(305)809-3806  
Email [rwittenb@keywestcity.com](mailto:rwittenb@keywestcity.com)

#### 2. Submission of Proposal

The following material is required to be received by 3:00 p.m. on July 9, 2008 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, Anti-Kickback Affidavit, and copy of current Occupational License attached to this request for qualifications. Proposals must be submitted in two sealed envelopes (one within the other) clearly marked with the name of the audit firm, Proposal, Request for Proposal, Professional Audit Services. Proposers should send the completed proposal to:

Cheryl Smith  
City Clerk  
City of Key West  
525 Angela Street  
Post Office Box 1409  
Key West, Florida 33040-1409

## **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 IT 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 price 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.

## VII. EVALUATION PROCEDURES

### A. Proposal Evaluation

Proposals submitted will be evaluated by a four member Audit and Finance Committee consisting of:

Teri Johnston, City Commissioner  
Dan Kolhage, City Commissioner  
Michael Knowles, Public Member  
Scott Saunders, Public Member

## **B. Review of Proposals**

The Audit and Finance Committee will meet to review and discuss the proposals. The Audit and Finance 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 Audit and Finance 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 (60 points)**

- a. Expertise and Experience
  - (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

- (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

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 Audit and Finance 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. The highest ranked firm will proceed to the negotiation process.

The final selection will be on the agenda of the City Commission Meeting scheduled to be held at 6:00 p.m. on August 5, 2008. 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 by September 3, 2008.



### **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 payment under the payment provisions of the contract for services rendered before the effective date of termination.

#### **2. Default**

The City of Key West, by written notice, may terminate this contract upon default of any clauses therein by the contractor

### **F. ADDITIONAL SERVICES**

The City may request additional services from the Auditor ancillary to the services performed hereunder at any time within twenty-four months of expiration or termination of this contract.

To the extent such services are an extension of the scope of the audit(s) as a result of increased regulatory requirements, the addition of agencies or funds to be audited, or any other reason beyond the control of the Auditor, such additional services shall be compensated based upon actual hours worked at the hourly rates set forth in this proposal.

To the extent such services are separate from the scope of the Audit, compensation for such services shall be subsequently negotiated by the City and the Auditor on either actual hours worked or a lump sum fee basis, and based on the hourly rates set forth in the previous section. The choice of the basis of compensation shall be at the sole discretion of the City.

After receipt of the City's written executed change order, the Auditor shall perform the additional services and be compensated for such services on the basis of the above described rates or fees. In performing these additional services, the Auditor agrees to remain bound by the maximum hours and fees described in Section Three of this proposal unless the Auditor, upon receipt of the City's request, notifies the City in writing that said additional services may result in an increase in the maximum hours and/or fees needed to perform the additional services, and the current estimate of maximum hours and fees, excluding these additional services,

needed to complete the Audit. The City Commission may accept the Auditor's increased hours or fees, in which case this adjustment to the maximum hours or fee shall be set forth in writing and be attached to and become a part of this proposal when approved and executed by the parties in the same manner as this proposal. Should the City Commission not accept the increase, the Auditor is not bound to perform any additional services.

The City, by majority vote of the City Commission, may extend this contract for two additional years at the not-to-exceed fee costs set forth.

#### **G. 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 and be attached to and become a part of this Proposal when approved and executed by the parties in the same manner as this Proposal.

THE SELECTED APPLICANT MAY BE REQUIRED TO OBTAIN A OCCUPATIONAL  
LICENSE

TYPE OF LICENSE

ANNUAL COST NOT TO EXCEED \$295

IF CPA FIRM IS LOCATED WITH THE CITY LIMITS,

LICENSE IS REQUIRED

ANTI-KICKBACK AFFIDAVIT

STATE OF FLORIDA

SS:

COUNTY OF MONROE

I the undersigned hereby duly sworn, depose and say that no portion of the sum herein bid will be paid to any employee of the City of Key West as a commission, kickback, reward or gift, directly or indirectly by me or any member of my firm or by an officer of the corporation.

BY: \_\_\_\_\_

sworn and prescribed before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008

NOTARY PUBLIC, State of Florida

My commission expires:

SWORN STATEMENT PURSUANT TO SECTION 287.133(3)(A)  
FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES

THIS FORM MUST BE SIGNED AND SWORN TO IN THE PRESENCE OF A NOTARY PUBLIC OR OTHER OFFICIAL AUTHORIZED TO ADMINISTER OATHS,

1. This sworn statement is submitted to  
by  
                  (print individual's name and title)  
for  
                  (print name of entity submitting sworn statement)

whose business address is

and (if applicable) its Federal Employer Identification Number (FEIN) is

\_\_\_\_\_ (if the entity has no FEIN, include the Social Security  
Number of the individual signing this sworn statement):

