

## CITY OF SANIBEL AUDIT AGREEMENT

**This agreement**, made and entered into in Sanibel, Florida this \_\_\_\_ day of \_\_\_\_\_ 2023, by and between the City of Sanibel, a municipal corporation (hereinafter the “**CITY**”), and CliftonLarsonAllen LLP, a professional services company authorized to do business in the State of Florida (hereinafter the “**AUDITOR**”):

**WHEREAS**, the **CITY** qualified the **AUDITOR** to provide financial auditing services in accordance with the Request for Proposal #23-FIN01 and the **AUDITOR**’S response to same, in accordance with Section 218.39, Florida Statutes; and

**WHEREAS**, the **CITY** pursuant to the provisions of Sections 11.45 and 218.39, Florida Statutes, has selected and now desires to employ **AUDITOR**, for the purposes of meeting the requirements thereof.

**NOW, THEREFORE, IT IS AGREED** in consideration of the mutual promises and covenants contained herein, the **CITY** and **AUDITOR** agree as follows:

1. Definitions – As used herein, the following terms shall have the following meanings:
  - a. Department – means the City of Sanibel Finance Department.
  - b. Financial Audit – means an examination of financial statements in order to express an opinion on the fairness with which they present financial position, results of operations in conformity with accounting principles generally accepted in the United States of America, and an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements.
  - c. Financial Audit Report – means the report required to be filed with the Auditor General by Section 218.39, Florida Statutes.
  - d. Financial Report – means the financial report covering the operations of the **CITY** during the preceding fiscal year as required by Section 218.32, Florida Statutes.
  - e. Annual Comprehensive Financial Report (ACFR) – means the form of the City’s financial statements to comply with the checklist of required information as provided by the Government Finance Officers’ Association of the United States and Canada (GFOA).
2. Scope of Audit

Request for Proposal #23-FIN01 defines the Scope of Work, the terms of which are incorporated herein by this reference. The following enumerates certain specific tasks and understandings:

  - a. Funds and Account Groups – the **AUDITOR** shall make a Financial Audit of the **CITY** and, in addition thereto, an audit if required by the Florida Single Audit Act and the Uniform Grant Guidance and in conformance with other applicable federal laws, rendering its opinion thereon.

- b. ACFR - the AUDITOR shall review the financial statements with the checklist of required information for the City to submit its ACFR to the GFOA for the award program entitled Award for Excellence in Financial Reporting.
- c. Year – this agreement shall embrace the **CITY’S** fiscal years 2023, 2024, and 2025. The term of this Contract may be renewed for two (2) additional one (1) year terms upon written agreement of both parties.
- d. Discussion – at the conclusion of the audit fieldwork, the **AUDITOR** shall discuss their comments with Department Management and the City Manager.
- e. Management Letter – if certain matters are not already addressed in the **AUDITOR’S** reports on internal controls over financial reporting and on compliance and other matters, or in the schedule of findings and questioned costs, or prior year management comments have not been followed, the **AUDITOR** shall provide a Management Letter to the City Manager for inclusion in the ACFR in order for the City to provide responses thereto pursuant the Section 10.554(1)(i)1., Rules of the Auditor General.
- f. Presentation to City Council – the **AUDITOR** shall present the results of each year’s audit to the City Council in a format agreed upon annually.

### 3. Quality

- a. All work done hereunder shall be of the quality required by applicable state or federal law, including rules and regulations issued thereunder.
- b. As a part of the examination, **AUDITOR** will make a study and evaluation of the **CITY’S** system of internal financial control to the extent considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the **AUDITOR** in planning and performing the examination of the financial statements.

Such examinations include procedures designed to detect errors and irregularities that would have a material effect on the financial statements. However, as the **CITY** is aware, there are inherent limitations in the auditing process; for example, such examinations are based on the concept of selective testing of the data being examined and are therefore subject to the inherent limitation that such matters, if they exist, may not be detected.

The **CITY** recognizes that the establishment and maintenance of a system of internal accounting control is an important responsibility of management. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors, irregularities, or illegal acts. As part of **AUDITOR’S** aforementioned review of the **CITY’S** system of internal control, **AUDITOR** will inform the appropriate levels of the **CITY’S** management of weaknesses, if any, that **AUDITOR** believes should be corrected and the **AUDITOR’S** recommendations in this respect.

#### 4. Completion

- a. The work shall be considered complete with the filing with the Auditor General of the required Financial Audit Report and with the transmission of the ACFR to the GFOA. The Financial Audit shall be completed and submitted to the Auditor General within nine months after the close of the **CITY'S** accounting records, or within such other period of time as the Legislature may, from time to time, prescribe and the ACFR shall be completed and submitted to the GFOA within 180 days after the close of the **CITY's** fiscal year.
- b. If the **CITY** intends to publish or otherwise reproduce the financial statements and make reference to Firm name, the **CITY** agrees to provide **AUDITOR** with printers' proofs or masters for review and approval before printing. The **CITY** also agrees to provide copy to **AUDITOR** of final reproduced material for approval before it is distributed.

