

# INDIAN SHORES

Ph 727.595.4020 Fax 727.596.0050  
19305 Gulf Boulevard, Indian Shores, FL 33785  
www.myindianshores.com

## AUDITOR SELECTION COMMITTEE MEETING AGENDA TUESDAY, MARCH 8, 2022, BEGINS AT 3:00 P.M. INDIAN SHORES MUNICIPAL CENTER, 4<sup>th</sup> FLOOR

### ITEM # AGENDA ITEM

- 1.0 Consideration of approving the Auditor Selection Committee Meeting agenda for March 8, 2022.
- 2.0 Comments from the public on any agenda item.
- 3.0 Sunshine Law review by Attorney Regina Kardash. (Ref. pgs.: 1-12)
- 4.0 Review of Auditor Selection Committee's roles and duties. (Ref. pgs.: 13-38)
- 5.0 Discussion and consideration of utilizing the City of Largo's RFP as the model template for the Town's RFP for audit services. (Ref. pgs.: 39-59)
- 6.0 Discussion and consideration of Request for Proposal (RFP) timeline.
- 7.0 Citizens' comments on any subject.
- 8.0 Committee Members' comments on any subject.
- 9.0 Meeting adjournment.

PLEASE SILENCE ALL CELL PHONES  
PLEASE LIMIT PUBLIC COMMENTS TO 4 MINUTES



Freddie Lozano  
Town Clerk

*Any person who decides to appeal any decision of the Auditor Selection Committee with respect to any matter considered at any such meeting will need a record of the proceedings, and for such purpose, may need to ensure that a verbatim record of the proceedings is made, which record includes that testimony and evidence upon which the appeal is to be based.*

*Any person with a disability requiring reasonable accommodation in order to participate in this meeting should contact the Town Clerk's office with your request within 24 hours prior to the start of the meeting. Phone 727.595.4020, Fax 727.596.0050.*

**Patrick C. Soranno**  
Mayor

**Mike Hackerson**  
Vice Mayor

**Diantha Schear**  
Councilor

**Michael (Mike) Petrucci**  
Councilor

**William F. (Bill) Smith**  
Councilor

**Bonnie Dhonau**  
Town Administrator

**Richard (Rick) Swann**  
Chief of Police

**Susan L. Scrogam**  
Director of Finance  
and Personnel

**Freddie G. Lozano**  
Town Clerk

**Regina Kardash, Esq.**  
Town Attorney



## Government in the Sunshine

*Presented by:*  
Regina A. Kardash, Esq. B.C.S.

1

## Oath of Office for Public Officials for Indian Shores

Section 5(b), Art. II, State Const., provides as follows:

- 'I do solemnly swear (or affirm) that I will support, protect, and defend the Constitution and Government of the United States and of the State of Florida; and the Charter of the Town of Indian Shores; that I am duly qualified to hold office under the Constitution of the state and Charter of the Town of Indian Shores; and that I will well and faithfully perform the duties of (title of office) on which I am now about to enter. So help me God.'

2

  
 PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
 ATTORNEYS AND COUNSELORS AT LAW

## What is Government in the Sunshine?

- Public Access
- Transparency
- Florida Constitution, Article I, Section 24(b)
- Section 286.011, Florida Statutes

3

  
 PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
 ATTORNEYS AND COUNSELORS AT LAW

## Basic Requirements

- Meetings of public boards or commission must be open to the public
- Reasonable notice of such meetings must be given
- Minutes of the meetings must be taken

4

### What is a meeting?

- Formal or informal gathering of two or more
  - Discussing a matter which will foreseeably come before them for a formal decision
- A writing reflecting views on a particular action.
- Telephone conversation.
- Any communication, electronic, telephonic or otherwise.

5

### What is “open to the public”?

- Facilities: accessible and adequate
- No inaudible discussions
- The public has a right to be present and to be heard.

6

  
 PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
 ATTORNEYS AND COUNSELORS AT LAW

### Penalties for violation of Sunshine Law:

- A knowing violation constitutes a 2<sup>nd</sup> degree misdemeanor, punishable by 60 days in jail and/or \$500.00 fine.
- Non-criminal infractions, committed without the requisite knowledge, punishable by \$500.00 fine
- Both pursued by the State Attorney's Office.
- Any action taken in violation of Sunshine Law is void *ab initio*.

7

  
 PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
 ATTORNEYS AND COUNSELORS AT LAW

### Exceptions to Sunshine Meetings:

- Labor negotiations and collective bargaining
- Risk management issues
- Security systems and advice
- Shade meetings

8

### Shade Meeting Requirements:

1. Attorney advises the body at a public meeting to request a shade meeting
2. Subject matter confined to the litigation.
3. Entire session recorded by court reporter.
4. Reasonable public notice: date, time, THOSE ATTENDING.
5. Transcript becomes public at the conclusion of the litigation.

9

### Public Records Law

- Florida Constitution, Article I, Section 24(a)
- Chapter 119, Florida Statutes

10

  
 PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
 ATTORNEYS AND COUNSELORS AT LAW

*A Public Record is...*

Any documents, papers, letters, maps, books, tapes, photographs, films, sound recordings, data processing software, or other material, regardless of the physical form, characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of official business by an agency.

11

  
 PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
 ATTORNEYS AND COUNSELORS AT LAW

*A Public Record is...*

- Any material
- Prepared in connection with official agency business
- Intended to perpetuate, communicate, or formalize knowledge.

12



  
PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
ATTORNEYS AND COUNSELORS AT LAW

Penalties for Violation of Public Records:

- For any violations of Chapter 119, \$500.00 fine.
- For a willful and knowing violation, subject to suspension, removal or impeachment.
  - 1<sup>st</sup> Degree misdemeanor (up to one year in jail).

13

  
PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
ATTORNEYS AND COUNSELORS AT LAW

Notable Cases In the News!!!!

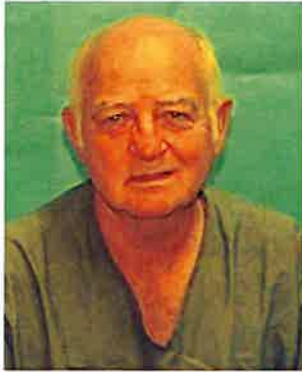


14



  
**PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.**  
 ATTORNEYS AND COUNSELORS AT LAW

## W. D. Childers Case



Former Florida Senator and  
Escambia County  
Commissioner

15

  
**PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.**  
 ATTORNEYS AND COUNSELORS AT LAW

## Childer's Case:

- Sentenced to 60 days.
- Called Supervisor of elections with another Commissioner, Terry Smith, listening on phone.
- Discussed building submissions with two other commissioners in front of staff.
- In addition to \$500 fine, sentenced to court costs, and investigative costs totaling over \$4,000.00
- Removed from office.
- Three other commissioners convicted with him.
- Range of fines, and over 250 hours community service included in punishments.

16

### Childer's Case:

- Childer's crimes were more serious because he *ignored advice from the county attorney*, played a leadership role, and had vast political experience....  
— Judge T. Patterson Maney, Okaloosa County.

17

### *Citizens for Sunshine v. Susan Chapman*, Case No. 2013-CA-7532NC (Fla. 12<sup>th</sup> Cir. Ct. 2016).

- City Commissioner Susan Chapman was alleged to have committed a violation of the Sunshine law when she attended a meeting in 2013 with area business owners, city leaders and another sitting commissioner relating to homelessness in downtown Sarasota. Judge Brian Iten ruled after a 2-day trial that Chapman's decision to attend the meeting with another city commissioner did not technically constitute a Sunshine law violation, but stated that those holding public office should "always endeavor to avoid even the appearance of impropriety". To date, the City of Sarasota has spent over \$350,000 in attorney's fees defending Chapman in this litigation.
- Case appealed to 2<sup>nd</sup> DCA.

18

  
 PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
 ATTORNEYS AND COUNSELORS AT LAW

## *Lorenzo v. City of Venice*, Case No. 2008 CA 8108 SC (Fla. 12<sup>th</sup> Cir. Ct. Oct. 7, 2009)

Judge Robert Bennett ordered the City of Venice to pay \$777,114.42 in attorney's fees and costs to the Plaintiff's attorney. This judgment (for just the Plaintiff's attorneys' fees and costs) is one of the highest and most costly judgments entered against a local government for violations of the Public Records and Sunshine laws.


19

  
 PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
 ATTORNEYS AND COUNSELORS AT LAW

## Jacksonville

- State Attorney's Office spent over a year and a half investigating alleged Sunshine violations among City Council members and the Mayor.
- "Common sense dictates that Council members do not spend 62 hours, 74 hours, and 38 hours on the phone with other Council members discussing simple scheduling matters or irregular personal matters," the state attorney wrote. "Council members' initial denials of having substantial telephone contact with other Council members before being confronted with the actual records provides some evidence – perhaps compelling evidence – of knowledge and intent."
  - Ultimately could not overcome "beyond a reasonable doubt" standard.

20

  
**PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.**  
 ATTORNEYS AND COUNSELORS AT LAW


---

## St. John's County

- Attorney for the school board signed an affidavit stating that he filed suit in connection with a school bus safety lawsuit after privately polling the individual commissioners, and without a formal vote or action at a public meeting.

---

21

  
**PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.**  
 ATTORNEYS AND COUNSELORS AT LAW


---

## Polk County

- School Board Attorney pled no contest and agreed to pay court costs, fines and investigative fees in exchange for a withhold of adjudication on a public records violation.

---

22



PERSSON, COHEN, MOONEY, FERNANDEZ & JACKSON, P.A.  
ATTORNEYS AND COUNSELORS AT LAW

## QUESTIONS?

Regina A. Kardash  
[rkardash@flgovlaw.com](mailto:rkardash@flgovlaw.com)  
(941) 306-4730

Persson, Cohen, Mooney, Fernandez & Jackson, P.A.  
Offices Located in:  
Lakewood Ranch & Venice  
[www.flgovlaw.com](http://www.flgovlaw.com)

23

**STATE OF FLORIDA  
AUDITOR GENERAL**



**AUDITOR SELECTION  
AND  
AUDITOR SELECTION COMMITTEE  
GUIDANCE**

**EFFECTIVE FOR AUDITS FOR FISCAL YEARS ENDED  
SEPTEMBER 30, 2021, AND THEREAFTER**

**SEPTEMBER 2021**

## **Table of Contents**

<b>Auditor Selection Law .....</b>	<b>1</b>
<b>Auditor Selection Committee Composition and Size .....</b>	<b>1</b>
Legal Requirements .....	1
Nonmandatory Guidance.....	2
Small Government Considerations .....	3
<b>Auditor Selection Committee Responsibilities.....</b>	<b>3</b>
Legal Requirements .....	3
Nonmandatory Guidance .....	3
• Establishment of the Auditor Selection Committee .....	3
• Auditor Selection Committee Responsibilities .....	4
• Communications with the Auditor Selection Committee .....	6
Small Government Considerations .....	6
<b>Audit Proposal Evaluation Factors .....</b>	<b>6</b>
Legal Requirements .....	6
Nonmandatory Guidance .....	6
• Audit Firm Qualifications .....	6
• Technical Qualifications .....	7
<b>Use and Elements of Request for Proposal .....</b>	<b>7</b>
Legal Requirements.....	7
Nonmandatory Guidance .....	7
• Public Announcement for Audit Services .....	8
• Elements of the Request for Proposal.....	8
<b>Use and Elements of Audit Services Contract .....</b>	<b>14</b>
Legal Requirements .....	14
Nonmandatory Guidance .....	14
• Engagement Letter.....	14
• Required Contract Elements .....	14
• Additional Contract Elements .....	15
<b>Appendices</b>	
Appendix A – Auditor Selection Law (Section 218.391, Florida Statutes) .....	17
Appendix B – Questions and Answers .....	19
Appendix C – Auditor Selection and Auditor Selection Committee Resources .....	24



## **Auditor Selection Law**

Section 218.391, Florida Statutes,<sup>1</sup> the auditor selection law, establishes required procedures for the selection of auditors to perform the financial audits required by Section 218.39, Florida Statutes, for counties, municipalities, special districts, district school boards, charter schools, and charter career technical centers. These procedures help ensure selection of a qualified auditor and satisfactory audit effort. Section 218.391, Florida Statutes, is included as Appendix A to this document.

The established auditor selection process requires 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.

The auditor selection law requires that the governing body of each county, municipality, special district, district school board, charter school, and charter technical career center establish an auditor selection committee. Section 218.391(2)(d), Florida Statutes, provides that while the primary purpose of the auditor selection committee is to assist the governing body in selecting an auditor to conduct the financial audit, the auditor selection committee may serve other audit oversight purposes as determined by the entity's governing body.

The purpose of this document, which was initially prepared by an Auditor Selection Task Force<sup>2</sup> established by the Auditor General, is to provide additional nonmandatory guidance regarding the auditor selection committee and the selection of auditors for performing the financial audit required by Section 218.39, Florida Statutes. Specifically, this document provides guidance in the following areas:

- Composition of auditor selection committees.
- Responsibilities of auditor selection committees.
- Audit proposal evaluation factors.
- Use and elements of an RFP for audit services.
- Use and elements of audit services contracts.

Additional auditor selection topics are included in Appendix B - Questions and Answers. A listing of resources used to prepare this guidance is included in Appendix C.

This document includes numerous references to guidance from the Government Finance Officers Association (GFOA) for audit committees because such guidance is relevant to auditor selection committees assigned audit oversight responsibilities.

## **Auditor Selection Committee Composition and Size**

### **Legal Requirements**

Section 218.391, Florida Statutes, provides that the auditor selection committee for a county must, at a minimum, include each of the county officers elected pursuant to the county charter or Article VIII, Section 1(d) of the State Constitution, or their respective designees, and one member of the board of county commissioners or its designee. The auditor selection committee for a municipality, special district, district school board, charter school, or charter technical career center must consist of at least three

---

<sup>1</sup> All statutory references in this guidance are to the 2020 Florida Statutes.

<sup>2</sup> The Task Force included representatives of the Florida Association of Counties, Florida Association of Court Clerks and Controller, Florida Association of Public Purchasing Officers, Florida Association of Special Districts, Florida Government Finance Officers Association, Florida Institute of Certified Public Accountants, Florida League of Cities, and Florida School Finance Officers Association. Also included were representatives of the Auditor General's Office, the Legislative Auditing Committee, and the former Legislative Committee on Intergovernmental Relations.

members, one of which must be a member of the governing body and who must serve as the committee chair.

