



# CITY COUNCIL AGENDA ITEM

REQUESTED COUNCIL MEETING DATE 06/05/07

**SUBJECT: Audit Services Contract Extension**

**DEPARTMENT: Finance**

**RECOMMENDED MOTION:**

Staff recommends the City Council approve the contract extension for Brent Millikan & Associates as outlined for the next two (2) fiscal years.

**SUMMARY:**

Brent Millikan & Company was awarded the contract resulting from RFP # 04-07 for Audit Services. In the contract, there was the option for one, two (2) year extension, if mutually agreed upon by both parties. Staff requested Brent Millikan & Company to outline the cost for their firm to perform the City's audit for that two-year extension. They responded with the cost for the fiscal year ending Sept. 30, 2007 of \$48,400.00 and for the fiscal year ending Sept. 2008 a cost of \$50,750.00. They have also listed an hourly rate for any additional services. Staff would like Council to authorize this contract extension with them for the additional two years.

Funding for this contract is funded in 001-1600-513-3113.

**ATTACHMENTS:**  Ordinance  Resolution  Budget Resolution

Other  Support Documents/Contracts Available for Review in Manager's Office

<b>DEPARTMENT HEAD</b>	<i>John Shelley</i>	John Shelley, Finance Director	Date	5/15/07
<b>FINANCE DEPARTMENT</b>	<i>[Signature]</i>	Approved as to Budget Requirements	Date	<i>[Signature]</i>
<b>CITY ATTORNEY</b>	<i>[Signature]</i>	Approved as to Form and Legality	Date	
<b>CITY MANAGER</b>	<i>[Signature]</i>	Approved Agenda Item For:		6/5/07

**COUNCIL ACTION:**  Approved as Recommended  Disapproved  Tabled Indefinitely  
 Continued to Date Certain  Approved with Modification:

**RECEIVED**  
MAY 14 2007

CITY OF PORT ORANGE  
FINANCE DEPT.

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

May 11, 2007

Bobbi Palmer, CPPB  
Purchasing Coordinator  
City of Port Orange  
1000 City Center Circle  
Port Orange, FL 32129

Re: RFP #04-07 Services

Dear Ms. Palmer:

Thank you for the opportunity to continue to serve the City of Port Orange.

Please find enclosed our executed acceptance to extend our professional services agreement for two additional years (through September 30, 2008) pursuant to the provisions of the above described RFP. With our acceptance, we herein agree with your understanding that the terms and conditions of the anticipated extension will remain as outlined in the original contract.

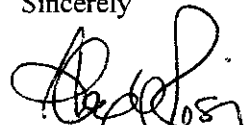
With respect to anticipated engagement pricing and our hourly rate schedules, we developed a fee estimate using an inflation index (approximately 4.5% annually) similar to that used in our original contract agreement. We have determined that our annual gross fee, including expenses, will not exceed:

Fiscal year ending September 30, 2007.....	\$ 48,500
Fiscal year ending September 30, 2008.....	\$ 50,750

As we explained in our original agreement, we believe that the development of a single composite hourly rate to be used for additional services, if any, is potentially unfair to both parties. Therefore, we will continue to use the firm's standard hourly rates for professional personnel as specified in our agreement dated August 25, 2004.

We have sincerely appreciated the privilege of serving as City of Port Orange's independent auditors and business advisors and we look forward to continuing our relationship. If you have any questions, please feel free to call me at your convenience.

Sincerely

  
Alex H. Kish, CPA  
Audit Principal

Attachment



## CITY OF PORT ORANGE

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1000 CITY CENTER CIRCLE  
PORT ORANGE, FLORIDA 32129  
TELEPHONE 386-756-5200  
TELEPHONE 386-506-5500  
FAX 386-756-5290  
[www.Port-Orange.org](http://www.Port-Orange.org)

May 10, 2007

Re: R.F.P. # 04-07 Services

Brent Millikan & Company  
205 Magnolia Street  
New Smyrna Beach, Fl. 32168-7125  
Attn: Mr. Alex Kish, General Manager

Dear Mr. Kish:

The City of Port Orange presently has a contract with your firm for the above-mentioned services. Included in the original contract is an option for one (1) two year extension, if mutually agreeable to both parties. The City would like to exercise that option for the two (2) year extension through September 30, 2009. In the original agreement the prices, terms and extended hourly rates were detailed for the first three-year period of time. We respectfully request that you again outline the anticipated costs for this two-year extension, assuming the terms and conditions will remain as outlined in the original contract.

