

SERVICES AGREEMENT  
OR  
PROFESSIONAL SERVICES AGREEMENT

This Agreement is entered into this 3<sup>d</sup> day of November, 2011 (but effective as of November 3, 2011) by and between the City of Miami, a municipal corporation of the State of Florida ("City"), and Ernst & Young, LLP, a Florida limited liability partnership ("Provider").  
↑ Delaware C/P

RECITAL

A. The City has issued a Request for Proposals ("RFP") for the provision of External Auditing services ("Services") and Provider's proposal ("Proposal"), in response thereto, has been selected as the most qualified proposal for the provision of the Services. The RFP and the Proposal are sometimes referred to herein, collectively, as the Solicitation Documents, and are by this reference incorporated into and made a part of this Agreement.

B. The Commission of the City of Miami, by Resolution No. 11-0318, adopted on July 28, 2011, approved the selection of Provider and authorized the City Manager to execute a contract, under the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and promises herein contained, Provider and the City agree as follows:

TERMS

1. **RECITALS:** The recitals are true and correct and are hereby incorporated into and made a part of this Agreement. The Contract shall include this Agreement for auditing services, as well as the following documents, which are incorporated herein by reference:

- a. The City's Request for Proposal and all of its addenda and attachments issued on May 2, 2011.
- b. Contractor's Certificate of Insurance required under Section 2.9 of the Request for Proposal.
- c. Contractor's engagement letter dated October 21, 2011.
- d. Contractor's Proposal.

2. **TERM:** The term of this Agreement shall be three (3) years commencing on the effective date hereof.

3. **OPTION TO EXTEND:** The City Manager shall have two (2) option(s) to extend the term hereof for a period of one (1) year each, subject to availability and appropriation of funds.

4. **SCOPE OF SERVICE:**

A. Provider agrees to provide the Services as specifically described, and under the special terms and conditions set forth in Attachment "A" hereto, which by this reference is incorporated into and made a part of this Agreement.

B. Provider represents and warrants to the City that: (i) it possesses all qualifications, licenses and expertise required under the Solicitation Documents for the performance of the Services; (ii) it is not delinquent in the payment of any sums due the City, including payment of permit fees, occupational licenses, etc., nor in the performance of any obligations to the City; (iii) all personnel assigned to perform the Services are and shall be, at all times during the term hereof, fully qualified and trained to perform the tasks assigned to each; and (iv) the Services will be performed in the manner described in Attachment "A".

5. **COMPENSATION:**

A. The amount of compensation payable by the City to Provider shall be based on the rates and schedules described in Attachment "B" hereto, which by this reference is incorporated into this Agreement; provided, however, that in no event shall the amount of

compensation exceed \$ 550,000 annually. In the absence of a duly executed amendment to this Agreement, The City shall have no liability for payment of any compensation beyond the limitations expressed in this Section.

B. Unless otherwise specifically provided in Attachment "B", payment shall be made within forty five (45) days after receipt of Provider's invoice, which shall be accompanied by sufficient supporting documentation and contain sufficient detail, to allow a proper audit of expenditures, should City require one to be performed

6. **OWNERSHIP OF DOCUMENTS:** Except for Provider's work papers or administrative records, which shall remain the property of Provider, Provider understands and agrees that any information, document, report or any other material whatsoever which is given by the City to Provider or which is otherwise obtained or prepared by Provider pursuant to or under the terms of this Agreement is and shall at all times remain the property of the City. Provider agrees not to use any such information, document, report or material for any other purpose whatsoever without the written consent of the City Manager, which may be withheld or conditioned by the City in its sole discretion.

7. **AUDIT AND INSPECTION RIGHTS:**

A. The City may, at reasonable times, and for a period of up to three (3) years following the date of final payment by the City to Provider under this Agreement, audit, or cause to be audited, those books and records of Provider which are related to Provider's performance under this Agreement. Provider agrees to maintain all such books and records at its principal place of business for a period of three (3) years after final payment is made under this Agreement.

B. The City may, at reasonable times during the term hereof, inspect Provider's facilities and perform such tests, as the City deems reasonably necessary, to determine whether the goods or services required to be provided by Provider under this Agreement conform to the terms hereof and/or the terms of the Solicitation Documents, if applicable. Provider shall make available to the City all reasonable facilities and assistance to facilitate the performance of tests or inspections by City representatives. All tests and inspections shall be subject to, and made in accordance with, the applicable provisions of Chapter 18 of the Code of the City of Miami, Florida, as same may be amended or supplemented, from time to time.

8. **AWARD OF AGREEMENT:** Provider represents and warrants to the City that it has not employed or retained any person or company employed by the City to solicit or secure this Agreement and that it has not offered to pay, paid, or agreed to pay any person any fee, commission, percentage, brokerage fee, or gift of any kind contingent upon or in connection with, the award of this Agreement.

9. **PUBLIC RECORDS:** Provider understands that the public shall have access, at all reasonable times, to all documents and information pertaining to City contracts, subject to the provisions of Chapter 119, Florida Statutes, and agrees to allow access by the City and the public to all documents subject to disclosure under applicable law. Provider's failure or refusal to comply with the provisions of this section shall result in the immediate cancellation of this Agreement by the City.

10. **COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS:** Provider understands that agreements between private entities and local governments are subject to certain laws and regulations, including laws pertaining to public records, conflict of interest, record

keeping, etc. City and Provider agree to comply with and observe all applicable laws, codes and ordinances as they may be amended from time to time.