No employee of the county, municipality, special district, district school board, charter school, or charter technical career center may serve as a member of the auditor selection committee; however, an employee of the county, municipality, special district, district school board, charter school, or charter technical career center may serve in an advisory capacity.

#### Nonmandatory Guidance

The effectiveness of an auditor selection committee in performing its assigned duties is dependent on the qualifications and skills of its members and the relationship of the members to the governing body.

GFOA Best Practices<sup>3</sup> recommend the following regarding the composition of audit committees, which would also apply to auditor selection committees:

- *Ideally, all members of the committee should possess or obtain a basic understanding of governmental financial reporting and auditing. The audit committee also should have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee for this purpose. Such a financial expert should through both education and experience, and in a manner specifically relevant to the government sector, possess 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal controls; and 5) an understanding of audit committee functions.*

For governmental entities experiencing difficulty in acquiring financial expertise on the audit committee, alternative means of acquiring such expertise include, but are not limited to, obtaining assistance from another governmental entity's chief financial officer, engaging an independent financial professional, or providing a training program for audit committee members to develop the necessary financial knowledge.

- *To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee.*

GFOA Best Practices<sup>4</sup> suggest that the actual audit committee membership be composed of the governing body or a subset of the governing body. Under this approach, it is likely that the entity will need to engage an outside party to obtain the needed experience in governmental financial reporting and auditing. The audit committee members should be provided an orientation on the duties and responsibilities of the committee, including such topics as objectives of internal control, accounting, auditing, and financial reporting to assist in making sound judgments.

- *An audit committee should have sufficient members for meaningful discussion and deliberation, but not so many as to impede its efficient operation. As a general rule, the minimum membership of the committee should be no fewer than three.*

Another factor that could affect the size of the audit committee, particularly in smaller communities, is the availability of individuals who possess both the skills desired of an audit committee member and the willingness to make the commitment to perform effectively as a member. It is important that the entity not compromise these factors, as well as independence considerations, in establishing the size of the audit committee.

---

<sup>3</sup> GFOA's Best Practice: *Audit Committees*.

<sup>4</sup> GFOA's Best Practice: *Audit Committees*.

- *Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism.*

GFOA Best Practices<sup>5</sup> suggest that audit committee members be provided training regarding the audit committee function. This is particularly critical where the committee members are governing body members who may not possess the needed experience in governmental financial reporting and auditing. At a minimum, such training might include making members familiar with this guidance and the publications referenced herein.

### Small Government Considerations

Smaller entities may experience difficulty in obtaining the necessary experience in governmental financial reporting and auditing from a source that is independent from financial management of the entity. Qualified persons willing to provide such experience may simply not be available within the community. In such instances, the small entity might consider consulting with larger entities in the area to identify employees or consultants of those entities who might be willing to work with their auditor selection committee. A smaller entity may also opt to include members of the auditor selection committee of the larger entity on its auditor selection committee. Regardless of the method used to provide an auditor selection committee function, ultimate responsibility for the selection of the auditor rests with the governing body.

## **Auditor Selection Committee Responsibilities**

### Legal Requirements

The primary purpose of the auditor selection committee, as contemplated in Section 218.391, Florida Statutes, is to assist in the selection of an auditor to conduct the financial audit required by Section 218.39, Florida Statutes.

Section 218.391(3), Florida Statutes, establishes the duties of the auditor selection committee to include:

- Establishment of factors to be used for the evaluation of audit services to be provided by an audit firm.
- Public announcement of an RFP.
- Provision of interested firms with the RFP.
- Evaluation of proposals provided by qualified firms.
- Ranking and recommendation in order of preference of no fewer than three firms deemed to be the most highly qualified to perform the required services. If fewer than three firms respond to the RFP, the committee shall recommend such firms as it deems to be the most highly qualified.

The auditor selection committee may also serve other audit oversight purposes as determined by the entity's governing body.

### Nonmandatory Guidance

- Establishment of the Auditor Selection Committee. GFOA Best Practices<sup>6</sup> advise that the audit committee be formally established by charter, enabling resolution, or other appropriate legal means. Likewise, Florida local governmental entity auditor selection committees should be formally established by charter, ordinance, resolution, or written policies and procedures adopted by the governing body. In addition to addressing the composition of the auditor selection committee (see the previous section, Auditor Selection Committee Composition and Size), the formal means by which the auditor selection committee is established should define the

<sup>5</sup> GFOA's Best Practice: *Audit Committees*.

<sup>6</sup> GFOA's Best Practice: *Audit Committees*.

committee's responsibilities and prescribe committee member qualifications consistent with GFOA recommendations.

GFOA Best Practices<sup>7</sup> recommend that the audit committee be established in such a manner that the auditors engaged to conduct the financial audit report directly to the audit committee. If the auditor selection committee is assigned oversight responsibilities with respect to the independent audit and the establishment of internal controls and adequate management processes, the GFOA's Best Practice: *Audit Committees* (October 2008) should be consulted for additional guidance.

- Auditor Selection Committee Responsibilities. GFOA Best Practices<sup>8</sup> indicate that an audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. GFOA Best Practices further indicate that, by effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the entity's financial reporting practices.

The GFOA's publication, *Governmental Accounting, Auditing, and Financial Reporting* (2020), also known as the GFOA Blue Book,<sup>9</sup> indicates that governing bodies are responsible for ensuring that management fulfills its obligations in regard to internal control and financial reporting. The GFOA Blue Book<sup>10</sup> also indicates that governing bodies typically establish audit committees for this purpose and audit committee responsibilities, in addition to audit oversight, include selecting the auditors. Accordingly, although State law assigns this task to the auditor selection committee, consideration should be given to using the auditor selection committee as an audit committee as contemplated by the GFOA.

The GFOA Blue Book<sup>11</sup> further indicates that:

- The auditors should report directly to the audit committee.
- The audit committee should have access to the reports of any internal auditors, as well as access to any annual internal audit work plans.
- The audit committee should publish the results of its work in an annual written report to the governing body.

Should the auditor selection committee be assigned audit oversight responsibilities that are in addition to the statutorily mandated auditor selection committee responsibilities (i.e., used as an audit committee as contemplated by the GFOA), consideration should be given to GFOA guidance regarding audit committee responsibilities. For example, the GFOA's *Audit Management Handbook* (GFOA Handbook) recommends that, in addition to auditor selection, the audit committee perform the following functions:

- Monitoring the Audit
  - Monitoring Activity During the Audit. The GFOA Handbook<sup>12</sup> indicates that concerns of interest to the audit committee during the audit would include whether the audit is progressing on schedule and whether potential problems are identified and immediately corrected, if appropriate. Potential problems might include difficulties in gathering information or contacting key personnel, discovery of instances or indications of fraud,

---

<sup>7</sup> GFOA's Best Practice: *Audit Committees*.

<sup>8</sup> GFOA's Best Practice: *Audit Committees*.

<sup>9</sup> GFOA Blue Book, Chapter 43, page 43-1.

<sup>10</sup> GFOA Blue Book, Chapter 43, pages 43-1 and 43-2.

<sup>11</sup> GFOA Blue Book, Chapter 43, pages 43-2 through 43-4.

<sup>12</sup> GFOA Handbook, Chapter 6, pages 87 and 88.

waste, or abuse that require immediate attention, and circumstances that could result in a modified opinion. Monitoring can be accomplished through periodic progress reports or meetings.

- Review of Final Audit Reports. The GFOA Handbook<sup>13</sup> recommends that the audit committee review each of the auditor's reports to gain a thorough understanding of problems identified by the auditor to provide the background needed to address resolution of the problems. In view of the emphasis placed on management letters in Florida law and the Rules of the Auditor General,<sup>14</sup> an auditor selection committee assigned audit oversight responsibilities should review the management letters required to be submitted as a part of the audit report. For the committee to effectively review the results of the audit, the results must be communicated in a manner that assures a thorough understanding by the committee members. In lieu of relying solely on the delivery of a written audit report, this might be accomplished at a public meeting<sup>15</sup> in which committee members have an opportunity to ask questions of the auditors. This could be done either in addition to, or in conjunction with, a public meeting of the entity's governing body at which governing body members would also have an opportunity to question the auditors. If the findings are presented at a governing body meeting, consideration should be given to a meeting convened solely or predominantly for this purpose to assure that the findings are adequately communicated.

- Audit Resolution

The GFOA Handbook<sup>16</sup> points out that while it is management's responsibility to implement corrective action related to audit findings, the audit committee should be responsible for monitoring management's implementation. The GFOA Handbook suggests that governing bodies may want to require management to answer to the governing body for any failure to implement corrective action plans in a timely manner to the satisfaction of the audit committee.

Specified entities are required by Auditor General Rule 10.558(2) to provide the Auditor General with responses to all audit findings included in their financial audit reports. The responses are required to include corrective action designed to prevent recurrence of any findings included in the audit report.

- Auditor Evaluation

The GFOA Handbook<sup>17</sup> views auditor evaluation as the first step of the subsequent year's audit procurement or, if audit procurement is not scheduled for the subsequent year, a process for identifying and recommending needed improvements in the auditor's performance. The GFOA Handbook recommends that the audit committee meet with management to discuss matters pertaining to the auditor's performance, including: ability to meet deadlines; compliance with other provisions of the audit contract; competence and cooperativeness of the audit staff; and thoroughness and reasonableness of audit adjustments, findings, and recommendations.

In assessing the overall effectiveness of the audit, the auditor selection committee may determine a need for audit procedures that are in addition to the minimum procedures

---

<sup>13</sup> GFOA Handbook, Chapter 6, pages 88 through 91.

<sup>14</sup> All references in this guidance to Rules of the Auditor General rules are to *Chapter 10.500, Rules of the Auditor General* effective for fiscal years ending September 30, 2020, and thereafter.

<sup>15</sup> Auditor selection committee meetings are subject to the Sunshine Law (Section 286.011, Florida Statutes) as discussed in question 11 of Appendix B - Questions and Answers.

<sup>16</sup> GFOA Handbook, Chapter 6, page 92.

<sup>17</sup> GFOA Handbook, Chapter 6, page 92.

necessary to issue an opinion on financial statements. Such information would be useful in preparing future requests for proposals.

- Communications with the Auditor Selection Committee. If the auditor selection committee is assigned audit oversight responsibilities (i.e., is acting as an audit committee), effective communication between the auditors and the auditor selection committee is necessary. Financial audits conducted pursuant to Section 218.39, Florida Statutes, must be conducted in accordance with auditing standards generally accepted in the United States<sup>18</sup> and government auditing standards.<sup>19</sup> Auditing standards generally accepted in the United States require that auditors communicate certain matters with the audit committee or other subgroup of those charged with governance<sup>20</sup> and communicate with the audit committee regarding internal control-related matters<sup>21</sup> and identified or suspected noncompliance with laws and regulations.<sup>22</sup>

### Small Government Considerations

While smaller entities may lack the resources to expand the use of the auditor selection committee to accommodate all or many of the nonmandatory audit oversight functions described above, all entities, regardless of size, are required to use the committee for auditor selection. The entities are encouraged to use the auditor selection committees for the other functions to the extent available in their particular circumstances. Additional discussion regarding the establishment of auditor selection committees by small governments is included in the Auditor Selection Committee Composition and Size section.

## **Audit Proposal Evaluation Factors**

### Legal Requirements

Section 218.391(3)(a), Florida Statutes, requires that the auditor selection committee establish factors to be used for the evaluation of audit services to be provided and that such factors include, but not be limited to, ability of personnel, experience, ability to furnish the requested services, and such other factors as may be determined by the committee to be applicable to the particular requirements. Section 218.391(3)(d), Florida Statutes, prohibits the use of compensation as the sole or predominant factor for evaluating proposals.

### Nonmandatory Guidance

Consistent with Florida law, GFOA Best Practices<sup>23</sup> state “The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor’s ability to perform a quality audit. Price should not be allowed to serve as the sole criterion for selection of an independent auditor.”

- Audit Firm Qualifications. While Florida law prescribes minimal audit firm qualifications that must be considered in selecting an auditor, the *GFOA Handbook*<sup>24</sup> describes an evaluation process to be used in selecting the auditor that includes certain mandatory criteria that must be met by the auditor to qualify for further consideration. The criteria listed by the *GFOA Handbook* include:

---

<sup>18</sup> These standards are promulgated by the AICPA in its publication *AICPA Professional Standards*. All references in this guidance to *AICPA Professional Standards* are to such standards codified as of July 1, 2020.

<sup>19</sup> These standards are promulgated by the Comptroller General of the United States in the publication *Government Auditing Standards*.

<sup>20</sup> *AICPA Professional Standards*, AU-C Sections 260.08 -.14.

<sup>21</sup> *AICPA Professional Standards*, AU-C Sections 265.11 -.15.

<sup>22</sup> *AICPA Professional Standards*, AU-C Sections 250.21 -.23.

<sup>23</sup> GFOA’s Best Practice: *Audit Procurement*.

<sup>24</sup> GFOA Handbook, Chapter 5, page 79.

- Meets applicable independence requirements.
- License to practice as a CPA in the State.
- Receipt of adequate continuing professional education by key personnel.
- Completion of a quality control review within the past 3 years.
- A history of performing quality audits.
- Technical Qualifications. The GFOA Handbook<sup>25</sup> indicates that if a point system is used to evaluate proposals, the total points should be divided between two categories for technical qualifications of proposers: (1) expertise and experience and (2) audit approach. Expertise and experience qualifications could include, for example:
  - Past experience and performance on comparable government engagements.
  - Quality of the firm's professional personnel to be assigned to the engagement and quality of the firm's management support personnel to be available for technical consultation.
  - Experience with specific State and Federal grant programs.
  - Information technology expertise.

Audit approach qualifications include, for example:

- Adequacy of proposed staffing plan (hours and level) for the various segments of the engagement.
- Adequacy of sampling techniques.
- Adequacy of analytical procedures.

The GFOA Handbook<sup>26</sup> points out that technical qualifications should be tailored to meet each government's unique environment and specific audit requirements and cites as an example a government that sponsors its own pension plan for employees, which might require actuarial expertise. The GFOA Handbook also recommends assignment of point value ranges to each criterion to aid in the evaluation of the technical qualifications of proposers, which allows the entity to reflect the relative importance of the qualifications for that government and engagement (i.e., allows the entity the flexibility to reflect qualitative differences in the qualifications presented in the proposals).