Exercising this option requires a new written contract extension that must be approved by the City Council. In order to initiate this action, your acceptance is required.

Please indicate your acceptance to extend the agreement by signing in the appropriate space provided. Return the original signed letter to me. An agenda item will be prepared and presented to the City Council for their formal approval.

Your contacts on behalf of the City during the upcoming year of extension are Mr. John Shelley, Finance Director or his designee; Ms. Stella Gurnee, Comptroller. Both Mr. Shelley and Ms. Gurnee can be contacted at 386-506-5700. Should you have any other questions, you can always reach me at 386-506-506-5704.

Re: R.F.P. # 04-07 Audit Services  
Page # 2 cont.-

The City of Port Orange has valued your services and we wish to thank you in advance for your consideration and cooperation in this matter. We look forward to another pleasant and successful year with your firm.

Indicate your acceptance of the contract extension by executing below:

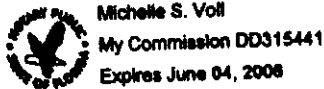
Acceptance by the Undersigned:  
to extend present contract through  
September 30, 2009



Alex Kish, General Manager and  
Authorized Agent for Brent Millikan & Co.

STATE OF FLORIDA  
COUNTY OF VOLUSIA


the foregoing instrument was acknowledged before me this 11<sup>th</sup> Day of May  
2007, by Alex H. Kish, as Authorized Agent for Brent Millikan & Company,  
P.A., as identification and did (did not) take an oath.



Notary Public, State of Florida  
At Large

Commission No 0-1-08

Sincerely,

  
Bobbi Palmer, CPPB  
Purchasing Coordinator

cc: John Shelley, Finance Director  
Stella Gurnee, Comptroller  
file

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

August 25, 2004

Honorable Allen Green, Mayor  
and Members of the City Council  
City of Port Orange  
1000 City Center Circle  
Port Orange, FL 32129

Dear Mayor Green and Council Members:

We are pleased to confirm our understanding of the services we are to provide City of Port Orange, Florida for the three years ending September 30, 2004 to 2006, and the optional subsequent two years ending 2007 and 2008. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the entity's basic financial statements, of City of Port Orange, Florida, as of and for the years ending September 30, 2004 to 2006, and the optional subsequent two years ending 2007 and 2008. Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the financial statements:

1. Schedule of expenditures of federal awards and state financial assistance;
2. GASB-required supplementary pension information;
3. Other required supplementary information for a Comprehensive Annual Financial Report, including:
  - a. Management's discussion and analysis;
  - b. Budgetary comparison schedules
  - c. Combining and individual nonmajor fund financial statements; and
  - d. Schedule of capital assets used in the operation of governmental funds and supporting schedules.

The document will also include the following additional information that will not be subject to the auditing procedures applied in our audit of the financial statements, and for which our accountant's report will disclaim an opinion.

1. Statistical information required for the Certificate of Achievement for Excellence in Financial Reporting.

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and Members of the City Council  
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### **Audit Objectives**

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on-

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the City Council, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133; and Chapter 10.550, Rules of the Auditor General, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

### **Management Responsibilities**

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide

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and Members of the City Council  
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management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award and state financial assistance programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, including the schedule of expenditures of federal awards and state financial assistance, but the responsibility for the financial statements remains with you. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting and compliance, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud, suspected fraud affecting the government, or abuse received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on October 31 of each year.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means

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to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, our audit will include tests of transactions related to major federal award and state financial assistance programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

### **Audit Procedures—Internal Controls**

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose



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of expressing our opinions on City of Port Orange, Florida's financial statements and on its compliance with requirements applicable to major programs.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award and state financial assistance program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also inform you of any nonreportable conditions or other matters involving internal control, if any, as required by *Government Auditing Standards* and OMB Circular A-133.