**11. INDEMNIFICATION:** Provider shall indemnify, defend, save and hold harmless the City and its officials, employees and agents (collectively referred to as "Indemnitees") and each of them from and against all loss, costs, penalties, fines, damages, claims, expenses (including attorney's fees) or liabilities (collectively referred to as "Liabilities") by reason of any injury to or death of any person or damage to or destruction or loss of any property arising out of, resulting from, or in connection with (i) the performance or non-performance of the services contemplated by this Agreement which is or is alleged to be directly or indirectly caused, in whole or in part, by any act, omission, default or negligence (whether active or passive) of Provider or its employees, agents or subcontractors (collectively referred to as "Provider"), (ii) the failure of the Provider to comply with any of the paragraphs herein or the failure of the Provider to conform to statutes, ordinances, or other regulations or requirements of any governmental authority, federal or state, in connection with the performance of this Agreement. Provider expressly agrees to indemnify and hold harmless the Indemnitees, or any of them, from and against all liabilities which may be asserted by an employee or former employee of Provider, or any of its subcontractors, as provided above, for which the Provider's liability to such employee or former employee would otherwise be limited to payments under state Workers' Compensation or similar laws. This indemnification provision shall control over the Indemnification provision in the RFP and shall survive the termination or the expiration of this Agreement for the limitations period prescribed by Florida law. This Indemnification provision shall obligate the Provider to defend (at its own expense) to and through appellate, supplemental or bankruptcy proceedings, or to provide for such defense, at the Cit Attorney's option, any and

all claims of liability and all suits and actions of every name and description covered by this Section 11, which may be brought against the City whether performed by Provider, or persons employed or utilized by the Provider.

12. **DEFAULT:** If Provider fails to comply with any term or condition of this Agreement, or fails to perform any of its obligations hereunder, then Provider shall be in default. Prior to termination of this Agreement for default, the City shall notify the Provider in writing of its intent to terminate the Agreement for default, identify the alleged deficiencies in performance giving rise to the intent to terminate, and shall give the Provider thirty (30) days to cure such deficiencies. Upon the occurrence of a default hereunder the City, in addition to all remedies available to it by law, may following thirty (30) days from the date of the written notice to Provider, terminate this Agreement whereupon all payments, advances, or other compensation paid by the City to Provider while Provider was in default shall be immediately returned to the City. Provider understands and agrees that termination of this Agreement under this section shall not release Provider from any obligation accruing prior to the effective date of termination. Should Provider be unable or unwilling to commence to perform the Services within the time provided or contemplated herein, then, in addition to the foregoing, Provider shall be liable to the City for all expenses incurred by the City in preparation and negotiation of this Agreement, as well as all costs and expenses incurred by the City in the re-procurement of the Services, including consequential and incidental damages.

13. **RESOLUTION OF CONTRACT DISPUTES:** Provider understands and agrees that all disputes between Provider and the City based upon an alleged violation of the terms of this Agreement by the City shall be submitted to the City Manager for his/her resolution, prior to Provider being entitled to seek judicial relief in connection therewith. In the event that the

amount of compensation under this section exceeds \$25,000, the City Manager's decision shall be approved or disapproved by the City Commission. Provider shall not be entitled to seek judicial relief unless: (i) it has first received City Manager's written decision, approved by the City Commission if the amount of compensation hereunder exceeds \$25,000, or (ii) a period of sixty (60) days has expired, after submitting to the City Manager a detailed statement of the dispute, accompanied by all supporting documentation (90 days if City Manager's decision is subject to City Commission approval); or (iii) City has waived compliance with the procedure set forth in this section by written instruments, signed by the City Manager.

**14. CITY'S TERMINATION RIGHTS:**

A. The City shall have the right to terminate this Agreement, in its sole discretion, at any time, by giving written notice to Provider at least five (5) business days prior to the effective date of such termination. In such event, the City shall pay to Provider compensation for services rendered and expenses incurred prior to the effective date of termination. In no event shall the City be liable to Provider for any additional compensation, other than that provided herein, or for any consequential or incidental damages.

B. The City shall have the right to terminate this Agreement, without notice to Provider, upon the occurrence of an event of default hereunder which, in the opinion of the City Commission or City Manager, is of sufficient gravity that it is necessary to protect the interests of public health, safety or general welfare. In such event, the City shall not be obligated to pay any amounts to Provider and Provider shall reimburse to the City all amounts received while Provider was in default under this Agreement.

**15. INSURANCE:** Provider shall, at all times during the term hereof, maintain such insurance coverage as may be required by the City. All such insurance, including renewals, shall

be subject to the approval of the City for adequacy of protection and evidence of such coverage shall be furnished to the City on Certificates of Insurance indicating such insurance to be in force and effect and providing that it will not be canceled during the performance of the services under this contract without thirty (30) calendar days prior written notice to the City. Completed Certificates of Insurance shall be filed with the City prior to the performance of services hereunder, provided, however, that Provider shall at any time upon request file duplicate copies of the policies of such insurance with the City.

If, in the judgment of the City, prevailing conditions warrant the provision by Provider of additional liability insurance coverage or coverage which is different in kind, the City reserves the right to require the provision by Provider of an amount of coverage different from the amounts or kind previously required and shall afford written notice of such change in requirements thirty (30) days prior to the date on which the requirements shall take effect. Should the Provider fail or refuse to satisfy the requirement of changed coverage within thirty (30) days following the City's written notice, this Contract shall be considered terminated on the date that the required change in policy coverage would otherwise take effect. All references to the City in Section 15 shall mean the City of Miami Risk Management Administrator.