## **Use and Elements of Request for Proposal**

### **Legal Requirements**

Pursuant to Section 218.391(3)(c), Florida Statutes, the auditor selection committee must provide interested audit firms with an RFP. The RFP is required to include information on how proposals are to be evaluated and such other information as the committee determines is necessary for the firm to prepare a proposal.

### **Nonmandatory Guidance**

The GFOA Blue Book<sup>27</sup> states that an effective RFP serves two purposes: 1) provides enough information about the entity to allow potential auditors to assess whether their particular experience and resources would be a "good match" for the engagement, and 2) elicit enough information from responding audit firms to assess their ability to perform a high quality government audit.

---

<sup>25</sup> GFOA Handbook, Chapter 5, page 80 and 81.

<sup>26</sup> GFOA Handbook, Chapter 5, page 81.

<sup>27</sup> GFOA Blue Book, Chapter 43, page 43-13.



- Public Announcement for Audit Services. Section 218.391(3), Florida Statutes, provides that the auditor selection committee shall publicly announce an RFP and provide interested firms with the RFP. To achieve the benefits of a competitive selection process, it is critical that there be sufficient responses by qualified audit firms to the RFP. The GFOA Handbook<sup>28</sup> states that a well-planned solicitation effort is needed to identify a sufficient number of qualified audit firms. This can be accomplished in a variety of ways and the law does not mandate any specific method. The method selected should provide sufficient time for the potential responders to prepare an appropriate response. The NIGP: Institute for Public Procurement,<sup>29</sup> in its publication *Public Procurement Guide for Elected and Senior Government Officials*,<sup>30</sup> indicates that potential service providers should be given a minimum of 14 to 30 days to prepare bids or proposals.

To promote competition, the method of noticing the RFP should be designed to reach as many potential providers of audit services as possible. The GFOA Handbook<sup>31</sup> identifies several methods for identifying and of reaching qualified audit firms from which proposals can be solicited, including advertisement in local newspapers, notice in a publication of the state society of certified public accountants, inquiries of other entities in the same region, and direct mailing to audit firms. In Florida, the Auditor General maintains a database of local government audit reports received, including the names of the audit firms that conducted the audits, thereby providing another source that entities may find useful for identifying and reaching potential audit firms. If the entity opts to advertise in a newspaper, the newspaper selected should have adequate coverage to assure an opportunity for a sufficient number of responses.

- Elements of the Request for Proposal. The GFOA Handbook<sup>32</sup> includes a list of 24 information elements that should be considered in designing an RFP for audit services. These elements generally either provide information to the prospective proposers regarding the RFP evaluation process or assure that adequate information is provided by the proposers to allow for an informed decision by the entity. It may not be necessary to include all of these elements in the RFP, but each element should be considered, and those elements considered to be appropriate for the given circumstances should be incorporated. The elements listed in the GFOA Handbook consist of:

1. *How proposals will be evaluated.*

The RFP should clearly state the factors upon which the selection will be based and could provide:

- a. The relative weights of the evaluation factors, particularly with respect to qualifications and price, when price is considered as one of the evaluation factors.
- b. A statement that price will not be the sole or predominant factor to assure that highly qualified firms will receive appropriate consideration and to discourage the submission of proposals with unrealistically low prices by less qualified firms.
- c. Auditor qualifications that are mandatory for all proposers.
- d. Particular qualifications that will be considered more favorably (e.g., experience with particular grant programs).

---

<sup>28</sup> GFOA Handbook, Chapter 4, page 27.

<sup>29</sup> NIGP: Institute for Public Procurement is a membership-based, nonprofit organization composed of members representing Federal, state, provincial and local government levels throughout the United States and Canada and provides support to professionals in the public sector procurement profession.

<sup>30</sup> NGIP *Public Procurement Guide for Elected and Senior Government Officials* (2016), page 17.

<sup>31</sup> GFOA Handbook, Chapter 4, pages 27 and 28.

<sup>32</sup> GFOA Handbook, Chapter 4, pages 29 through 45.

2. *Procedures to be followed in the proposal process.*

The prospective proposers who will be incurring the cost of preparing and presenting a proposal will need specific information as to how to respond to the RFP. Such information might include:

- a. The appropriate format to use in making the proposal.
- b. Identification of a contact person.
- c. Whether there will be a pre-proposal conference.
- d. Information regarding the submission of proposed prices (i.e., audit fees), such as the form or timing of submission of the proposed audit fee or the level of detail required to support the proposed audit fee (e.g., number of hours x level of staff at set rate per hour).<sup>33</sup>
- e. Other aspects of the proposal process, including submission deadlines, consideration of late proposals, and notification of evaluation and auditor selection results.

3. *Brief description of the entity and its accounting systems and financial reporting structures.*

Prospective proposers require information that will provide a basis for determining the type and amount of resources that will be needed to perform the audit. This information might include:

- a. General description of the entity, including:
  - i. The entity's fiscal year.
  - ii. Services the entity provides its citizens.
  - iii. Organizational chart and key personnel.
  - iv. Size of the entity (e.g., geographic area, number of employees, total budget or payroll).
  - v. The entity's documented policies and procedures.
- b. Fund structure and basis of accounting.
- c. Involvement in Federal awards programs and State financial assistance projects.
- d. Description of pension plans.
- e. Information regarding component units and joint ventures.
- f. Magnitude of financial operations.
- g. Scope of information systems, including networking, software vendors, and major applications.
- h. Existence, size, and scope of the internal audit function.
- i. Contact person for access to prior audit information.

4. *Known weaknesses in the entity's internal control structure.*

Prospective proposers will want to be made aware of significant known internal control deficiencies. This could be accomplished by providing the proposers with a copy of the prior year external audit report (including financial statements, auditor's reports, and management letters), prior year adjusting entries, and the status of prior audit report findings (corrected or uncorrected). It may also be useful to provide proposers recent relevant internal audit reports.

---

<sup>33</sup> Section 218.391, Florida Statutes, permits consideration of compensation in selecting the auditor; however, Section 218.391(3)(d), Florida Statutes, prohibits the use of compensation as the sole or predominant factor for evaluating proposals. Additionally, Section 218.391(5), Florida Statutes, provides that the method used by the entity to select, and negotiate a contract with, an auditor must ensure that the agreed-upon compensation is reasonable to satisfy the requirements of Section 218.39, Florida Statutes, and the entity's needs.

5. *Anticipated implementation problems arising from new authoritative pronouncements.*

An entity's readiness to implement new pronouncements, laws, or regulations having a significant impact on the entity's financial operations and reporting could impact the auditor's consideration of the resources needed to perform the audit.

6. *Principal contacts inside and outside the entity.*

Examples of contacts that proposers might want to be aware of as individuals with whom they will be expected to interact during the engagement include:

- a. Chief executive officer.
- b. Chief financial officer.
- c. Auditor selection or audit committee members.
- d. Director of internal audit.
- e. Grants management personnel.
- f. Legal counsel.

7. *Level of assurance to be required of the auditor for each type of information contained within the report.*

The auditor will need to be made aware of circumstances that might impact the scope of the audit. Such circumstances might include the audit of the financial statements of a component unit by another audit firm or a determination of compliance with specific legal requirements that will require an auditor's report based on an examination conducted in accordance with *AICPA Professional Standards*<sup>34</sup> pursuant to Auditor General Rule 10.556(10).

8. *Auditing standards required for the engagement.*

Pursuant to Florida law<sup>35</sup> and Auditor General Rule 10.551(3), all required financial audits of entities in Florida are to be performed in accordance with *Government Auditing Standards* promulgated by the Comptroller General of the United States. The RFP might include a statement to this effect to avoid any misunderstanding.

9. *The auditor's specific reporting responsibilities.*

Although the auditor's reporting responsibilities are described in the auditing standards and the Rules of the Auditor General, the GFOA Handbook recommends listing the reporting responsibilities in the RFP. This could be most easily accomplished by reference to the Rules of the Auditor General, Chapter 10.550 (*Local Governmental Entity Audits*), Chapter 10.800 (*Audits of District School Boards*), or Chapter 10.850 (*Audits of Charter Schools and Charter Technical Career Centers, the Florida Virtual School, and Virtual Instruction Program Providers*), as appropriate. For Florida local governmental entity financial audits, the scope of the work to be performed by the auditor could include:

- a. Expression of opinion in conjunction with a full-scope audit of a comprehensive annual financial report (CAFR) (optional under Florida law and Rules of the Auditor General) or a report on basic financial statements only (minimum requirement for all local government audits).
- b. Federal or state single audit reports (required if certain thresholds are met).
- c. Management letter (required for all local government audits).

---

<sup>34</sup> *AICPA Professional Standards*, AT-C Section 315.

<sup>35</sup> Financial audits required by Section 218.39, Florida Statutes, and defined by Section 218.31(17), Florida Statutes, must be conducted in accordance with *Government Auditing Standards*.

- d. An auditor's report prepared in accordance *AICPA Professional Standards* pursuant to Auditor General Rule 10.556(10).

Expected deliverables should also include any requirement for separate opinions for any debt issues or to meet any other reporting requirements.

10. *The type and amount of assistance available from the entity.*

Entities can sometimes reduce the cost of their audits by providing certain assistance to the auditor. To formulate the type and amount of resources to be applied to the audit, the auditor needs information as to the type and extent of assistance that will be available from the entity. The GFOA Handbook refers to various types of assistance including internal audit support, clerical support, and preparation of schedules. A statement might be included acknowledging that the entity is responsible for preparing draft financial statements. Any anticipated concerns regarding the ability of the entity to do so should be disclosed.

11. *Required audit timetable and deliverables.*

The GFOA Handbook recommends that the RFP include the latest acceptable dates for the following:

- a. Entrance conference.
- b. Completion of interim audit work.
- c. Completion of year-end field work.
- d. Submission of audit adjustments and draft findings.
- e. Exit conference.
- f. Issuance of reports.

12. *Additional services to be required of the auditor.*

Auditors often provide additional services beyond audit services; however, the ability of auditors to provide nonaudit services to an audit client has been severely limited by *Government Auditing Standards*. Careful consideration should be given to the restrictions on such services prior to including them in the RFP. *Government Auditing Standards*<sup>36</sup> suggest that auditors performing nonaudit services obtain agreement from the entity's management that management will perform the following functions regarding nonaudit services:

- a. Assume all management responsibilities.
- b. Oversee the services using an individual with suitable skill, knowledge, or experience.
- c. Evaluate the adequacy and results of the services.
- d. Accept responsibility for the results of the services.

13. *Information on auditor workspace and access to telephones, copiers, FAX machines, and computers.*

The GFOA Handbook suggests that the RFP include information on the location and type of workspace that will be made available to the auditor, as well as availability of telephones, Internet access, copy machines, FAX machines, and computer hardware and software.

14. *Procedures to be followed to determine if additional audit work is necessary and the fee basis applicable to such work.*

Circumstances sometimes arise in which the scope of the audit may need to be expanded

---

<sup>36</sup> *Government Auditing Standards* (2018 Revision) paragraph 3.76.

beyond what was anticipated in the RFP. For example, an entity might request the auditor to perform additional work in an area where the auditor discovered certain control weaknesses. The GFOA Handbook recommends that the RFP indicate that the scope of the audit may only be broadened with the entity's consent and request that proposers indicate how the fee for additional work related to a scope expansion would be determined.

*15. Information needed from proposers to evaluate their qualifications.*

A primary purpose of the RFP is to provide the entity with information needed to assess the professional skill and experience of the auditors who will perform the engagement. The GFOA Handbook recommends that the RFP ask for the following information from the proposer:

- a. Overall size of the audit firm.
- b. Location and number of professional staff who will perform the engagement.
- c. Identification and qualifications of personnel to be assigned to the engagement, including:
  - i. Names and government audit experience of the partner in charge of the audit and other partners who will be assigned review or quality control functions.
  - ii. Names of the manager and other supervisory personnel who will be assigned to the engagement, including information about their government audit experience.
  - iii. Information on certification, licensure, and CPE training of each of the above.
  - iv. Information on membership in professional societies (e.g., AICPA, FICPA, FGFOA, GFOA, AGA) of each of the above.
  - v. Background and qualifications, including experience, of all other professional audit or other staff assigned to the engagement.

The GFOA Handbook also recommends that the RFP clearly set forth: (1) the circumstances in which the audit staff may be changed; (2) the need for new staff to meet the same level of qualifications; and (3) the entity's right to reject or approve replacements.

*16. Requirement for auditors to furnish a statement that they meet the appropriate criteria for independence.*

Auditors are required to maintain independence, both in fact and appearance, regarding audit clients. The GFOA Handbook suggests that the RFP require a formal statement from the proposers that they meet the guidelines for independence as set forth in applicable auditing standards.

*17. Request for references from other entity clients.*

The GFOA Handbook suggests that the RFP ask proposers to furnish the names of governments (preferably of similar type and size) for which they have recently performed similar audits, and contact information for those governments.

*18. Request for information on the results of peer reviews.*

*Government Auditing Standards*<sup>37</sup> require that auditors performing audits in accordance with those standards (in Florida, this includes local governmental entity financial audits conducted pursuant to Section 218.39, Florida Statutes) undergo external peer review at least once every 3 years. The GFOA Handbook recommends that the RFP ask proposers to provide the entity with a report on their most recent peer review, and whether it included a review of the quality of specific government audits. The RFP could also ask for the results of desk or field reviews of their audits by Federal or state agencies.

---

<sup>37</sup> *Government Auditing Standards* (2018 Revision) paragraph 5.84.

19. *Request for information on the status of any disciplinary actions undertaken against the firm.*

The GFOA Handbook recommends that the RFP request information on whether any disciplinary action has been taken against the firm at the Federal or state level and, if such action has been undertaken, the current status of the action. In Florida, certified public accountants may be subject to punishment for a misdemeanor committed pursuant to Section 473.322(2), Florida Statutes, or to disciplinary action by the Florida State Board of Accountancy pursuant to Section 473.323(3), Florida Statutes.

20. *Request for detailed information on the proposer's anticipated audit approach.*

The GFOA Handbook points out that, in addition to information regarding the proposer's qualifications, the proposer's audit approach should be evaluated to determine that the proposer has a sound understanding of the scope of the engagement and the entity's environment. Additionally, the entity needs assurance that the proposer will apply the appropriate level of effort needed to perform the engagement satisfactorily. The GFOA Handbook recommends that the RFP ask for the following types of information:

- a. The extent to which the firm proposes to employ statistical sampling techniques.
- b. The extent to which the firm proposes to employ analytical procedures.
- c. The manner in which the firm intends to segment the engagement.
- d. The hours of staff time at each level that will be devoted to each segment.
- e. The approach proposed for gaining and documenting the auditor's understanding of the entity's internal controls.
- f. The approach proposed for determining which laws and regulations should be tested for compliance.
- g. The method of drawing samples for tests of compliance.