#### **Audit Procedures—Compliance**

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Port Orange, Florida's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

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OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of City of Port Orange, Florida's major programs. The purpose of those procedures will be to express an opinion on City of Port Orange, Florida's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

#### **Audit Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any invoices selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide an original and print-ready master of our reports to City of Port Orange, Florida; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities and the Auditor General. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits. At the conclusion of the engagement, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The audit documentation for this engagement is the exclusive property of Brent Millikan & Company, P.A. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to your cognizant agency or its designee, a federal agency providing direct or indirect funding, or the U.S. General Accounting Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brent Millikan & Company, P.A. personnel. Furthermore, upon request, we may provide photocopies of selected working papers to such agencies. They may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of three years after the date the auditors' report is issued or for any additional period requested by the cognizant agency or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or

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auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately November 1 of each year and to issue our reports no later than January 31 of the following year. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, travel, copies, telephone, etc.), except that we agree that our gross fee, including expenses, will not exceed:

Fiscal year ending September 30, 2004 .....	\$ 42,800
Fiscal year ending September 30, 2005 .....	\$ 44,550
Fiscal year ending September 30, 2006 .....	\$ 46,350

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The City will comply with the applicable provisions of the Florida Prompt Payment Act (Part VII, Chapter 218, Florida Statutes). Accounts which remain outstanding over forty-five days from the date specified in Section 218.73, F.S. will be subject to a service charge of one percent (1%) per month (to be billed separately). In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above Base Fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audits. A detailed summary of the support procedures and related time line requirements (disclosed in your RFP 04-07 dated March 8, 2004) are herein made an integral part of our Agreement. If, during the course of the engagement, your personnel support is not provided as is anticipated and mutually agreed-upon prior to the commencement of the engagement, we will promptly notify you of the nature of the conditions and the related additional costs to be incurred, if any.

In the event any fund, significant department or financial activity presently operated by the City is transferred to another jurisdiction, agency, or authority, or a new fund, significant department or financial activity is added to the responsibility of the City and subject to audit under the terms of this Agreement, the annual Base Fee(s) provided for herein shall be increased or decreased, after renegotiation for such changes, the same being agreed to in writing, subject to the approval of the City. The City may also at any time, by written order, make changes within the general scope of the engagement and the work and services to be performed under the agreement. If any such change causes an increase or decrease in our cost of, or the time required for performance of the work, an equitable adjustment shall be made and the base fee shall be amended in writing accordingly.

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If during the course of our engagement, we are requested by your personnel to render additional services unrelated to the above described audit of the City's financial statements, the City agrees to compensate us for such services based on the firms's standard hourly rates. Due to the wide diversity of experience (and hourly billing rates) of our professional staff, we are not able to offer a satisfactory composite hourly rate for any additional work potentially requested by the City which is outside the scope of the audit. This type of arrangement is ultimately unfair to both parties (e.g. to the City if a lesser qualified professional is used at a higher than normal hourly rate, and to our Firm if a greater qualified professional is used at a lesser than normal hour rate). We herein propose to use the firm's standard hourly rates for the personnel used (in lieu of our proposed composite hourly rates of \$160 - 2004; \$165 - 2005; and \$170 - 2006) and to negotiate such rate(s) in advance of entering into any future agreements to provide professional services. Should any of these additional services be estimated to exceed the limitations contained in the City Charter or Code of Ordinances, it will be necessary to enter into a separate Agreement, or amendment to this Agreement, subject to approval of the City.

*Government Auditing Standards* require that we provide you with a copy of our most recent quality control review report. Our 2001 peer review report has been presented to you in our formal response to your RFP. At the conclusion of our scheduled 2004 peer review, a copy of the peer review report will be presented to you.

We sincerely appreciate the opportunity to be of service to City of Port Orange, Florida and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Brett Milliken & Co., P.A.*

**RESPONSE:**

This letter correctly sets forth the understanding of City of Port Orange, Florida.

By: *Kenneth W. Parker*

Title: CITY MANAGER

Date: 8/24/04