16. **NONDISCRIMINATION:** Provider represents and warrants to the City that Provider does not and will not engage in discriminatory practices and that there shall be no discrimination in connection with Provider's performance under this Agreement on account of race, color, sex, religion, age, handicap, marital status or national origin. Provider further covenants that no otherwise qualified individual shall, solely by reason of his/her race, color, sex, religion, age, handicap, marital status or national origin, be excluded from participation in, be denied services, or be subject to discrimination under any provision of this Agreement.



17. **ASSIGNMENT:** This Agreement shall not be assigned by Provider, in whole or in part, without the prior written consent of the City Commission, which may be withheld or conditioned, in the City's sole discretion.

18. **NOTICES:** All notices or other communications required under this Agreement shall be in writing and shall be given by hand-delivery or by registered or certified U.S. Mail, return receipt requested, addressed to the other party at the address indicated herein or to such other address as a party may designate by notice given as herein provided. Notice shall be deemed given on the day on which personally delivered; or, if by mail, on the fifth day after being posted or the date of actual receipt, whichever is earlier.

**TO PROVIDER:**

Gracelyn F. Hodge, Partner  
Ernst & Young, LLP  
201 South Biscayne Blvd  
Suite 3000  
Miami, FL 33134

**TO THE CITY:**

S. Chircut, Interim Finance Director  
Finance Department  
City of Miami  
444 SW 2<sup>nd</sup> Ave Suite 618  
Miami, FL 33130

Johnny Martinez, P.E., City Manager  
City of Miami  
3500 Pan American Drive  
Miami, FL 33133

Julie O. Bru, City Attorney  
City of Miami  
Office of the City Attorney  
444 SW 2<sup>nd</sup> Ave, 9<sup>th</sup> Floor  
Miami, FL 33130

19. **MISCELLANEOUS PROVISIONS:**

A. This Agreement shall be construed and enforced according to the laws of the State of Florida. Venue in any civil action between the parties shall be in Miami-Dade County, Florida.

In order to expedite the resolution or conclusion of any civil action between the parties, the parties voluntarily and knowingly waive their right to demand a jury trial or to file a permissive counterclaim in any action between them.

B. Title and paragraph headings are for convenient reference and are not a part of this Agreement.

C. No waiver or breach of any provision of this Agreement shall constitute a waiver of any subsequent breach of the same or any other provision hereof, and no waiver shall be effective unless made in writing.

D. Should any provision, paragraph, sentence, word or phrase contained in this Agreement be determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable under the laws of the State of Florida or the City of Miami, such provision, paragraph, sentence, word or phrase shall be deemed modified to the extent necessary in order to conform with such laws, or if not modifiable, then same shall be deemed severable, and in either event, the remaining terms and provisions of this Agreement shall remain unmodified and in full force and effect or limitation of its use.

20. **SUCCESSORS AND ASSIGNS:** This Agreement shall be binding upon the parties hereto, their heirs, executors, legal representatives, successors, or assigns.

21. **INDEPENDENT CONTRACTOR:** Provider has been procured and is being engaged to provide services to the City as an independent contractor, and not as an agent or employee of the City. Accordingly, Provider shall not attain, nor be entitled to, any rights or benefits under the Civil Service or Pension Ordinances of the City, nor any rights generally afforded classified or unclassified employees. Provider further understands that Florida Workers' Compensation benefits available to employees of the City are not available to Provider,

and agrees to provide workers' compensation insurance for any employee or agent of Provider rendering services to the City under this Agreement.

22. **CONTINGENCY CLAUSE:** Funding for this Agreement is contingent on the availability of funds and continued authorization for program activities and the Agreement is subject to amendment or termination due to lack of funds, reduction of funds and/or change in regulations, upon thirty (30) days notice.

23. **REAFFIRMATION OF REPRESENTATIONS:** Provider hereby reaffirms all of the representations contained in the Solicitation Documents.

24. **ENTIRE AGREEMENT:** This instrument and its attachments constitute the sole and only agreement of the parties relating to the subject matter hereof and correctly set forth the rights, duties, and obligations of each to the other as of its date. Any prior agreements, promises, negotiations, or representations not expressly set forth in this Agreement are of no force or effect.

25. **COUNTERPARTS:** This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute one and the same agreement.

26. **AMENDMENT:** The City Manager shall have the sole authority to amend this agreement under the conditions set forth in the Resolution.

27. **SPECIAL INSURANCE AND INDEMNIFICATION RIDER:** Please see attached Insurance Exhibit attached hereto and made part of this Agreement and any extension hereof.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their respective officials thereunto duly authorized, this the day and year above written.