21. *Requirements applicable to working papers and cooperation with other auditors.*

The GFOA Handbook recommends that the RFP clearly establish the period for retention of the auditors working papers by the auditor and parties who are allowed access to the working papers. In establishing the retention period, the entity should consider that *AICPA Professional Standards*<sup>38</sup> require financial statement auditors to retain "audit documentation of any nature" (this would include audit working papers) for at least 5 years after release of the audit report. This should be considered a minimum retention period in drafting an audit services contract. The GFOA Handbook also recommends that the RFP include provisions requiring accessibility to the working papers by Federal cognizant agencies; principal auditors, where component units are audited by other auditors; parties designated by the entity as part of an audit quality control review; and successor auditors for matters relating to continuing accounting significance.

22. *Policy toward joint proposals or the use of subcontracting.*

The use of subcontracting or joint ventures on the part of auditors can be a means for encouraging participation by smaller firms. The GFOA Handbook recommends that any subcontracting after the audit contract is awarded be subject to the entity's right to approve or reject subcontracting firms. Further, if joint proposals or subcontracting is allowed, the RFP should request proposers to identify the firm that will serve as the principal auditor.

23. *Right to reject proposals, demand additional information, and use unsuccessful proposals.*

The GFOA Handbook recommends that the RFP indicate that the entity:

- a. Retains the right to reject any or all proposals.
- b. Retains the right to request additional information from proposers and failure to provide

---

<sup>38</sup> *AICPA Professional Standards*, AU-C Section 230.17.

- the information could result in rejection of a proposal.
  - c. Reserves the right to retain proposals and use ideas from them.
  - d. Is not obligated in any manner to reimburse firms for costs incurred in connection with responding to the RFP.
24. *Any additional language to meet the requirements of applicable laws and regulations.*

The GFOA Handbook suggests that the entity be aware of and include any specific language required by law or regulation.

## **Use and Elements of Audit Services Contract**

### **Legal Requirements**

Section 218.391(7), Florida Statutes, requires that every procurement of audit services be evidenced by a written contract embodying all provisions and conditions of the procurement of such services. An engagement letter signed and executed by both parties constitutes a written contract. The written contract shall include, at a minimum, the following:

- A provision specifying the services to be provided and fees or other compensation for such services.
- A provision requiring that invoices for fees and other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract.
- A provision specifying the contract period, including renewals, and conditions under which the contract may be terminated or renewed. Section 218.391(8), Florida Statutes, provides that written contracts may be renewed (pursuant to renewal periods specified in the contract) without the use of auditor selection procedures and that such renewals shall be in writing.

### **Nonmandatory Guidance**

The audit services contract is a legally binding agreement that should be prepared and reviewed with the advice of legal counsel. The GFOA Handbook<sup>39</sup> suggests that the written agreement incorporate by reference the terms of the RFP and specific language regarding the understanding between the entity and the auditors. The entity should also be careful to ensure that the written agreement terms are consistent with the terms of the successful proposal.

- **Engagement Letter.** While Section 218.391(7), Florida Statutes, authorizes the use of an engagement letter as an audit services contract, if it is signed by both parties, the use of an engagement letter does not relieve the need to include all provisions that would constitute a good contract and protect both the entity and the auditor.
- **Required Contract Elements.** As indicated above, there are certain legally required elements that must be included in the audit services contract. Additional guidance for each of these elements follows:
  - *Services to be provided and fees or other compensation (Section 218.391(7)(a), Florida Statutes).* AICPA Professional Standards<sup>40</sup> indicate that agreed upon terms of the audit engagement should include, among other things, the objective and scope of the audit, the responsibilities of the auditor, and the responsibilities of entity management. AICPA Professional Standards<sup>41</sup> also suggest elaborating on the scope of the audit, to include reference to applicable legislation, regulations, generally accepted auditing standards, and ethical and other pronouncements of professional bodies to which the auditor adheres. Florida law and the Rules of the Auditor General include several requirements that impact the

<sup>39</sup> GFOA Handbook, Chapter 6, page 85.

<sup>40</sup> AICPA Professional Standards, AU-C Section 210.10.

<sup>41</sup> AICPA Professional Standards, AU-C Section 210.A24.



scope of the audit in addition to the required auditor's reports on the financial statements and State and Federal programs. Specifically addressing these requirements in the contract helps to preclude any subsequent misunderstandings regarding the auditor's responsibilities.

- *Invoices for fees and other compensation in sufficient detail to demonstrate compliance with the contract (Section 218.391(7)(b), Florida Statutes).* AICPA Professional Standards<sup>42</sup> suggest that the basis on which fees are computed and any billing arrangements be included in the engagement letter (contract). The basis for payment may vary from a lump sum arrangement to specific rates to be paid for the services of specific employees or categories of employees of the audit firm and reimbursement for specific costs, such as travel, incurred in connection with the engagement. The level of detail on the invoice sufficient to demonstrate compliance with the terms of the contract will vary according to the basis for payment. In the case of a fixed fee contract, the basis for payment should be clearly defined within the audit services contract. If the contract identifies certain employees for which the firm will be paid at specified hourly rates, the contract should require invoices that indicate the numbers of hours worked by each employee and application of the appropriate rates. If the contract provides for reimbursement for certain actual costs, the contract should require invoices that demonstrate the costs actually incurred by the firm in the form of receipts or similar documentation.
- *Contract period, renewals, and termination (Section 218.391(7)(c), Florida Statutes).* The contract must specify the number of years for which it will be in effect, including any options for renewal on the part of the entity. The law does not prescribe a maximum term for an audit services contract or a maximum number of renewal periods. Once the contract period, including renewals, has expired, any further required audit services must be subjected to the auditor selection law as required by Section 218.391, Florida Statutes.

The GFOA's Best Practice: *Audit Procurement* recommends that governmental entities enter into multiyear agreements of at least 5 years in duration when obtaining the services of an independent auditor. The GFOA points out that such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit and can also help reduce audit costs by allowing auditors to recover certain "start-up" costs over several years, rather than a single year. The appropriate length for the audit services contract is left to the judgment of the entity. However, as the auditor selection process established by law is intended to ensure selection of a qualified auditor and satisfactory audit effort, entities should avoid establishing excessive contract periods.

- Additional Contract Elements. Additional elements that are recommended by the GFOA Handbook<sup>43</sup> to be made a part of the audit services contract include:
  - An independence assertion by the auditor.
  - Language describing the actions to be taken in the event of a disagreement as to whether certain procedures are within the scope of the contract.
  - Provisions to assure the availability of the auditor's services to aid the entity in the defense of claims that may arise as the result of audit work.
  - Language concerning opportunities for socially and economically disadvantaged individuals (such language may be required by law or regulation).
  - Clarification of the auditor's duty to maintain the confidentiality of certain sensitive information.

---

<sup>42</sup> AICPA Professional Standards, AU-C Section 210.A24.

<sup>43</sup> GFOA Handbook, Chapter 6, pages 85 through 87.

- Provisions establishing the entity's rights to terminate the contract and the procedures for doing so.
- Stipulation as to how the value of the auditor's work is to be determined if the engagement is terminated prior to completion.
- Language establishing the auditor's sole liability for claims arising from the auditor's performance of the engagement.
- Language requiring both the entity and the auditor to attempt to resolve disputes amicably.
- Language requiring formal notification to the other party in the event of a disagreement (e.g., a disagreement over the scope of the audit) and indicating what is to be considered notification in such instance (e.g., registered mail).
- Language specifying how the terms of the contract can be waived or modified.
- Language clarifying that the contract's separate provisions are to stand alone, so that a failure to meet one provision does not nullify the entire contract.
- A requirement for the auditor to obtain insurance coverage.
- A prohibition against the auditor's delegating or subcontracting audit work without the entity's permission.

In developing audit contracts, entities should consider an article<sup>44</sup> titled *Contract Issues for Governmental Audits* that was jointly developed by the AICPA and GFOA to educate governments and their auditors about clauses in contracts and engagement letters in the governmental environment that may not meet *AICPA Professional Standards* and that may create uncertainty about the auditor's independence.

As shown above, different professional organizations have placed varying emphasis on the contents of the contract for audit services. Entity management must determine the most appropriate provisions for a contract in a given set of circumstances. The specific elements and language to be included within a contract will ultimately be a matter of agreement between the entity and the audit firm.

---

<sup>44</sup> A link to this article is provided on the AICPA's Web site at [www.aicpa.org/search.html?source=AICPA&q=Contract+Issues+for+Governmental+Audits](http://www.aicpa.org/search.html?source=AICPA&q=Contract+Issues+for+Governmental+Audits).

## **Appendix A - Auditor Selection Law**

### **218.391 Auditor selection procedures.**

(1) Each local governmental entity, district school board, charter school, or charter technical career center, prior to entering into a written contract pursuant to subsection (7), except as provided in subsection (8), shall use auditor selection procedures when selecting an auditor to conduct the annual financial audit required in s. 218.39.

(2) The governing body of a county, municipality, special district, district school board, charter school, or charter technical career center shall establish an auditor selection committee.

(a) The auditor selection committee for a county must, at a minimum, consist of each of the county officers elected pursuant to the county charter or s. 1(d), Art. VIII of the State Constitution their respective designees, and one member of the board of county commissioners or its designee.

(b) The auditor selection committee for a municipality, special district, district school board, charter school, or charter technical career center must consist of at least three members. One member of the auditor selection committee must be a member of the governing body of an entity specified in this paragraph, who shall serve as the chair of the committee.

(c) An employee, a chief executive officer, or a chief financial officer of the county, municipality, special district, district school board, charter school, or charter technical career center may not serve as a member of an auditor selection committee established under this subsection; however, an employee, a chief executive officer, or a chief financial officer of the county, municipality, special district, district school board, charter school, or charter technical career center may serve in an advisory capacity.

(d) The primary purpose of the auditor selection committee is to assist the governing body in selecting an auditor to conduct the annual financial audit required in s. 218.39; however, the committee may serve other audit oversight purposes as determined by the entity's governing body. The public may not be excluded from the proceedings under this section.

(3) The auditor selection committee shall:

(a) Establish factors to use for the evaluation of audit services to be provided by a certified public accounting firm duly licensed under chapter 473 and qualified to conduct audits in accordance with government auditing standards as adopted by the Florida Board of Accountancy. Such factors shall include, but are not limited to, ability of personnel, experience, ability to furnish the required services, and such other factors as may be determined by the committee to be applicable to its particular requirements.

(b) Publicly announce requests for proposals. Public announcements must include, at a minimum, a brief description of the audit and indicate how interested firms can apply for consideration.

(c) Provide interested firms with a request for proposal. The request for proposal shall include information on how proposals are to be evaluated and such other information the committee determines is necessary for the firm to prepare a proposal.

(d) Evaluate proposals provided by qualified firms. If compensation is one of the factors established pursuant to paragraph (a), it shall not be the sole or predominant factor used to evaluate proposals.

(e) Rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services after considering the factors established pursuant to paragraph (a). If fewer than three firms respond to the request for proposal, the committee shall recommend such firms as it deems to be the most highly qualified.

(4) The governing body shall inquire of qualified firms as to the basis of compensation, select one of the firms recommended by the auditor selection committee, and negotiate a contract, using one of the following methods:

- (a) If compensation is not one of the factors established pursuant to paragraph (3)(a) and not used to evaluate firms pursuant to paragraph (3)(e), the governing body shall negotiate a contract with the firm ranked first. If the governing body is unable to negotiate a satisfactory contract with that firm, negotiations with that firm shall be formally terminated, and the governing body shall then undertake negotiations with the second-ranked firm. Failing accord with the second-ranked firm, negotiations shall then be terminated with that firm and undertaken with the third-ranked firm. Negotiations with the other ranked firms shall be undertaken in the same manner. The governing body, in negotiating with firms, may reopen formal negotiations with any one of the three top-ranked firms, but it may not negotiate with more than one firm at a time.
- (b) If compensation is one of the factors established pursuant to paragraph (3)(a) and used in the evaluation of proposals pursuant to paragraph (3)(d), the governing body shall select the highest-ranked qualified firm or must document in its public records the reason for not selecting the highest-ranked qualified firm.
- (c) The governing body may select a firm recommended by the audit committee and negotiate a contract with one of the recommended firms using an appropriate alternative negotiation method for which compensation is not the sole or predominant factor used to select the firm.
- (d) In negotiations with firms under this section, the governing body may allow a designee to conduct negotiations on its behalf.
- (5) The method used by the governing body to select a firm recommended by the audit committee and negotiate a contract with such firm must ensure that the agreed-upon compensation is reasonable to satisfy the requirements of s. 218.39 and the needs of the governing body.
- (6) If the governing body is unable to negotiate a satisfactory contract with any of the recommended firms, the committee shall recommend additional firms, and negotiations shall continue in accordance with this section until an agreement is reached.
- (7) Every procurement of audit services shall be evidenced by a written contract embodying all provisions and conditions of the procurement of such services. For purposes of this section, an engagement letter signed and executed by both parties shall constitute a written contract. The written contract shall, at a minimum, include the following:
- (a) A provision specifying the services to be provided and fees or other compensation for such services.
- (b) A provision requiring that invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract.
- (c) A provision specifying the contract period, including renewals, and conditions under which the contract may be terminated or renewed.
- (8) Written contracts entered into pursuant to subsection (7) may be renewed. Such renewals may be done without the use of the auditor selection procedures provided in this section. Renewal of a contract shall be in writing.
- (9) If the entity fails to select the auditor in accordance with the requirements of subsections (3)-(6), the entity must again perform the auditor selection process in accordance with this section to select an auditor to conduct audits for subsequent fiscal years.

**History.**--s. 65, ch. 2001-266; s. 1, ch. 2005-32; s. 15, ch. 2019-15.

## **Appendix B - Questions and Answers**

### **General**

1. **Question:** Are the auditor selection requirements of Section 218.391, Florida Statutes, to be applied whenever a local governmental entity (entity) contracts with a CPA firm for any audit services?

**Answer:** No. Section 218.391, Florida Statutes, applies only to contracting for the financial audit required by Section 218.39, Florida Statutes. However, the use of selection procedures provided for in Section 218.391, Florida Statutes, and other Federal, State, or local laws is advisable when contracting for any audit services.