2. I understand that a "public entity crime" as defined in Paragraph 287.133(1)(g), Florida Statutes, means a violation of any state or federal law by a person with respect to and directly related to the transaction of business with any public entity or with an agency or political subdivision of any other state or of the United States, including, but not limited to, any bid or contract for goods or services to be provided to any public entity or an agency or political subdivision of any other state or of the United States and involving antitrust, fraud, theft, bribery, collusion, racketeering, conspiracy, or material misrepresentation.
3. I understand that "conviction" as defined in Paragraph 287.133(1)(g), Florida Statutes, means a finding of guilt or a conviction of a public entity crime, with or without an adjudication of guilt, in any federal or state trial court of record relating to charges brought by indictment or information after July 01, 1989, as a result of a jury verdict, nonjury trial, or entry of a plea of guilty or nolo contendere.
4. I understand that an "affiliate" as defined in Paragraph 287.133(1)(a), Florida Statutes, means:
1. A predecessor or successor of a person convicted of a public entity crime: or

2. An entity under the control of any natural person who is active in the management of the entity and who has been convicted of a public entity crime. The term "affiliate" includes those officers, directors, executives, partners, shareholders, employees, members and agent who are active in the management of an affiliate. The ownership by one person of shares constituting a controlling interest in another person, or a pooling of equipment of income among persons when not for fair market value under an arm's length agreement, shall be a prima facie case that one person controls another person. A person who knowingly enters into a joint venture with a person who has been convicted of a public entity crime in Florida during the preceding 36 months shall be considered an affiliate.
5. I understand that a "person" as defined in Paragraph 287.133(1)(e), Florida Statute means any natural person or entity organized under the laws of any state or of the United States with the legal power to enter into a binding contract and which bids or applies to bid on contracts for the provision of goods or services let by a public entity, or which otherwise transacts or applies to transact business with a public entity. The term "person" includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in management of an entity.
6. Based on information and belief, the statement which I have marked below is true in relation to the entity submitting this sworn statement (indicate which statement applies).

Neither the entity submitting this sworn statement, or any of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, nor any affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July, 1989.

The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 01, 1989.

The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 01, 1989. However, there has been a subsequent proceeding before a Hearing Officer of the State of Florida, Division of Administrative Hearings and the Final Order entered by the Hearing Officer determined that it was not in the public interest to place the entity submitting this sworn statement on the convicted vendor list. (attach a copy of the final order)

I UNDERSTAND THAT THE SUBMISSION OF THIS FORM TO THE CONTRACTING OFFICER FOR THE PUBLIC ENTITY IDENTIFIED IN PARAGRAPH ONE (1) ABOVE IS FOR THAT PUBLIC ENTITY ONLY AND, THAT THIS FORM IS VALID THROUGH DECEMBER 31 OF THE CALENDAR YEAR IN WHICH IT IS FILED. I ALSO UNDERSTAND THAT I AM REQUIRED TO INFORM THE PUBLIC ENTITY PRIOR TO ENTERING INTO A CONTRACT IN EXCESS OF THE THRESHOLD AMOUNT PROVIDED IN SECTION 287.017, FLORIDA STATUTES, FOR THE CATEGORY TWO OF ANY CHANGE IN THE INFORMATION CONTAINED IN THIS FORM.

\_\_\_\_\_  
(SIGNATURE)

\_\_\_\_\_  
(DATE)