"City"

CITY OF MIAMI, a municipal corporation

ATTEST:

Priscilla A. Thompson  
Priscilla A. Thompson, City Clerk

11-3-11

By: Johnny Martinez, P.E.  
Johnny Martinez, P.E., City Manager

APPROVED AS TO FORM AND CORRECTNESS:

Julie O. Bru  
Julie O. Bru  
City Attorney

11-1237

APPROVED AS TO INSURANCE REQUIREMENTS:

Calvin Ellis  
Calvin Ellis  
Director  
Risk Management

"Provider"

ATTEST:

By: S. Chircut  
Print Name: S. Chircut  
Title: Interim Finance Director

Ernst & Young, LLP, Delaware LLP  
a Florida limited liability partnership corporation

By: Gracelyn Hodge  
Print Name: Gracelyn Hodge  
Title: partner

Attachment A

### 3. Specifications

#### 3.1. SPECIFICATIONS/SCOPE OF WORK

##### 3.1 Introduction

###### A. General Information

The City of Miami, Florida (hereinafter referred to as the "City") is soliciting Proposals from qualified and experienced independent Certified Public Accountants (CPA's) and/or firms licensed to practice in the State of Florida, to audit its financial statements for the fiscal years ending September 30, 2011, 2012 and 2013, with the option of auditing its financial statements for each of the two subsequent fiscal years.

The City intends to continue to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

The annual financial audit is to be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, the audit will be conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of governmental audits performed in the State of Florida.

The single audit will be performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the Federal Single Audit Act of 1984, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550 *Rules of the Auditor General*.

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Miami for its Comprehensive Annual Financial Reports (CAFR's) for the fiscal years ended September 30, 1999 through 2009. The City's 2010 CAFR has been submitted for program review with the expectation that it will also qualify for a Certificate of Achievement. The City desires to continue its successful participation in the Certificate program. The selected auditing firm, therefore, should be prepared to render any necessary assistance in this regard.

###### B. Term of Engagement

A three-year contract is contemplated, with two one-year options to renew.

#### 3.2. Nature of Services Required

##### A. General

These audits are to be performed in accordance with the provisions contained in this request for proposal.

##### B. Scope of Work to be Performed

1. The City desires the independent auditor to express an opinion on the fair presentation of the basic financial statements of the City, in conformity with generally accepted accounting principles.
2. The City also desires the auditor to express an opinion on the fair presentation of its government-wide and fund financial statements and schedules in conformity with generally accepted accounting principles (GAAP). The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relation-to" opinion on the supporting schedules based on the auditing procedures applied during the audit of the government-wide and fund financial statements and schedules. The auditor is not required to audit the introductory section of the report or the statistical section of the report.
3. The auditor shall also be responsible for performing certain limited procedures involving supplementary information, specifically Management's Discussion and Analysis and other required supplementary information as required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
4. The auditor is required to audit the schedule of expenditures of Federal and State awards in accordance with the Federal and Florida Single Audit Act respectively.
5. The auditor is not required to audit the Pension Trust Fund for the General and Sanitation Employees, Firefighters, and Police Officers, as the Trust Funds will be audited by other independent auditors who will furnish their report to the principal Independent Auditor during the engagement.

##### C. Auditing Standards to be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with:

1. Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants;
2. Government Auditing Standards, issued by the Comptroller General of the United States;
3. The provisions of the Federal Single Audit Act of 1984 (as amended in 1996 and subsequently);
4. The Florida Single Audit Act;
5. The provisions of U.S. Office of Management and Budget (OMB) Circular A-133;
6. Audits of State and Local Government Units, and Non-Profit Organizations, Audits of State and Local Governments (Revised), issued by the American Institute of Certified Public Accountants;
7. Regulations of the State of Florida Department of Banking and Finance;
8. Rules of the Auditor General, State of Florida, Chapter 10-550 (Local Government Audits) and Chapter 10-600 (Audits of State Grants and Aids Appropriations under Section 215.97 Florida Statutes);
9. State of Florida Auditor General Selection Guidelines (2007) prepared by the Auditor Selection Task Force;
10. Section 11.45, Florida Statutes;
11. Chapter 218.39 and any other applicable Florida Statutes;
12. Generally accepted governmental accounting standards;
13. Any other applicable federal, state, local regulations or professional guidelines not specifically listed above as well as any additional requirements which may be adopted by these organizations in the future.

#### D. Required Reports

Following the completion of the audit of the fiscal year's financial statements for the City, the auditor shall issue:

1. The City's Audit Advisory Committee (AAC), as codified in Section 2-950(4) of the City Code, shall maintain liaison with the selected independent auditor, including but not limited to monitoring of the independent auditor's work progress, and reviewing the preliminary and final reports issued by the independent auditor.
2. A report on the audit of the financial statements for each of the three (3) fiscal years. The report shall contain an expression of the auditor's opinion as to whether the information contained in the financial statements is presented fairly and in conformance with accounting principles generally accepted in the United States of America. If the auditor cannot express such an opinion, the reasons should be so stated in the report. Further, the auditor's opinion, with respect to the supplemental financial information presented in the combining and individual fund financial statements and schedules shall also make a reference as to their fairness in all material respects in relation to the basic financial statements.
3. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
4. A report on compliance with requirements applicable to each major Federal program and State projects and on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Sixty (60) copies are required as well as an electronic copy.

In the required report[s] on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report[s] on internal controls.