2. **Question:** Is there a legal requirement or recommendation for mandatory rotation of auditors after a specified number of years or at the end of an audit services contract?

**Answer:** No. Unless the entity has established its own mandatory auditor rotation requirement, there is no legal requirement for the mandatory rotation of auditors. The current auditor may be included in the auditor selection process at the end of the current audit services contract.

The GFOA's Best Practice: *Audit Procurement* provides "While there is some belief that auditor independence is enhanced by a policy requiring that the independent auditor be replaced at the end of the audit contract ... the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory."

3. **Question:** If an entity is satisfied with the existing auditor and can negotiate acceptable fees, can the contract for financial audit services be renewed without going through the auditor selection procedures required by Section 218.391, Florida Statutes?

**Answer:** A contract for financial audit services can be renewed only as provided in the contract, which is required to include a provision specifying the contract period, including renewals.

4. **Question:** Are the auditor selection procedures required to be used only when an entity decides to change auditors or initiate a request for proposals process?

**Answer:** No. The revised auditor selection procedures are required to be followed when an audit contract period expires. The audit contract is required to include a provision specifying the contract period, including renewals.

5. **Question:** Chapter 2019-15, Laws of Florida, effective July 1, 2019, amended Section 218.391(2), Florida Statutes, to revise the requirements for establishing the auditor selection committee and appointing committee members. Does this impact an audit services contract that was in effect at July 1, 2019?

**Answer:** No. An audit services contract that was in effect at July 1, 2019, can remain in effect through the end of the original contract term, including renewals. Entities are required to comply with the new auditor selection committee requirements for auditor selection procedures initiated after July 1, 2019.

6. **Question:** Are audit services contracts required to include renewal option provisions?

**Answer:** No. The contract is not required to include a renewal provision; however, a contract cannot be renewed in the absence of such a provision.

7. **Question:** Is there a minimum or maximum number of years that an audit contract must cover?

**Answer:** No. The audit services contract must specify a contract period including renewals, but the law does not specify a minimum or maximum number of years that an audit services contract must cover. This is left to the discretion of the entity and is a matter of agreement between the entity and the audit firm. The entity should use prudent business practices in establishing the contract period.

8. **Question:** Section 218.391(4)(c), Florida Statutes, provides that a governing body may select a firm recommended by the auditor selection committee and negotiate a contract with one of the recommended firms using an appropriate alternative negotiation method. Which specific provisions of the law may be considered nonmandatory under this provision by the application of an alternative methodology?

**Answer:** Regardless of the negotiation method used, an entity's governing body must establish an auditor selection committee pursuant to Section 218.391(2), Florida Statutes, and the auditor selection committee must perform its functions in accordance with the requirements of Section 218.391(3), Florida Statutes. Regardless of the method used to select the audit firm, compensation may not be the sole or predominant factor used to select the firm (Section 218.391(3)(d) and (4)(c), Florida Statutes).

9. **Question:** Can an auditor selection committee ratify, after the fact, a request for proposal previously developed and issued by City personnel or City personnel's evaluation and ranking of proposals submitted by interested firms?

**Answer:** No. Pursuant to Section 218.391(3), Florida Statutes, the auditor selection committee is required to create (and provide interested firms with) a request for proposals and to evaluate and rank proposals submitted by interested firms. An auditor selection committee's statutorily prescribed duties may not be delegated to a subordinate or other entity absent statutory authorization (see Attorney General Opinion 2012-31).

10. **Question:** Can an entity select an auditor to conduct a financial audit pursuant to Section 218.39, Florida Statutes, by piggybacking off of another entity's audit contract?

**Answer:** No. Pursuant to Section 218.391(2), Florida Statutes, an entity seeking such audit services must establish an auditor selection committee and the committee must apply the auditor selection procedures prescribed by Section 218.391(3), Florida Statutes. This law does not include a provision that would allow for piggybacking, and an auditor selection committee's statutorily prescribed function may not be delegated to a subordinate or other entity absent statutory authorization (see Attorney General Opinion 2012-31).

11. **Question:** Are auditor selection committee meetings subject to the Sunshine Law (Section 286.011, Florida Statutes)?

**Answer:** Yes. Auditor selection committee meetings are subject to the Sunshine Law (i.e., noticing meetings and keeping minutes for all meetings) because the committee is not just fact-finding in nature but also makes decisions in ranking proposals and recommending to the governing body firms deemed to be the most highly qualified to perform the auditing services. See discussion regarding application of the Sunshine law to advisory boards in Part I, Section B.1, of the Attorney General's Government-in-the-Sunshine Manual.

#### Auditor Selection Committee

12. **Question:** Section 218.391(2)(a), Florida Statutes, provides that the auditor selection committee for a county must, at a minimum, consist of each of the county officers elected pursuant to the county charter or Article VIII, Section 1(d) of the State Constitution or their respective designees and one member of the board of county commissioners or its designee. May a county officer (i.e., clerk of the court, sheriff, property appraiser, tax collector, supervisor of elections, or any other such officer in whom any portion of the fiscal duties of the such officers are under law separately placed)

designate an employee of the county officer to serve in place of the county officer on the county's auditor selection committee?

**Answer:** Pursuant to Section 218.391(2)(c), Florida Statutes, an employee of a county cannot serve on the county auditor selection committee. The term "employee" is not explicitly defined for purposes of applying this law; however, the term "county" as used in Section 218.391(2)(a), Florida Statutes, encompasses county officers and the board of county commissioners, indicating that the legislature intended the restriction imposed by Section 218.391(2)(c), Florida Statutes, to apply to employees of a county officer or of the board of county commissioners. Accordingly, a county officer may not designate an employee of a county officer to serve in place of the county officer on the county auditor selection committee. However, the employee may serve in an advisory capacity for the auditor selection committee.

13. **Question:** Section 218.391(2)(b), Florida Statutes, provides that the auditor selection committee for a municipality, special district, district school board, charter school, or charter technical career center must consist of at least three members, and one member must be a member of the governing body who must serve as the committee chair. Does this mean that only one member of the governing body may serve on the committee?

**Answer:** No. The committee can have as many members of the governing body as desired, but at least one member must be a member of the governing body who must be the committee chair.

#### Dependent Special Districts

14. **Question:** A dependent special district exceeds the audit threshold established by Section 218.39, Florida Statutes, and must provide for a financial audit requirement. Although the district is audited as part of a county or municipality pursuant to Section 218.39(3)(a), Florida Statutes, the district opts to also provide for a separate financial audit. Does the district have to select the auditor for the separate financial audit in accordance with Section 218.391, Florida Statutes?

**Answer:** No. As the district is not required to provide for a separate financial audit pursuant to Section 218.39, Florida Statutes, it is not required to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes. However, the use of such selection procedures is advisable to help ensure selection of a qualified auditor and satisfactory audit effort.

15. **Question:** A dependent special district exceeds the audit threshold established by Section 218.39, Florida Statutes, and must provide for a financial audit requirement. The district opts not to be audited as part of a county or municipality pursuant to Section 218.39(3)(a), Florida Statutes, but instead opts to provide for its own financial audit. Does the district have to select the auditor in accordance with Section 218.391, Florida Statutes?

**Answer:** Yes. As the district is required to provide for a financial audit pursuant to Section 218.39, Florida Statutes, it is required in this situation to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes.

16. **Question:** A dependent special district does not exceed the audit threshold established by Section 218.39, Florida Statutes; however, the district opts to provide for a financial audit. Does the district have to select the auditor in accordance with Section 218.391, Florida Statutes?

**Answer:** No. As the district is not required to provide for a financial audit pursuant to Section 218.39, Florida Statutes, it is not required to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes. However, the use of such selection procedures is advisable to help ensure selection of a qualified auditor and satisfactory audit effort.

#### Community Redevelopment Agencies

17. **Question:** A community redevelopment agency (CRA) exceeds the audit threshold established by Section 163.387(8), Florida Statutes, and must provide for its own financial audit. Does the CRA have to select the auditor in accordance with Section 218.391, Florida Statutes?



**Answer:** Yes. Chapter 2021-226, Laws of Florida, amended Section 218.39(1)(h), Florida Statutes, to include CRAs. Because Section 218.391, Florida Statutes, regarding auditor selection procedures applies to all audits conducted pursuant to Section 218.39, Florida Statutes, auditors conducting 2020-21 and subsequent fiscal year audits of CRAs must be selected pursuant to Section 218.391, Florida Statutes.

18. **Question:** A CRA provides for an audit required by Section 218.39, Florida Statutes, by being included in a county or municipality audit pursuant to Section 218.39(3)(a), Florida Statutes; however, the CRA is also required to provide for its own separate financial audit pursuant to Section 163.387(8), Florida Statutes. Can the auditor who conducted the county or municipality financial audit also conduct the separate CRA financial audit?

**Answer:** Yes. Section 163.387(8), Florida Statutes, does not specify how the CRA is to select an auditor to conduct the required audit and does not include any restrictions on the CRA's selection of an auditor. However, in deciding whether to use the auditor who conducts the CRA's parent entity (county or municipality) financial audit, the CRA should consider whether it would benefit from applying its own auditor selection procedures because, while the parent entity's auditor selection process was designed to find an auditor to conduct a financial audit of a county or municipality, the CRA's selection process should be designed to find an auditor to conduct a financial audit of the CRA. As CRAs are a unique type of local governmental entity, an auditor with the knowledge and experience needed to conduct an audit of a county or municipality may not necessarily have sufficient knowledge and experience needed to conduct an audit of a CRA.

#### Use of Compensation as Evaluation or Ranking Factor

19. **Question:** If compensation is used as one of the factors to evaluate firms and the governing body of an entity chooses to select a firm other than the auditor selection committee's highest-recommended firm and documents the reason for not selecting the highest-ranked firm pursuant to Section 218.391(4)(b), Florida Statutes, does the next ranked firm become the highest-ranked firm, requiring documentation as to the reason for nonselection, before a firm ranked lower than that firm can be selected?

**Answer:** The law does not specifically address this circumstance; however, it would be reasonable to conclude that justification is necessary and should be documented for the selection of any firm over a higher ranked firm.

20. **Question:** If compensation is used as one of the factors to evaluate firms and the governing body of an entity chooses to select a firm other than the auditor selection committee's highest-recommended firm pursuant to Section 218.391(4)(b), Florida Statutes, what documentation is required to justify selection of a firm other than the highest-ranked firm?

**Answer:** Required documentation as to the reason for not selecting the highest-ranked firm under Section 218.391(4)(b), Florida Statutes, is not described in the law. Such documentation could include a statement made by the governing body, possibly in the form of a resolution and included in the minutes of the governing body, describing the factors that caused the governing body to decide that selection of the next ranked firm was in the entity's best interest. Those factors might include inability to negotiate a satisfactory contract with the highest-ranked firm or information provided to the governing body subsequent to the ranking process. However, as specified in Section 218.391(4)(c), Florida Statutes, the decision to select a firm cannot be based on compensation as the sole or predominant factor.

21. **Question:** If compensation is used as a ranking factor, may the governing body also use the alternative method prescribed by Section 218.391(4)(c), Florida Statutes, to select the audit firm or must they use the method prescribed by Section 218.391(4)(b), Florida Statutes?

**Answer:** The alternative methodology referred to in Section 218.391(4)(c), Florida Statutes, may include the use of compensation as a ranking factor as long as compensation is not the sole or predominant factor used to rank proposals and select the firm.

22. **Question:** If compensation is 20 percent of the ranking criteria and all other factors are each less than 20 percent, is compensation then the predominant factor, or must it be predominant of all factors combined, i.e., greater than 50 percent of all combined?

**Answer:** “Predominant” is not defined in the law with respect to auditor selection. Certainly, weighting compensation at greater than 50 percent of all combined factors, would constitute “predominant.” Black’s Law Dictionary defines “predominant” as “Something greater or superior in power and influence to others, with which it is connected or compared.”

#### Noncompliance with Auditor Selection Law

23. **Question:** Pursuant to Section 218.391(9), Florida Statutes, if an entity fails to select the auditor in accordance with Section 218.391(3)-(6), Florida Statutes, the entity must again perform the auditor selection process in accordance with this section to select an auditor to conduct audits for subsequent fiscal years. Does Section 218.391(9), Florida Statutes, apply to a situation where an entity selects an auditor to conduct a financial audit required by Section 218.39, Florida Statutes, without use of an auditor selection committee appointed by the entity’s governing body?

**Answer:** Yes. An entity cannot comply with Section 218.391(3), Florida Statutes, unless the entity’s governing body has established an auditor selection committee to carry out the responsibilities prescribed by Section 218.391(3), Florida Statutes.

24. **Question:** An entity is notified that its auditor engaged to conduct a financial audit required by Section 218.39, Florida Statutes, was not selected in accordance with the requirements of Section 218.391(3)-(6), Florida Statutes. What should the entity do?

**Answer:** The entity should carefully review its auditor selection process to ensure compliance with Section 218.391(3)-(6), Florida Statutes. In doing so, the entity may want to consult with its legal counsel. If it is determined that the entity did not select the auditor in accordance with Section 218.391(3)-(6), Florida Statutes, the entity, at a minimum, must perform the auditor selection in accordance with Section 218.391, Florida Statutes, for the subsequent fiscal year audit as required by Section 218.391(9), Florida Statutes. However, if possible (e.g., an audit contract for the current fiscal year has not been executed, or if executed, can be legally terminated without significant financial costs, and there is sufficient time to reselect the auditor and comply with the audit report submittal deadline), the entity should reperform the auditor selection process for the current fiscal year audit.

25. **Question:** An auditor becomes concerned (e.g., through the process of responding to a request for proposal for audit services) that an entity may not be selecting an auditor to conduct a financial audit required by Section 218.39, Florida Statutes, in accordance with the requirements of Section 218.391(3)-(6), Florida Statutes. What should the auditor do?

**Answer:** The auditor should notify the entity’s governing body of the concern. The entity may not be aware of the Section 218.391, Florida Statutes, auditor selection requirements or that its auditor selection process is not in accordance with that law. At a minimum, the auditor’s notification should help ensure the entity’s future compliance with Section 218.391, Florida Statutes. Also, depending on the timing of the auditor’s notification, the entity may decide to reperform the auditor selection process. Auditors should also consider refraining from responding to a request for proposal for audit services from entities they know to be in violation of Section 218.391, Florida Statutes.