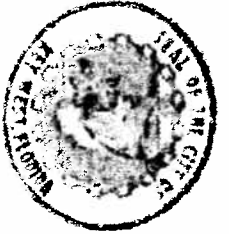
STATE OF \_\_\_\_\_

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

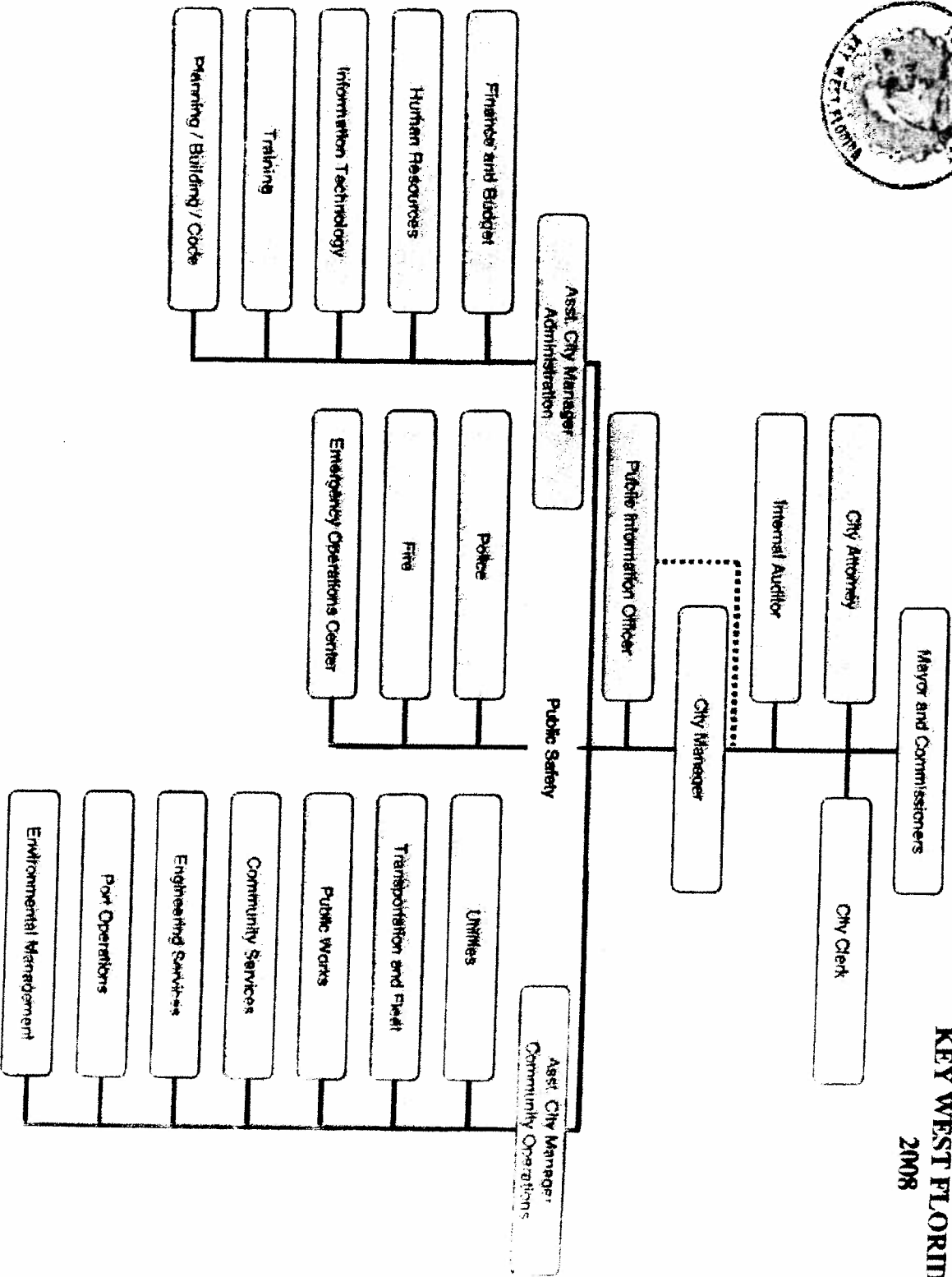
PERSONALLY APPEARED BEFORE ME, the undersigned authority  
\_\_\_\_\_ who, after first being sworn by me,  
(name of individual)  
affixed his/her signature in the space provided above on this  
\_\_\_\_\_ day of \_\_\_\_\_, 2008

NOTARY PUBLIC

My commission expires:



**KEY WEST FLORIDA  
2008**






NOTICE OF ADVERTISEMENT – REQUEST FOR PROPOSALS

*NOTICE is hereby given to prospective proposers that sealed proposals will be received by the CITY of KEY WEST, FLORIDA by the office of the City Clerk, 525 Angela Street, Key West, Florida 33040 until 3:00 P.M. July 9, 2008 for the Request For Proposals #08-013 Audit in the Office of the City Clerk then and there and publicly read aloud. Any proposal received after the time announced will not be considered.*

SPECIFICATIONS AND BID DOCUMENTS may be obtained from DemandStar by Onvia at [www.demandstar.com/supplier](http://www.demandstar.com/supplier) or call toll-free at 1-800-711-1712. One (1) original and six (6) copies of the bids are to be enclosed in two (2) sealed envelopes, one within the other, each clearly marked on the outside: **“Request For Proposals #08-013-AUDIT”**, addressed and delivered to:

CITY CLERK, CITY OF KEY WEST, FLORIDA  
CITY HALL, 525 ANGELA STREET  
KEY WEST, FLORIDA 33040

*At the time of the award, the successful Proposer must show satisfactory document of such State, County and City licenses as would be required. Any permit and/or license requirement and subsequent costs are located within the bid documents. The successful Proposer must also be able to satisfy the City Attorney as to such insurance coverage, and legal requirements as may be demanded in proposal. The City may reject proposals: (1) for budgetary reasons, (2) if the proposer misstates or conceals a material fact in its proposal, (3) if the proposal does not strictly conform to the law or is non-responsive to the proposal requirements, (4) if the proposal is conditional, (5) if a change of circumstances occurs making the purpose of the proposal unnecessary, (6) or if such rejection is in the best interest of the City. The City may also waive any minor informalities or irregularities in any proposal*

  
\_\_\_\_\_  
Sue Snider, Purchasing Agent

*Published June 01, 2008*