The reports on compliance shall include all instances of noncompliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts, or indications of illegal acts, of which they become aware to the following parties:

- City Auditor General
- Finance Director

- CFO
- City Manager
- Audit Committee
- Mayor
- City Commission

**Reporting to the City Commission.** Auditors shall assure themselves that the City Commission is informed through the Audit Committee of each of the following:

- A. The auditor's responsibility under generally accepted auditing standards
- B. Significant accounting policies
- C. Management judgments and accounting estimates
- D. Significant audit adjustments
- E. Other information in documents containing audited financial statements
- F. Disagreements with management
- G. Management consultation with other accountants
- H. Major issues discussed with management prior to retention
- I. Difficulties encountered in performing the audit
- 4. A detailed management letter shall be prepared in each of the three (3) fiscal years for use by the City. It should include a summation of audit findings and recommendations affecting the financial statements, internal control, accounting, accounting systems, legality of actions, and any other matters. Sixty (60) copies are required as well as an electronic copy.

The auditor's comments in the management letter, which among other matters shall, make special mention of the following material items discovered within the scope of the audit.

- A. Whether irregularities reported in preceding audit(s) have been corrected;
- B. Whether recommendations made in preceding audit(s) have been followed, if adopted by the City;
- C. Whether the financial report filed with the Florida Department of Financial Services pursuant to Section 218.32 is in agreement with the annual audit report for the said period and, if not, specify any significant differences;
- D. Recommendations to improve the City's present management accounting procedures, and internal control;
- E. Any violation of the laws, rules and regulations discovered within the scope of the audit;
- F. Any illegal expenditure discovered within the scope of the financial audit;
- G. Any improper or inadequate accounting procedures discovered within the scope of the financial audit;
- H. Any failure to properly record financial transactions discovered within the scope of the audit;
- I. All other inaccuracies, irregularities, shortages and defalcations discovered within the scope of the financial audit by the Auditor;
- J. A review of the provisions of Section 218.503(l) Florida Statutes, "Determination of Financial Emergency."
- K. Compliance with Auditor General's rules.
- L. A review of compliance to the City's investment policy; specifically the cash flow analysis, liquidity assessment process, benchmarking and written procedures regarding all investments (including those under the management control of the City staff and the Investment (Advisor).

**E. Special Considerations**

1. The City will send its Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide any special assistance deemed necessary to the City in order to meet the requirements of that program.
2. The City currently anticipates it will prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the City, financial advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters". Costs

associated with such additional work will be based on the hourly rates listed in the auditor's proposal.

3. The auditor will be required to perform program specific audits of certain grants/programs as required by granting agencies. Specifically, the City is required to perform a separate program specific audit of The Children's Trust Programs and the Building Better Communities Bond Projects. These program specific audits are to be considered separate from the City's financial statement audit and fees for said program specific audits will be negotiated separately based on the hourly rates listed in the audit proposal.

4. The auditor may be requested to perform additional agreed upon procedures as required by the City. The agreed upon procedures engagements are to be considered separate from the City's financial statement audit and fees for said engagements will be negotiated separately based on the hourly rates listed in the audit proposal.

5. The auditor may be requested to perform other audit related services as need by the City. Additional services required are to be considered separate from the City's financial statement audit and fees for said engagements will be negotiated separately based on the hourly rates listed in the audit proposal.

6. The auditors will perform a review of the financial report of the City filed with the Department of Banking and Finance, State of Florida, pursuant to Section 218.32, Florida Statutes, to verify that it is in agreement with the financial statements for the year ended September 30, 2011, and all subsequent years covered by this agreement.

7. The auditor shall assist the City in preparing the CAFR. The City shall retain ultimate responsibility for preparation of this document; however, the auditor shall provide the following assistance:

- A. Proofreading the entire document;
- B. Verification of the implementation of recommended improvements from the prior year's submission to the GFOA under the Certificate of Achievement program;
- C. Verification of the implementation of new accounting standards and pronouncements; and,
- D. Overall review including layout, design and suggested improvements.

8. The auditor must designate two (2) "key" members of the audit team. The City shall reserve the right to approve any substitutions or changes in those staff designated as "key".

9. The auditor shall report to the City, at least weekly, the status of any potential audit adjustments so that the City may have adequate opportunity to investigate, gather information and respond if necessary.

10. At the expense of the City, the auditor agrees to have the audited financial statements of the second year of the contract term submitted as part of their annual peer review program. Additionally, the City reserves the right to request that the audited financial statements of any of the optional extensions of the contract years to also be submitted for peer review. The results of these peer reviews shall be communicated back to the City no later than ten (10) business days thereafter receipt of the completed review process. Additionally, the auditor shall make available to the City a copy of each external quality control review (peer review) conducted during the time period engaged by the City.

11. The auditor will offer, at no expense to the City, an annual government training seminar to the City's accounting staff. This seminar will be offered locally and award eight (8) hours of CPE credits per staff member.

12. The partner in charge of the audit and the audit manager, or other CPA assigned to the audit, shall agree to communicate with the City Manager or designee, the Audit Advisory Committee, the Finance Committee or the City Commission, as deemed necessary. The auditor will attend the City Commission meeting at which time the audit report will be submitted for acceptance. The auditor will be available to present the report and to respond to City Commission questions as needed.

#### F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- 1. City of Miami
- 2. General Accounting Office (GAO)
- 3. Auditor General of the State of Florida
- 4. Parties designated by the federal or state governments or by the City of Miami as part of an audit quality review process



5. Auditors of entities of which the City of Miami is a subrecipient of grant funds.
6. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.
7. The auditor will agree to notify the City if the Board of Accountancy or any other regulatory agency requests a review of the audit work papers concerning the City or any government client audited by the auditor's local office.

### **3.3. Description of the Government**

#### **A. Contact Persons and Organization Chart**

The auditor's principal contact with the City of Miami will be the Finance Director or designee who will coordinate assistance to be provided.