## **Appendix C - Auditor Selection and Auditor Selection Committee Resources**

AICPA Audit Committee Effectiveness Center

([www.aicpa.org/forthepublic/auditcommitteeeffectiveness](http://www.aicpa.org/forthepublic/auditcommitteeeffectiveness))

*AICPA Professional Standards* promulgated by the American Institute of Certified Public Accountants as of July 1, 2020.

*Audit Management Handbook*, Stephen J. Gauthier, Government Finance Officers Association (1989) (Note: Publication of this *Handbook* was discontinued several years ago as a result of 1996 changes to the Federal Single Audit Act and changes in GFOA policy; however, the references to the *Handbook* in this guidance are consistent with current GFOA policy.)

*Choosing an External Auditor: A Guide to Making a Sound Decision*, Mid-America Intergovernmental Audit Forum (May 2007)

([https://www.pdfFiller.com/100306568-Choosing\\_an\\_External\\_Auditorpdf-Selecting-performance-audit-topics-PSC-doa-alaska-](https://www.pdfFiller.com/100306568-Choosing_an_External_Auditorpdf-Selecting-performance-audit-topics-PSC-doa-alaska-))

GFOA's Best Practice: *Audit Procurement*, Government Finance Officers Association ([www.gfoa.org/best-practices/internal-controls](http://www.gfoa.org/best-practices/internal-controls))

GFOA's Best Practice: *Audit Committees*, Government Finance Officers Association ([www.gfoa.org/best-practices/internal-controls](http://www.gfoa.org/best-practices/internal-controls))

*Government Accounting, Auditing, and Financial Reporting* (2020), Government Finance Officers Association

*Government Auditing Standards* issued by the Comptroller General of the United States ([www.gao.gov/yellowbook](http://www.gao.gov/yellowbook))

*How to Avoid a Substandard Audit: Suggestions for Procuring an Audit* (May 1988), National Intergovernmental Audit Forum ([www.gao.gov/products/137493](http://www.gao.gov/products/137493))

*Public Procurement Guide for Elected and Senior Government Officials* promulgated by the NIGP: Institute for Public Procurement (2016) ([www.nigp.org/home/find-procurement-resources/elected-officials-procurement-guide](http://www.nigp.org/home/find-procurement-resources/elected-officials-procurement-guide))



PO Box 296  
Largo, FL 33779  
[Largo.com](http://Largo.com)

**CITY COMMISSION  
LARGO, FLORIDA  
REQUEST FOR PROPOSAL**

**Proposal #: 21-P-724**

**Date: April 20, 2021**

Sealed proposals will be received by the City of Largo Office of Performance and Budget, located at Largo City Hall, 201 Highland Ave., Largo, Florida 33770, until:

**3:00 p.m., local time**

**MAY 20, 2021**

**FOR**

**INDEPENDENT AUDIT SERVICES**

Said proposals should conform to the specifications outlined in the request for proposal. The City reserves the right to reject any and all offers and to waive minor informalities.

If you are interested in responding, please prepare **one (1) marked original, one (1) copy, and one (1) electronic copy on any USB flash drive** of a proposal and submit them to the Office of Performance and Budget by the date indicated. Late offers will be rejected.

If you have any questions regarding the Request for Proposal, please contact Joan Wheaton, Office of Performance and Budget, (727) 587-6727. [jwheaton@largo.com](mailto:jwheaton@largo.com)

**Deadline for questions is May 5, 2021. Submit questions to [jwheaton@largo.com](mailto:jwheaton@largo.com)**

**PROPOSAL and ADDENDUM DOCUMENTS CAN BE DOWNLOADED FROM [www.demandstar.com](http://www.demandstar.com)**

**BY ORDER OF THE CITY COMMISSION  
LARGO, FLORIDA**

Joan Wheaton, Procurement Analyst  
Office of Performance and Budget

**Please indicate RFP number  
on your response envelope.**

YOUR COMMUNITY OF CHOICE

*Naturally*  
Reference | Page 39



## REQUEST FOR PROPOSAL

### TABLE OF CONTENTS

PART I - MINIMUM REQUIREMENTS/EVALUATION CRITERIA .....	3-7
PART II - INSTRUCTIONS TO PROPOSERS AND GENERAL PROVISIONS .....	8-14
Definition.....	8
Preparation of Request for Proposal.....	8
Submission and Receipt of Proposals .....	9
Acceptance of Offer.....	9
Discrepancies, Errors, and Omissions.....	9
Right to Reject Proposals.....	9
Evaluation Criteria .....	9
Compensation .....	10
Payment .....	10
Fiscal Non-Funding Clause .....	10
Conflict of Interest .....	10
Public Entity Crimes .....	11
Options .....	11
Subcontracting .....	11
Failure to Submit Proposal .....	11
Default of Contract .....	11
Modification for Changes.....	11
Order or Precedence .....	12
Examination of Records .....	12
Hold Harmless.....	12
Qualifications of Proposer .....	12
Disqualification of Proposer.....	12
Licenses and Permits.....	12
Provisions for Other Agencies.....	13
Applicable Law and Venue .....	13
Public Records Responsibilities .....	13
Attorney Fees .....	14
Additional Information.....	14
PART III - PROPOSAL REQUIREMENTS .....	15-21
Format .....	15
Vendor Proposal Form .....	17
Reference Information.....	19
Insurance Requirements Checklist .....	20
Debarment, Suspension Certification Form .....	21

**PART I  
CITY OF LARGO, FLORIDA  
MINIMUM REQUIREMENTS/EVALUATION CRITERIA  
FOR  
RFP #21-P-724  
INDEPENDENT AUDIT SERVICES**

Purpose

In accordance with Section 11.45, Florida Statutes, the City Commission of Largo, Florida is requesting proposals from Certified Public Accounting firms to conduct an audit of the general purpose financial statements of the City of Largo for a five year period. The audit agreement is subject to annual approval by the City Commission with grounds for termination including but not limited to poor performance, not adhering to time schedules, and excessive fee increases.

Scope of Work

1. The Firm agrees to conduct a financial and compliance audit of the City's financial statements for the fiscal years ending September 30, 2021 through September 30, 2026.
2. A separate audit shall be performed of the financial operations for the Largo Emergency Medical Service (EMS) and Fire Service Programs, as presently defined in the Fire and EMS financial rules for Pinellas County. This separate audit will be included in the financial statements in a manner approved by the Pinellas County Fire & EMS Division.
3. A separate audit shall be performed of the financial operations for the City's Community Redevelopment Agency (CRA) as required by State statutes. This separate audit will be issued in a manner specified by State of Florida Statutes.
4. A financial and compliance audit, "single audit," of Federal, State and Local Government Grants shall also be performed, as defined in the most recent edition of the General Accounting Office's Government Auditing Standards, the provisions of the Single Audit Act and the Office of Performance and Budget's Uniform Guidance and the State of Florida, rules of the Auditor General.
5. The scope of the financial and compliance audit shall follow governmental auditing standards applicable in the State of Florida to audits of local government pursuant to Section 218.39 or 215.97, Florida Statutes and all other guidelines and requirements promulgated by the Office of Auditor general.
  - a. An examination of financial statements to express an opinion on the fairness of presentation of financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles.
  - b. An examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements.
  - c. An examination of any additional financial information necessary to comply with generally accepted accounting principles.

The financial statements referred to above are the government-wide financial statements (GASB Statement 23, paragraphs 6b (1) and 12 through 62) and fund financial statements (GASB Statement 24, paragraphs 6b(2) and 63 through 112).

  - d. An examination of any additional activities necessary to establish compliance with the term "financial statement audit" as defined and used in Government Auditing Standards (2018 Revision) and any amendments thereto.

e. An examination of any additional activities necessary to establish compliance with the Federal Single Audit Act; United States Office of Management and Budget (OMB) Circular No. A-133; other applicable Federal law; and the Florida Single Audit Act.

f. The use of financial condition assessment procedures to assist the auditor in the detection of deteriorating financial conditions pursuant to Section 218.39(5), Florida Statutes. The auditor may use financial condition assessment procedures developed by the Auditor General or appropriate alternative financial condition procedures. Financial condition assessment procedures developed by the auditor General are available on the Auditor General Web site. The financial condition assessment shall be done as of the fiscal year end; however, the auditor shall give consideration to subsequent events, through the date of the audit report that could significantly impact the local governmental entity's financial condition.

6. In addition to the Independent Audit report: the Firm agrees to prepare the following reports during the term of the contract.

a. Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial statements Performed in Accordance with Government Auditing Standards.

b. Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Rules of the Auditor General.

c. Schedule of Expenditures of Federal Awards and State Financial Assistance.

d. Schedule of Findings and Questioned Costs.

e. Independent Auditors' Report(s) on Debt Compliance.

f. Management Letter.

g. Data Collection Form as required by OMB Circular A-133.

h. All other reports as required by Federal or State regulatory agencies or generally accepted principles.

7. The audit entity includes one component unit, the Community Redevelopment Agency (CRA), which was created by the City Commission, pursuant to Florida Statutes, Section 163.357, to provide for the rehabilitation, conservation and redevelopment of certain areas within the City. The CRA operates under the guidance of the City Commission which meets separately as the CRA's governing body to approve the adoption of the annual budget, the issuance of the debt, the execution of contracts and the payment of unbudgeted expenditures. The financial statements of the CRA are included within the City's reporting entity as the Downtown Tax Increment Financing (DTIF) Special Revenue Fund. The entity to be audited includes all City fund types, including:

- General Fund
- Special Revenue Funds (15)
- Enterprise Funds (3)
- Internal Service Funds (2)
- Capital Project Funds (2)
- Debt Service Fund (1)
- Fiduciary Funds (5 )

8. The auditor in charge of the engagement and the field audit manager must be available to attend up to five public meetings for discussion of the audit progress and final report, of which at least three would be with the Audit Committee.
9. The Firm agrees to perform a portion of the audit on City premises under normal conditions, subject to the need for social distancing and other safety measures related to a declared pandemic, based on guidance from the CDC or other health agency. The City agrees to furnish adequate working space that is well lighted, safe, reasonably comfortable and reasonably proximate to accounting records.
10. The Firm agrees to provide all equipment, materials, supplies and personnel services to perform the audit. The City agrees to provide, at no cost, all postage and copying costs necessary to perform the audit.
11. By submitting a proposal, the Firm acknowledges that during the proposal period the City may add or delete funds, incur additional debt, engage in new governmental ventures, and otherwise modify or expand its current operations. Modifications to the existing contract terms should not be necessary, unless the changes are significant to the City as a whole and require substantial changes in the audit plan or scope.
12. The City employs two third party administrators (TPA's) for Worker's Compensation claim administration (Johns Eastern) and utility billing (Pinellas County – sewer, solid waste and stormwater).
13. The City employs the services of a third-party custodian and administrative support provider (Empower) for administration of the City's two 401(a) defined contribution plans and one 457(b) deferred compensation plan.
14. The City employs the services of a third-party custodian, money managers and administrative support provider for the City's one defined benefit pension plan.

### Background

The City of Largo, Florida invites Independent Certified Public Accountants, who are licensed to practice in the State of Florida, to submit proposals for the performance of an examination of its financial statements for the period beginning October 1, 2021 and ending September 30, 2026 with the expectation that annual audit contracts will be awarded for five (5) additional years thereafter, subject to the mutual satisfaction of both parties. The purpose of the examination is to express an opinion on the fairness with which the general purpose financial statements present the City's financial position, results of operations and cash flows of its proprietary fund types in conformity with generally accepted governmental accounting principles and to determine whether operations were conducted in accordance with legal and regulatory requirements.

### General Information

1. The City of Largo is one of twenty-four municipalities located in Pinellas County on Florida's west coast. Largo, Florida is a City Commission/City Manager form of municipal government, which offers a traditional mix of services to a population including seasonal residents of approximately 84,000 and approximately 35,000 unincorporated residents. The City employs approximately 950 Full Time Equivalents with an annual budget of \$190 million (including interfund transfers of approximately \$23 million).
2. Copies of the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2020, which included an unqualified audit opinion, and the FY 2021 Operating and Capital Budget are available on the City's website, [www.largo.com/financialcenter](http://www.largo.com/financialcenter).
3. The City's accounting system is substantially automated. The general ledger accounting, payroll, capital assets, and utility billing systems are fully automated. Access to the computer system will be made available to the auditors, through the Information Technology Department, which is responsible



for maintenance, programming and operation of the system. The City contracts-out utility billing service (wastewater, stormwater and solid waste) with the Pinellas County Utility Billing Department and Workers Compensated Administration is contracted with John's Eastern.

4. The City's prior auditors are Carr Riggs and Ingram, CPA.s CRI) have been engaged as external auditors since fiscal year 2012 (for nine years).

5. The City participates in the CDBG, HOME, and SHIP Programs and was the recipient of six (6) other state and federal grants during Fiscal Year 2020, including one (1) Federal Major program and zero (0) State Major programs.

6. The City has no internal audit department. Accounting and Finance Division personnel includes the Finance Director, Assistance Finance Director, Treasury Manager, three Accountants and other accounting personnel who are available to assist with the preparation of account analyses, schedules, etc.

7. Operating budgets, and capital budgets for governmental fund types are recorded in the automated accounting system. Amendments and transfers are documented within the system.

8. The City is implementing a new ERP system (Workday) in FY 2021, with an approximate go-live date of April 1, 2021; therefore, approximately half of the City's FY 2021 financial records will have been created in the prior ERP system (ADG). This includes: General Ledger, payroll, accounts payable, and certain (but not most) accounts receivables. Certain business processes related to these areas will also be changed for the new ERP system.

9. The audit shall be a financial audit as defined in Sec. 11.45(1)(b), Florida Statutes, shall cover each one-year period beginning October 1 and ending September 30, 2021 through 2025 with the expectation that an annual contract will be awarded for an additional four (5) years, subject to the mutual satisfaction of both parties.

10. The Mayor has appointed an audit committee comprised of three City Commissioners. The Audit Committee has obtained services of a financial expert to assist them in their duties. The external auditors will directly report to the Audit Committee during the term of the contract.

#### Other Performance Specifications

1. To qualify as the City's external auditor, the following minimum requirements must be met:
  - a. The firm must have been established as a legal entity, be licensed in the State of Florida, and have performed continuous CPA services for a minimum of five (5) years.
  - b. The firm must submit an affirmation that the proposer meets the independence requirements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, most recent revision, published by the U.S. General Accounting Office, and as specified by generally accepted governmental auditing standards.
  - c. The firm must submit an affirmation that the proposer does not have a record of substandard audit work.
  - d. Government Auditing Standards (the Yellow Book) requirements related to governmental auditing by the State of Florida requires partner and in-charge auditor to have completed CPE that directly enhance the auditor's professional proficiency to perform audits and/or attestation engagements.
  - e. The firm has no conflict of interest with regard to any other work performed by the firm for the City.
2. Field work shall be completed by March 15 each year.