#### 5. Fraud

Should fraud, evidence of illegal acts or other unforeseeable conditions be encountered which may necessitate the extension of the auditing work beyond the scope of normal auditing procedures or reporting requirements, the **AUDITOR** agrees to advise the **CITY** of the circumstances and to request an increase in the total fees made available before significant additional costs are incurred. Any request for additional fees shall be made in writing and shall contain a detailed explanation of the unforeseen conditions or irregularities. Upon receipt of a written request from the **CITY**, the **AUDITOR** shall perform such additional auditing services as may be necessary.

It is understood that the examination cannot be expected to provide assurance that fraud or illegal acts will be detected.

#### 6. Insurance Requirements

The **AUDITOR**, upon being awarded the contract and before commencing any work, shall provide insurance and furnish the City Certificate of Insurance as follows:

The policies of Insurance shall be primary and written on forms acceptable to the City and placed with Insurance carriers approved and licensed by the Insurance Department in the State of Florida and meet a minimum financial A.M. Best & Company rating of no less than A: VII. The City of Sanibel is to be specifically included as an Additional Insured with regard to Comprehensive General Liability and the following shall also be stated on the Certificate: The City of Sanibel shall be designated as Certificate Holder. No **CITY** division, department or individual name should appear on the Certificate. No other format will be acceptable. The Certificate must state the RFP number and title. This does not pertain to Workers' Compensation.

In the event the insurance coverage expires prior to the completion of the contract, a renewal certificate shall be issued thirty (30) days prior to said expiration date. The policy shall provide a thirty (30) day notification clause in the event of cancellation or modification to the policy.

## COMPREHENSIVE GENERAL LIABILITY

Not less than \$500,000 per occurrence; Combined Single Limit for Bodily Injury Liability and Property Damage Liability. This shall include Premises and/or Operations, Independent Contractors and Products and/or Completed.

## WORKERS' COMPENSATION

Coverage per statutory Limits.

### 7. Work Papers

Subject to the requirements of professional independence, the **AUDITOR** shall make its work papers, records and other evidence and documents relating to such work available for inspection and copying by the **CITY** to the extent necessary to support balances set forth in the Financial Audit Reports.

### 8. Fees and Terms

- a. In consideration of the services to be performed by **AUDITOR**, the **CITY** shall pay **AUDITOR** the sums as outlined below, together with such additional compensation for additional work beyond the scope of normal auditing procedures as provided in Section 2 hereof.
- b. Fees for the fiscal year 2023 audit will be \$95,000 and are inclusive of the audit for one major program subject to Federal or State single audit guidelines.
- c. Fees for the fiscal years 2024 and 2025 will be negotiated annually prior to the start of the engagement dependent upon the level of audit work necessary.
- d. If the contract is extended pursuant to Section 9 of this agreement, the fees for the fiscal year(s) will be negotiated prior to extension.
- e. Fees will be paid in payments based on the work completed.
- f. The **CITY** acknowledges that work may be suspended if the account becomes 60 days or more overdue and will not be resumed until the account is paid in full. If services are terminated for nonpayment, the engagements will be deemed to have been completed even if the **AUDITOR** has not completed the services. The **CITY** will be obligated to compensate the **AUDITOR** for all time expended and to reimburse for all out-of-pocket expenditures through the date of termination.
- g. Payment of invoices presented by **AUDITOR** will be made in accordance with Section 218.74, Florida Statutes

### 9. Terms of This Agreement

This agreement shall commence on the date of its execution and shall terminate on the completion of the fiscal year 2025 audit, unless one or both of the two (2) additional one (1) year extensions outlined in Paragraph 2(c) are exercised. Provided, however, that this agreement shall terminate and be re-negotiated upon the happening of any of the following events:

- a. A substantial change in the laws, rules or regulations of the State of Florida, agencies and political subdivisions thereof, including the Florida State Board

of Accountancy requiring a substantial increase or decrease in the auditing requirements now in existence; or

- b. Written notice of cancellation by the **CITY**, with or without cause, giving 30 days' notice to **AUDITOR**. In such case, **AUDITOR** shall be paid for all work completed prior to notice of cancellation.

**AUDITOR** shall prepare a Statement of Work (SOW) annually describing the purpose and scope of work to be performed. Each SOW must be approved by the City Council. The SOW will be updated annually for new audit standards and new communication requirements. In the event that the SOW's wording conflicts with this agreement, the SOW letter upon approval by City Council shall prevail.

#### 10. Controlling Law

This agreement is to be governed by the laws of the State of Florida. The venue for any litigation resulting out of this agreement shall be in Lee County, Florida. If any legal action, including action in appellate proceedings, is brought by either of the parties hereto, it is expressly agreed that the prevailing party in such proceedings shall be entitled to recover from the other party reasonable attorney's fees plus all other costs arising out of litigation incurred at either trial or appellate level, in addition to any other relief which may be awarded.

**IN WITNESS WHEREOF**, the parties have signed this agreement as of the day and year herein first above written.

**ATTEST:**

**City of Sanibel**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Dana A. Souza  
City Manager

**ATTEST:**

**CliftonLarsonAllen LLP**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Chris Kessler  
Principal

**APPROVED AS TO FORM:**

\_\_\_\_\_  
John Agnew, City Attorney