The accounting and financial reporting functions of the City of Miami are centralized in the Finance Department. An organizational chart of the Finance Department is attached as Attachment A.

#### **B. Background Information**

The City of Miami was incorporated July 28th, 1896, and has a population of approximately 399,000 according to 2010 Census information. The City is situated at the mouth of the Miami River where it is a main port of entry into Florida and the county seat for Miami-Dade County, Florida. The City comprises 34.3 square miles of land and 19.5 square miles of water. The City Charter was adopted by the electors of the City of Miami at an election held on May 17th, 1921 and was legalized and validated by Chapter 9024 of the laws of the State of Florida of 1921. During fiscal year 1997, the residents of the City voted on a referendum that created single-member districts and an Executive Mayor form of government. The City Commission governs and legislates the City of Miami. It has five members elected on a district basis for a four-year term. The policy decisions made by the Commissioners are implemented by the City Manager. The City Manager is appointed by the Mayor and confirmed by the Commission. The Manager is the head of the administrative branch of City government and is responsible to the Mayor for the proper administration of all City affairs. (Please refer to Attachment B for the City's organizational chart and key personnel.)

The City provides the following services as authorized by its Charter: public safety, public works, community development, economic development, planning and zoning, building inspections, sanitation, parks and recreation, cultural enrichment, public improvements, and general administrative services.

The City is organized into 32 departments and 13 agencies for the provision of the same. The accounting and financial reporting functions of the City are centralized within the Finance Department which is headed by Diana M. Gomez, Finance Director and consists of 67 employees. More detailed information on the City's government and its finances can be found at the city's website at [www.miamigov.com](http://www.miamigov.com).

Concerning the same, a copy of the City's Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2010, the Single Audit Report for the year ended September 30, 2009, and the City's approved budget for the year ending September 30, 2011, may be found at the City's website at [www.miamigov.com](http://www.miamigov.com). A copy of the September 30, 2009 Management Letter is attached as Attachment C. For Fiscal Year 2011, the City administers a combined operating budget of approximately \$469,798,000. As of September 30, 2010, the City's total payroll is approximately \$298,500,000 and covers approximately 4,000 employees.

#### **C. Fund Structure**

The accounts of the City are organized and operated on the basis of funds. The City uses the following fund types and account groups in its internal financial reporting:

General Fund

Special Revenue Funds (25)

Debt Service Funds (3)

Capital Project Funds (11)

Trust and Agency Funds (5)

Account Groups (2)

#### **D. Budgetary Basis of Accounting**

The City Commission annually adopts an operating budget resolution for all governmental funds of the City, except for the Capital Projects Funds. The Capital Projects Funds are budgeted on a total project basis for which annual budgets are not available. For governmental funds, budgets are prepared on a basis

consistent with accounting principles generally accepted in the United States of America.

**E. Pension Plans**

The City sponsors the following separate single-employer defined benefit pension plans under the administration and management of separate Boards of Trustees: the City of Miami Fire Fighters' and Police Officers' Retirement Trust (FIPO), the City of Miami General Employees' and Sanitation Employees' Retirement Trust (GESE) and Other Managed Trusts, and the City of Miami Elected Officers' Retirement Trust (EORT). The financial statements for the pension plans are prepared using the accrual basis of accounting. These plans are reported as pension trust funds in the City's financial statements, and none of them reported in the City's CAFR, is audited as part of this engagement.

**F. Component Units**

The financial statements of the City include those of the primary government and those of its component units. The City currently has six blended component units and seven discretely presented component units. None of the component units reported in the City's CAFR is audited as part of this engagement, however, the selected auditor may engage with those entities separately to audit their financial statements.

**G. Joint Ventures**

The City of Miami does not participate in any joint ventures with other governments.

**H. Magnitude of Finance Operations**

The Finance Department is responsible for development of a comprehensive financial management system for the City to include centralized accounting and financial reporting. The Department oversees general ledger functions, accounts payable, project and grants monitoring, fixed asset reporting, treasury, investment and debt management, accounts receivable, customer billing services, cash receipts, business tax receipts (aka, occupational licenses), and payroll administration. The principal functions performed and the number of employees assigned to each is as follows:

**I. Supporting IT Infrastructure**

The City of Miami implemented the Oracle E-Business Suite 11i Enterprise Resource System (ERP) on October 1, 2006. The City is in the process of upgrading to Oracle E-Business Suite 12 during calendar year 2011 and 2012.

Specific modules included in the implementation were as follows:

- General Ledger
- Accounts Payable
- Fixed Assets
- Accounts Receivable
- Projects and Grants
- iReceivables
- Cash Management
- iExpense
- iProcurement
- iSupplier
- Sourcing
- Procurement Contracts
- Human Resources
- Payroll
- Benefits

With the implementation of the new ERP system, the City changed its chart of accounts. The new chart of accounts was developed consistent with world class best practices as well as the State of Florida's Uniform Accounting System Chart of Accounts. The City's new chart includes the following segments: the Fund, the Organization (Cost Center), the Object (Account) and two future use segments (Future1, Future2).

**3.4. Information on the Records to be Audited**

The Government-wide financial statements are presented on the accrual basis of accounting. The Fund Financial Statements are presented on a modified accrual or accrual basis of accounting, depending on the fund type. The City's budget is incorporated into the general ledger and the encumbrance system is utilized

for expenditures.