3. The auditors shall submit, no later than March 20 of each year, a draft of the management letter, which shall identify material weaknesses and significant deficiencies observed in the system of internal accounting control, assess their effect on financial management and propose steps to eliminate the weaknesses. The final management letter shall be submitted in "printer's proof" format no later than March 25 each year.

4. The auditor shall, without charge, make their work papers available to any Federal or State Agency upon request and in accordance with Federal and State Law and Regulations.

5. The Auditors shall provide one copy of the Data Collection Report, no later than April 1 each year.

#### Anticipated Timeline of Events

April 20, 2021	Request for Proposal Release Date
May 5, 2021	Final Date for Question Submissions
May 20, 2021	Request for Proposal Opening 3:00 pm, local time; Electronic Proposals and Evaluation Criteria Distributed Electronically to the Audit Committee
June 1, 2021	Audit Committee Ranks Top Four Firms
June 15, 2021	Audit Committee Meeting Presentations from Top Four Firms, Final Ranking tabulated with top ranked firm recommended for City Commission award approval
July 20, 2021	Audit Committee Recommendation at Regular Commission Meeting (1 <sup>st</sup> Reading)
August 3, 2021	Audit Committee Recommendation at Regular Commission Meeting (2 <sup>nd</sup> Reading)

## PART II INSTRUCTIONS TO PROPOSERS AND GENERAL PROVISIONS

### Definitions (as used herein)

1. The term "Request for Proposal" means a solicitation of proposals. The acronym "RFP" means Request for Proposal.
2. The term "proposal" means the offer of qualitative evaluations by the proposer.
3. The term "professional services" means those services of architects, auditors, dentists, engineers, landscape architects, lawyers, physicians, psychologists, surveyors and any other professional service as determined by the City.
4. The term "proposer" means the one making an offer.
5. The term "Change Order" means a written order signed by the Office of Performance & Budget or authorized representative directing the vendor to make changes to a contract or purchase order resulting from the RFP.
6. The term "City" means the City of Largo, Florida.
7. The term "City Commission" means the governing body of the City of Largo.

### Preparation of Request for Proposals

1. Proposers are expected to examine the minimum requirements and all special and general conditions. Omission on the part of the proposer to make the necessary examinations and investigations, or failure to fulfill in every detail the requirements of the contract document, will not be accepted as a basis for varying the requirements of the City or the compensation to the vendor. Failure to do so is at the proposer's risk. The proposer shall sign the Request for Proposal and print or type his/her name, address, and telephone number on the face page.
2. The apparent silence of any supplemental minimum requirements as to any details or the omission from it of a detailed description concerning any point will be regarded as meaning that only the best commercial practices are to prevail. All workmanship is to be first quality. All interpretations of the minimum requirements shall be made upon the basis of this statement.
3. Proposals shall be submitted in the format described in this document, other formats will be rejected. Unless otherwise stated within the minimum requirements, **responses to the RFP shall have (1) marked ORIGINAL, one (1) copy, and one (1) electronic copy on any USB flash drive** submitted for evaluation purposes.
4. The firm should retain a copy of all documents for future reference.
5. All proposals must be signed with the firm name and by an officer or employee having authority to bind the firm by his/her signature as indicated by the Florida Department of State, Division of Corporations ([www.sunbiz.org](http://www.sunbiz.org)). Proof of corporate signer must be included with the submittal with the proposal. Use Sunbiz screen shot or include a copy of Corporate Resolution.
6. Failure to follow the instructions in the Request for Proposal is cause for rejection of offer.

### Submission and Receipt of Proposals

1. Proposals must be received before the specified date and time as designated in the RFP. A list of firms who submitted proposals will be furnished, upon request.
2. Proposals shall be submitted in a sealed envelope. The envelope shall show the hour and date specified for receipt of RFP, the RFP number, and the name and address of the firm.
3. The City of Largo is not responsible for the U.S. Mail or private couriers in regard to mail being delivered by the specified time so that a proposal can be considered.
4. Email proposals will not be considered however, proposals may be modified by email provided such notices are received prior to the time and date specified.
5. Late proposals will be rejected.
6. Proposals having any erasures or corrections must be initialed by the offerer in ink. Proposals shall be signed in ink. All amounts shall be typewritten or completed in ink.
7. Overnight or Express mail should not be addressed to the PO Box.
8. Debarment, Suspension Certification Form must be completed and attached to proposal.

### Acceptance of Offer

The signed proposal shall be considered an offer on the part of the proposer; such offer shall be deemed accepted upon issuance by the City of a Purchase Order, Blanket Purchase Order, or other contractual document.

The contract will be awarded to the most responsible and responsive proposer whose proposal best meets the minimum requirements, and criteria set forth in this RFP.

The City reserves the right to accept or reject any and all proposals or parts of proposals, waive minor informalities.

The City reserves the right to award the contract on a split-order, lump-sum, or individual-item basis, or such combination as shall best serve the interest of the City unless otherwise specified.

### Discrepancies, Errors, and Omissions

Any discrepancies, errors, or ambiguities in the Request for Proposals or addenda (if any) should be reported in writing to the City's Purchasing Manager. Should it be found necessary, a written addendum will be incorporated in the Request for Proposals and will become part of the Purchase Agreement (contract documents). The City will not be responsible for any oral instructions, clarifications, or other communications.

### Right to Reject Proposal

Right is reserved to reject any or all proposals and to disregard typographical, mathematical, or obvious errors. The City will not pay costs incurred by any proposer in the preparation of proposals.

### Evaluation Criteria

Proposals will be evaluated by the Audit Committee and the Proposer will be selected based on, but not limited to, the following equally weighted criteria:

1. Qualifications and Experience

- Quality and experience with government engagements of comparable size and complexity.
- Quality and experience of the firm's professional auditing personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
- Quality and experience of the firm's professional IT auditing personnel assigned to the engagement.
- Quality and experience of the firm's professional auditing personnel assigned to perform the Single Audit.

## 2. Audit Approach

- Completeness of the response to the RFP
- Adequacy of the general overall audit plan.
- Recent, current and projected workload of auditing personnel to be assigned to the engagement.
- Adequacy of proposed staffing plan for the audit.
- Adequacy of the audit plan for the IT evaluation.
- Adequacy of the audit plan for the Single Audit.

## 3. Responses of references

4. Oral Presentation – Maximum of 10 minute opening presentation to be followed by questions posed by the Audit Committee.

5. Costs – Costs will not be given predominant consideration as part of the evaluation criteria.

The selected proposer(s) response to stated criteria may be verified by the City. This verification may consist of reference checks, interviews, and site visits.

### Compensation

Compensation which is determined to be fair, competitive and reasonable will be considered during the negotiations of a final contract with the selected Proposer.

### Payment

Progressive payments will be made as work is performed but will not exceed 50% of the total contract amount until issuance of a final audit opinion and all required reports.

### Fiscal Non-Funding Clause

In the event sufficient budgeted funds are not available for a new fiscal period, the City shall notify the awarded Proposer of such occurrence and contract shall terminate on the last day of the current fiscal period without penalty or expense to the City.

### Conflict of Interest

The Proposer acknowledges and certifies that this Agreement does not violate any ethics provision found in Chapter 112, Florida Statutes or Chapter 2, City of Largo Code of Ordinances, including but not limited to the prohibition against gratuities and kickbacks in Section 2-279, City of Largo Code of Ordinances.

The Proposer certifies that, to the best of his/her knowledge or belief, no elected/appointed official or employee of the City of Largo, a spouse thereof or other person residing in the same household, is

financially interested, directly or indirectly, in providing the goods or services specified in this proposal. Financial interest includes ownership of more than five percent of the total assets or capital stock or being an officer, director, manager, partner, proprietor, or agent of the business submitting the proposal or of any subcontractor or supplier thereof providing goods or services in excess of ten percent of the total proposal amount.

Additionally, the Proposer, on company letterhead, must divulge at the time of proposal submittal, any relative, other than those already specified, of an elected /appointed official or employee of the City of Largo who has a financial interest, as defined herein, in providing the goods or services specified in the proposal. The City, at its sole discretion, will determine whether a conflict exists and whether to accept or reject the proposal.

#### Public Entity Crimes

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

#### Options

When the City requests proposals with options regarding the extent of services to be provided, the City requests all proposers to provide a cost breakdown for each option proposed. Although all options may be purchased, some may not. The City reserves the right to decide, at its discretion, which options shall be purchased.

The City reserves the right to engage more than one firm if it is believed that different firms might best serve the City's interests in performing different segments of the work (e.g. one firm to provide building estimates, and another to provide infrastructure estimates).

#### Subcontracting

Where Proposer does not have the "in-house" capability to perform work desired in the RFP, subcontracting may be permitted with prior knowledge and approval of the City. The City must be assured and agree that any proposed subcontractor(s) can perform work of the desired quality and in a timely manner. Therefore, the name(s) of any intended subcontractor(s) should be given in the proposal.

#### Failure to Submit Proposal

If you do not wish to submit a proposal, return the RFP and state reason; other-wise, your name may be removed from our mailing list.

#### Default of Contract

In case of default by the Proposer, the City may procure the services from other sources and hold the proposer responsible for any excess costs occasioned or incurred thereby.

#### Modification for Changes

No agreement or understanding to modify this RFP and resultant purchase order or contract shall be binding upon the City unless made in writing by the Office of Performance and Budget.

### Order or Precedence

In the event of an inconsistency between provisions of the RFP, the inconsistency shall be resolved by giving precedence in the following order: (a) Instructions to Proposers and General Provisions; and, (b) the minimum requirements.

### Examination of Records

The Proposer shall keep adequate records and supporting documentation applicable to the subject matter of this RFP to include, but not be limited to, records of costs, time worked, working paper and/or accumulations of data, and criteria or standards by which findings or data are measured. Said records and documentation shall be retained by the proposer for a minimum of one year from the date the contract is completed and accepted by the City. If any litigation, is started before the expiration of the one year period, the records shall be retained until all litigation, claims, or audit findings, involving the records have been resolved, unless otherwise instructed by the City. Should any questions arise concerning this contract, the City and its authorized agents shall have the right to review, inspect, and copy all such records and documentation during the record retention period stated above; provided, however, such activity shall be conducted only during normal business hours and shall be at City expense. Proposers shall be authorized to retain microfilm copies in lieu of original records, if they so desire.

Subcontractor(s) employed by the Proposer is/are subject to these requirements, it is the sole responsibility of the Proposer to so notify any such subcontractor(s).

### Hold Harmless

The parties recognize that the Contractor/Vendor is an independent contractor. The Contractor/Vendor agrees to assume liability for and indemnify, hold harmless, and defend the City, its commissioners, mayor, officers, employees, agents, and attorneys of, from, and against all liability and expense, including reasonable attorney's fees, in connection with any and all claims, demands, damages, actions, causes of action, and suits in equity of whatever kind or nature, including claims for personal injury, property damage, equitable relief, or loss of use, arising out of the execution, performance, nonperformance, or enforcement of the terms and conditions of this Agreement, Invitation for Bid or Request for Proposal, whether or not due to or caused by the negligence of the City, its commissioners, mayor, officers, employees, agents, and attorneys excluding only the sole negligence of the City, its commissioners, mayor, officers, employees, agents, and attorneys. The Contractor's/Vendor's liability hereunder shall include all attorney's fees and costs incurred by the City in the enforcement of this indemnification provision. This includes claims made by the employees of the Contractor/Vendor against the City and the Contractor/Vendor hereby waives its entitlement, if any, to immunity under Section 440.11, Florida Statutes. The obligations contained in this provision shall survive termination of this Agreement and shall not be limited by the amount of any insurance required to be obtained or maintained under this Agreement.

### Qualification of Proposer

A Proposer may be required, before the award of any contract, to show to the complete satisfaction of the City that he has the necessary facilities, equipment, ability and financial resources to perform the work in a satisfactory manner within the time specified.

### Disqualification of Proposer

Any or all proposals will be rejected if there is any reason for believing that collusion exists among the Proposers, and participants in such collusion will not be considered in future proposals for the same work.

### Licenses and Permits

The Proposer shall secure all licenses and permits and shall comply with all applicable laws, regulations and codes as required by the State of Florida, or by the City of Largo. The Contractor must fully comply

with all Federal and State Laws and County and Municipal Ordinances and Regulations in any manner affecting the performance of the work.

The Proposer shall supply documentation of compliance with Section 471.003, Florida Statutes for all design build projects and/or projects meeting the thresholds provided in Section 471.003(h), Florida Statutes.

#### Provisions for Other Agencies

Unless otherwise stipulated by the Proposer, the Proposer agrees to make available to the Government agencies, departments, and municipalities the prices submitted in accordance with said terms and conditions therein, should any said governmental entity desire to buy under the proposal.

#### Applicable Law and Venue

This Agreement shall be governed by, construed and interpreted in accordance with the laws of the State of Florida without regard to the conflicts or choice of law principals thereof. Each of the parties hereto: (a) irrevocably submits itself to the exclusive jurisdiction of the State of Florida, and agree that venue shall lie exclusively in the Sixth Judicial Circuit Court in and for Pinellas County, Florida for any state court action arising out of this Agreement, and exclusively in the United States District Court for the Middle District of Florida, Tampa Division, for any federal court action arising out of this Agreement; (b) waives and agrees not to assert against any party hereto, by way of motion, as a defense or otherwise, in any suit, action or other proceeding, (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason whatsoever, and (ii) any claim that such suit, action, or proceeding by any party hereto is brought in an inconvenient form or that venue of such suit, action, or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such courts.