The City currently finances its OPEB on a pay-as-you-go basis. The City implemented GASB 43 and 45 in its fiscal year 2006 financial statements.

The previous audit was completed by McGladrey & Pullen, LLP, which has the previous audit work papers available for inspection to the successful proposer at its offices at 801 Brickell Avenue, Suite 1050, Miami, FL 33131. Any fees involved for reasonable personnel costs and out-of-pocket expenses associated with the work paper review will be the responsibility of the firm awarded the contract.

### **3.5. Assistance to be Provided to the Auditor**

The finance department management personnel and staff will be available during the audit to assist the firm by providing information, documentation and explanations.

Administrative help will be available to assist the auditors with preparation of sending confirmations. Clerical assistance will be available to help retrieve documents such as paid checks and invoices, and the accounting staff will be available for the preparation of schedules. The finance department staff will be responsible for preparing all financial statements, notes and other information in the CAFR.

The City of Miami will provide the necessary reproduction, report covers, tabs, divider pages and work binding for the Comprehensive Annual Financial Report only. All other required reports must be reproduced and bound by the auditors.

The City of Miami will provide the auditors with reasonable work space, desks, and chairs. The auditor will also be provided with access to a telephone, photocopying facilities and FAX when required in the conduct of the annual audit.

### **3.6. Time Requirements**

The awarded firm may commence the examination as soon as notification of award has been issued. Each of the following should be completed by the auditors no later than the dates indicated for the fiscal year 2011 audit.

#### **City of Miami Financial Statement Audit:**

##### **1. Detailed Audit Plan**

The auditor shall provide the City of Miami Audit Advisory Committee and the Finance Director by August 31 of each year both a detailed audit plan and a list of all schedules to be prepared by the City of Miami.

##### **2. Interim Work**

The auditor may perform interim work during the summer months with prior coordination with the Finance Director.

##### **3. Fieldwork**

The auditor shall complete all fieldwork by February 1 of each year.

##### **4. Draft Reports**

The auditor shall have drafts of the audit reports and recommendations to management available for review by the Finance Director by February 15 of each year.

##### **5. Auditor's Opinion**

The Auditor's Opinion must be provided no later than March 1st so City staff can proceed with report reproduction efforts and meet the GFOA deadline of March 31st.

#### **City of Miami Single Audit and Management Letter:**

##### **1. Detailed Audit Plan**

The auditor shall provide the City of Miami Audit Advisory Committee and the Finance Director by August 31 of each year both a detailed audit plan and a list of all schedules to be prepared by the City of Miami.

##### **2. Interim Work**

The auditor may perform interim work during the summer months with prior coordination with the Finance Director.

##### **3. Fieldwork**

The auditor shall complete all fieldwork by February 15 of each year.

##### **4. Draft Reports**

The auditor shall have drafts of the Single Audit report and recommendations to management available for review by the Finance Director by February 28 of each year.

5. Final Reports

Final reports must be provided no later than March 31st.

The auditor will be required to present the CAFR, Single Audit and Management Letter to the City Commission in May each year.

## Fees for services

*Proposer shall submit a flat fee proposal for the whole of the five (5) year term of the contract.*

	Year 1	Year 2	Year 3	Year 4	Year 5
Reoccurring audit fees	\$415,000	\$427,000	\$440,000	\$453,000	\$467,000
Start up costs (Note 5)	-	-	-	-	-
Total	\$415,000	\$427,000	\$440,000	\$453,000	\$467,000

*Significant extenuating circumstances may be considered by the City in determining whether any adjustment should be made to the proposed rates for future years. The fee proposal for the initial year (Year 1) shall also provide a breakdown which differentiates the start-up costs associated with the engagement, additional costs associated with the Year 1 audit and the total fee proposed for that year of the engagement.*

**Note 1:** Our estimated compensation for providing the services indicated in Section 3.2, nature of services required per the Request for Proposal, is based upon, among other things, the receipt of complete and accurate client assistance, which reconciles to the balances presented in the financial statements, in accordance with the agreed-upon timeline. Our proposal fee provides for a 3% escalation each year.

**Note 2:** Our proposed reoccurring audit fees include administrative and travel expenses incurred by our firm and the subcontractors while providing audit services to the City.

**Note 3:** Our proposed reoccurring audit fees include the audit of five major grant programs. The fee for each additional program, in excess of five, is \$8,500.

**Note 4:** The hourly rate to be used for any additional work, for which the City may request outside the scope of this contract is \$175 per hour.

**Note 5:** Start up costs associated with year 1 of the engagement are estimated to be 15% of our reoccurring audit fees. These costs are not included in our fees, since it is our general practice to absorb these costs.