#### Public Records Responsibilities

Pursuant to section 119.0701, Florida Statutes, for any tasks performed by Contractor on behalf of the City, Contractor shall: (a) keep and maintain all public records, as that term is defined in chapter 119, Florida Statutes ("Public Records"), required by the City to perform the work contemplated by this Agreement; (b) upon request from the City's custodian of public records, provide the City with a copy of the requested Public Records or allow the Public Records to be inspected or copied within a reasonable time at a cost that does not exceed the costs provided in chapter 119, Florida Statutes, or as otherwise provided by law; (c) ensure that Public Records that are exempt or confidential and exempt from Public Records disclosure requirements are not disclosed except as authorized by law for the duration of the term of this Agreement and following completion or termination of this Agreement, if Contractor does not transfer the records to the City in accordance with (d) below; and (d) upon completion or termination of this Agreement, (i) if the City, in its sole and absolute discretion, requests that all Public Records in possession of Contractor be transferred to the City, Contractor shall transfer, at no cost, to the City, all Public Records in possession of Contractor within thirty (30) days of such request or (ii) if no such request is made by the City, Contractor shall keep and maintain the Public Records required by the City to perform the work contemplated by this Agreement. If Contractor transfers all Public Records to the City pursuant to (d)(i) above, Contractor shall destroy any duplicate Public Records that are exempt or confidential and exempt from Public Records disclosure requirements within thirty (30) days of transferring the Public Records to the City and provide the City with written confirmation that such records have been destroyed within thirty (30) days of transferring the Public Records. If Contractor keeps and maintains Public Records pursuant to (d)(ii) above, Contractor shall meet all applicable requirements for retaining Public Records. All Public Records stored electronically must be provided to the City, upon request from the City's custodian of public records, in a format that is compatible with the information technology of the City. If Contractor does not comply with a Public Records request, or does not comply with a Public Records request within a reasonable amount of time, the City may pursue any and all remedies available in law or equity including, but not limited to, specific performance. The provisions of this section only apply to those tasks in which Contractor is acting on behalf of the City.



**IF THE CONTRACTOR HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO THE CONTRACTOR'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS CONTRACT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT: Telephone number: (727) 587-6710 ext. 7003 E-mail address: dbruner@largo.com**

**Mailing address: City of Largo, Attn: City Clerk, P.O. Box 296, Largo, Florida 33779-0296**

Attorney Fees

In the event of legal action or other proceeding arising under this Contract, the prevailing party shall be entitled to recover from the adverse party all its reasonable attorneys' fees and costs incurred by the prevailing party in the prosecution or defense of such action, or in any post-judgment or collection proceedings and whether incurred before suit, at the trial level or at the appellate level. This shall include any bankruptcy proceedings. The prevailing party also shall be entitled to recover any reasonable attorneys' fees and costs incurred in litigating the entitlement to attorneys' fees and costs, as well as in determining the amount of attorneys' fees and costs due to the prevailing party. The reasonable costs to which the prevailing party will be entitled include costs that are taxable under any applicable statute, rule, or guideline, as well as costs of investigation, copying costs, electronic discovery costs, mailing and delivery charges, costs of conducting legal research, consultant and expert witness fees, travel expenses, court reporter fees and mediator fees, regardless of whether such costs are taxable under any applicable statute, rule or guideline.

Additional Information

Additional information may be obtained from the Office of Performance and Budget, (727) 587-6727, or from the individual listed on the RFP cover letter.

**PART III  
SPECIFIC PROPOSAL REQUIREMENTS  
FOR  
RFP #21-P-724  
INDEPENDENT AUDIT SERVICES**

Format

To assure consistency, proposals must conform to the following format:

Cover Letter

Table of Contents

Sections:

- A. Introduction
- B. Qualifications/Experience of Proposer, Partner(s), Supervisor(s) and Staff
- C. Other Relevant Information
- D. Similar Engagements with Other Government Entities and References
- E. Audit Approach
- F. Cost and Time
- G. Independence and Prior Engagements with the City of Largo
- H. License to Practice in Florida
- I. Debarment, Suspension Certification Form

Section A – Introduction

This section should contain information about your firm's experience and background. Include complete information regarding experience in this type of commercial service, number of years, number of employees, etc.

Section B – Qualifications

This section should contain qualifications of personnel. Please submit resumes of key personnel who will be assigned to this contract.

Section C – Other Relevant Information

This section should address any other information necessary for a full understanding of your services in addition to the two questions below:

1. Submit a copy of the firm's most recent external quality control review report.
2. Disclose and explain if your firm has been subject to any disciplinary actions during the past three years.

Section D- Similar Engagements with Other Government Entities and References

Provide a listing of all governmental clients serviced during the last three years by the designated office that will provide audit services to the City, including former clients that the designated office no longer serves. Provide name of client, contact person, phone number, and date of services performed, and an overview of the services provided

Section E – Audit Approach

This section should clearly describe the detailed audit approach and methodology for meeting objectives. Please note the following:

1. Describe the overall approach that the firm would take in this audit engagement including the extent to which statistical sampling techniques will be used.
2. Describe the approach that will be used to review the adequacy of the City's system of internal controls.
3. Describe the approach that will be taken in auditing Information Systems.
4. Describe the approach that will be used in testing for legal compliance.
5. Describe the firm's reaction to each of the following:
  - a) While many firms establish "firm policies" on GAAP for which existing GAAP is unclear, please address the steps that would be taken if, where there is not established GAAP and the City proposed to take an alternative approach to the "firm's policy."
  - b) If a question of GAAP interpretation arises between City staff and the audit team, what steps would be taken to adequately determine the actual intent/direction for the available/applicable guidance?
6. This City has received the Government Finance Officers Association's Certificate of since 1990. The CAFR for each of the fiscal years covered by this RFP will be submitted for consideration for the certificate. Describe the assistance that could be provided in meeting the certificate requirements.
7. Describe the process that the firm will take to produce a meaningful "management letter".
8. Describe the method and work plan for auditing pending GASB pronouncements in the initial contract year and/or any subsequent years. The City plans to implement all GASB pronouncements by the required year and usually not prior.

#### Section F – Cost and Time

Cost will not be the sole or predominant factor to evaluation qualified proposals.

The costs proposed for each year of the engagement must be separately stated for each fiscal year-end (2021, 2022, 2023, 2024 and 2025).

The costs proposed must include schedule of fees and expenses that support the total all-inclusive maximum price, including hours and hourly rates by position, anticipated out-of-pocket expenses, and the firms proposed reimbursement rates for travel, lodging and substance. All expenses will be charged against the total all-inclusive maximum price submitted by the firm.

#### Section G – Independence and Prior Engagements with the City of Largo

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

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the City for the past five (5) years.

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

#### Section H – 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.

#### Section I – Debarment, Suspension Certification Form

**CITY OF LARGO, FLORIDA  
PROPOSAL FORM  
FOR  
RFP #21-P-724  
INDEPENDENT AUDIT SERVICES  
Page 1**

The undersigned proposer does hereby agree to furnish the City of Largo, Florida, the items listed in accordance with the minimum requirements/evaluation criteria shown by the Request for Proposal to be delivered to the specified site for the price indicated.

	HOURS	QUOTED HOURLY RATES	TOTAL
PARTNERS		\$	\$
MANAGERS		\$	\$
SUPERVISORY STAFF		\$	\$
STAFF		\$	\$
OTHER (SPECIFY)		\$	\$
SUB-TOTAL		\$	\$

Total for services described in Part I, within the section titled Scope of Work of the Request for Proposal (provide detail on separate schedule)

Out-of-pocket expenses: \$ \_\_\_\_\_  
 Meals & Lodging \$ \_\_\_\_\_  
 Transportation \$ \_\_\_\_\_  
 Other (specific) \$ \_\_\_\_\_  
 Sub-total \$ \_\_\_\_\_

Total for all-inclusive maximum price for 2021 audit \$ \_\_\_\_\_

Total for all-inclusive maximum price for 2022 audit \$ \_\_\_\_\_

Total for all-inclusive maximum price for 2023 audit \$ \_\_\_\_\_

Total for all-inclusive maximum price for 2024 audit \$ \_\_\_\_\_

Total for all-inclusive maximum price for 2025 audit \$ \_\_\_\_\_

**NOTE: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.**

**CITY OF LARGO, FLORIDA  
PROPOSAL FORM  
FOR  
RFP #21-P-724  
INDEPENDENT AUDIT SERVICES  
Page 2**

**IT IS THE PROPOSERS RESPONSIBILITY TO CHECK [www.demandstar.com](http://www.demandstar.com)  
FOR FINAL DOCUMENTS AND ADDENDUMS BEFORE SUBMITTAL**

**THIS PROPOSAL MUST BE SIGNED BY THE PRINCIPAL OR DIRECTOR AS INDICATED BY THE FLORIDA DEPARTMENT OF STATE, DIVISION OF CORPORATIONS ([www.sunbiz.org](http://www.sunbiz.org)) Proof of corporate signer must be submitted with Statement of Qualifications. If not submitted firm will be considered non-responsive. Use Sunbiz screen shot or copy of Corporate Resolution.**

PROPOSER NAME: \_\_\_\_\_

TAX ID# SSN or EIN: \_\_\_\_\_

PROPOSER ADDRESS: \_\_\_\_\_

PURCHASE ORDER  
ADDRESS: \_\_\_\_\_

PHONE NUMBER: \_\_\_\_\_

COMPANY WEB SITE: \_\_\_\_\_

COMPANY CONTACT (REP): \_\_\_\_\_

EMAIL ADDRESS(REP): \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

**CITY OF LARGO, FLORIDA  
REFERENCE INFORMATION  
FOR  
RFP #21-P-724  
INDEPENDENT AUDIT SERVICES**

Organization \_\_\_\_\_

Contact Person \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone Number (\_\_\_\_\_) \_\_\_\_\_

Project Cost \_\_\_\_\_ Date Performed \_\_\_\_\_

~~~~~

Organization \_\_\_\_\_

Contact Person \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone Number (\_\_\_\_\_) \_\_\_\_\_

Project Cost \_\_\_\_\_ Date Performed \_\_\_\_\_

~~~~~

Organization \_\_\_\_\_

Contact Person \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone Number (\_\_\_\_\_) \_\_\_\_\_

Project Cost \_\_\_\_\_ Date Performed \_\_\_\_\_

~~~~~

Organization \_\_\_\_\_

Contact Person \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone Number (\_\_\_\_\_) \_\_\_\_\_

Project Cost \_\_\_\_\_ Date Performed \_\_\_\_\_

~~~~~

Representative Typed Name/Title \_\_\_\_\_

Representative Signature \_\_\_\_\_

Firm \_\_\_\_\_

**INSURANCE REQUIREMENTS CHECKLIST  
FOR RFP #21-P-724  
Items marked "X" must be provided**

<u>  X  </u>	<b><u>General Liability</u></b>	<b><u>Minimum Limits Required</u></b>	
	<u>  x  </u> Commercial General Liability	\$ <u>2,000,000</u>	General Aggregate
Agg.	<u>  x  </u> Occurrence Form	\$ <u>1,000,000</u>	Product/Completed Operations
	_____	\$ <u>1,000,000</u>	Personal & Advertising Injury
	_____	\$ <u>1,000,000</u>	Each Occurrence
	_____	\$ _____	
<u>  X  </u>	<b><u>Automobile Liability</u></b>		
	Owned, Hired & Non-Owned	\$ <u>1,000,000</u>	Combined Single Limit per Occurrence
<u>  X  </u>	<b><u>Worker's Compensation and Employer's Liability</u></b>	<b><u>Statutory</u></b>	
		\$ <u>100,000</u>	Each Accident
		\$ <u>500,000</u>	Disease - Policy Limit
		\$ <u>100,000</u>	Disease - Each employee
<u>  X  </u>	<b><u>Professional Liability - Errors &amp; Omissions</u></b>	(*To be completed by Bidder)	
	* Deductible: \$ _____	\$ _____	Aggregate
	* Claims Made (Y/N): _____	\$ _____	Each Claim
	* Occurrence (Y/N): _____		
	* Defense included in Limits (Y/N): _____		
_____	<b><u>Builder's Risk/Installation Floater</u></b>	(* To be completed by Bidder)	
	* Flood Included \$ _____ Limit	\$ _____	100% of Completed or Installed Value
	* Transportation Included \$ _____ Limit		All-Risk Form
	* Storage Included \$ _____ Limit		
	<b>City Must Be A Named Insured. Copy of Policy Will Be Required.</b>		
_____	<b><u>Other</u></b>		
	_____	\$ _____	
	_____	\$ _____	
<u>  X  </u>	The Certificate of Insurance must show "The City of Largo, its elected officials and employees" as an additional insured. The Certificate shall bear the requisite endorsements providing that the City is an additional insured and providing for waiver of subrogation by the Vendor/Subcontractor when applicable.		
<u>  X  </u>	Vendor/Subcontractor shall provide immediate notice of any Vendor/Subcontractor initiated cancellation, non-renewal or adverse change to the policies required to be obtained or maintained pursuant to this RFP. Vendor/Subcontractor shall immediately forward to the City any notice it receives of cancellation, non-renewal or adverse change to any policy that is initiated by a policy provider(s).		
<u>  X  </u>	Certificates must identify bid number and bid title.		
<u>  x  </u>	Subcontractors must carry same Insurance limits.		
<u>  x  </u>	Insurance Carrier should be A rated.		
<u>  x  </u>	The City reserves the right to request any additional information it deems necessary, and at a frequency it deems necessary, to confirm the requisite insurance remains in effect, at the required levels, for the duration of any contractual agreement entered into pursuant to this RFP and/or any Purchase Order issued in accordance with this RFP.		

**Statement of Bidder:**

**We understand the requirements requested and agree to comply fully.**

**Bidder - Authorized Signature**

**A complete copy of this form with original signature must accompany RFP**



## DEBARMENT, SUSPENSION VENDOR RESPONSIBILITY CERTIFICATION

The Vendor certifies that neither the Vendor nor any person associated with the Vendor in the capacity of owner, partner, director, officer, principal, investigator, project director, manager, auditor, or position involving the administration of public funds:

(a) is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from government transactions by any federal, state or local governmental entity;

(b) is presently on the Scrutinized Companies that Boycott Israel List or that is engaged in a boycott of Israel;

(c) has within a three-year period preceding this certification been convicted of or had a civil judgment rendered against it for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a federal, state, or local government transaction or public contract; violation of federal or state antitrust statutes; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(d) is presently indicted for or otherwise criminally or civilly charged by a federal, state, or local governmental entity with commission of any of the offenses enumerated in paragraph (b) of this certification; or

(e) has within a three-year period preceding this certification had one or more federal, state, or local government public transactions terminated for cause or default.

The Bidder certifies that it shall not knowingly enter into any transaction with any subcontractor, material supplier, or vendor about which any of the foregoing paragraphs (a) through (e) are true.

\_\_\_\_\_  
**Vendor Name**

By: \_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

As Its: \_\_\_\_\_