*Additionally, provide a fee schedule for the complete audit and a singular hourly rate to be used for any additional work which the City may request outside the scope of the contract. Discuss any additional services and fees for the same which Proposer can provide and which are not specifically listed within this RFP.*

**FAILURE TO SUBMIT A FEE PROPOSAL AS REQUIRED AND IN THE FORMAT DESCRIBED ABOVE SHALL DISQUALIFY PROPOSER FROM CONSIDERATION.**



# CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)  
08/05/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Aon Risk Services Central, Inc. Philadelphia PA office One Liberty Place 1650 Market Street Suite 1000 Philadelphia PA 19103 USA	<b>CONTACT NAME:</b> <b>PHONE (A/C No. Ext):</b> (215) 255-2000 <b>FAX (A/C No.):</b> (215) 255-1693 <b>E-MAIL ADDRESS:</b>														
<b>INSURED</b> Ernst & Young LLP 200 Plaza Drive Attn: Kathleen Sabia-Cahill Secaucus NJ 07094-3699 USA	<table border="1"><thead><tr><th>INSURER(S) AFFORDING COVERAGE</th><th>NAIC #</th></tr></thead><tbody><tr><td>INSURER A: New Hampshire Ins Co</td><td>23841</td></tr><tr><td>INSURER B: Pacific Indemnity Co</td><td>20346</td></tr><tr><td>INSURER C: Chubb Ins Co Of New Jersey</td><td>41386</td></tr><tr><td>INSURER D: Chartis Casualty Company</td><td>40258</td></tr><tr><td>INSURER E: Insurance Company of the State of PA</td><td>10429</td></tr><tr><td>INSURER F: Illinois National Insurance Co</td><td>23817</td></tr></tbody></table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: New Hampshire Ins Co	23841	INSURER B: Pacific Indemnity Co	20346	INSURER C: Chubb Ins Co Of New Jersey	41386	INSURER D: Chartis Casualty Company	40258	INSURER E: Insurance Company of the State of PA	10429	INSURER F: Illinois National Insurance Co	23817
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COVERAGES CERTIFICATE NUMBER: 570043472405 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS. Limits shown are as requested

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR YWDD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
C	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Prod-Comp Op Incl in Genl Agg GENL AGGREGATE LIMIT APPLIES PER: POLICY <input type="checkbox"/> PRO- <input type="checkbox"/> JOINT <input checked="" type="checkbox"/> LOC			35243630 General Liability	01/01/2011	01/01/2012	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$1,000,000 MED EXP (Any one person) \$25,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COM/OP AGG Employee Benefit Lia \$1,000,000
B	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input checked="" type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS Products <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			73184332 Automobile - Business	01/01/2011	01/01/2012	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)
	UMBRELLA LIAB EXCESS LIAB OCCUR CLAIMS-MADE DED RETENTION						EACH OCCURRENCE AGGREGATE
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NJ) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A	015883956 Workers Compensation-AOS 015883959 Workers Compensation-AOS	08/01/2011	08/01/2012	<input checked="" type="checkbox"/> WC STATU TORY LIMITS <input type="checkbox"/> OTH ER E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE-EA EMPLOYEE \$1,000,000 E.L. DISEASE-POLICY LIMIT \$1,000,000
D							

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101. Additional Remarks Schedule, if more space is required)

- 1 - Waiver of Subrogation, except to the extent prohibited by law, is included as respects Workers Compensation.
- 2 - City of Miami is included as an Additional Insured, as its interest may appear as respects General Liability and Automobile Liability.

## CERTIFICATE HOLDER

City of Miami c/o Purchasing Dept. 444 SW 2nd Ave. 6th flr. Miami FL 33130 USA	<b>CANCELLATION</b> SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE <i>Aon Risk Services Central, Inc.</i>
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ACORD 25 (2010/05)

The ACORD name and logo are registered marks of ACORD

Holder Identifier:

Certificate No.: 570043472405

The terms, conditions and provisions noted below are hereby attached to the captioned certificate as additional description of the coverage afforded by the insurer(s). This attachment does not contain all terms, conditions, coverages or exclusions contained in the policy.

Ernst & Young LLP  
200 Plaza Drive  
Attn: Kathleen Sabia-Cahill  
Secaucus NJ 07094-3699 USA

INSURER
INSURER
INSURER
INSURER
INSURER

If a policy below does not include limit information, refer to the corresponding policy on the ACORD certificate form for policy limits.

[illegible]

Certificate No : 570043472405



## Verification of Insurance

We, the undersigned Insurance Brokers, hereby verify that North American Capacity Insurance Company has issued the following described insurance, which is in force as of the date hereof:

**Issued to:** City of Miami  
c/o Purchasing Dept  
444 SW 2nd Ave 6th Floor  
Miami, Florida  
33130  
U.S.A.

**Type of Insurance:** PROFESSIONAL INDEMNITY INSURANCE

**Name of Assured:** Ernst & Young U.S. LLP

**Policy No.** ZZL0000059-07

**Underwriters:** North American Capacity Insurance Company

**Period:** 12:01 a.m. February 15th, 2011 to 12:01 a.m. February 15th, 2012

**Limit:** US\$1,000,000 each claim and in the aggregate

Subject to the terms, conditions, exclusions and limitations of the Policy.

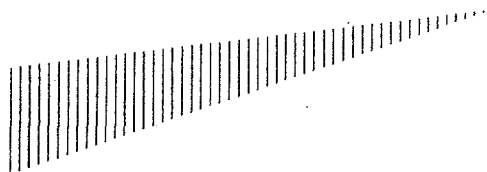
This document is furnished as a matter of information only. The issuance of this document does not make the person or organization to whom it is issued an additional Assured, nor does it modify in any manner the contract of insurance between the Assured and the Underwriters. Any amendment, change or extension of such contract can only be effected by specific endorsement attached thereto.

Minet Inc.

**Date:** August 8, 2011  
Montreal, Quebec

**Per:**   
Senior Vice President





City of Miami, Florida  
3500 Pan American Drive  
Miami, FL 33133  
Attention: Johnny Martinez, City Manager

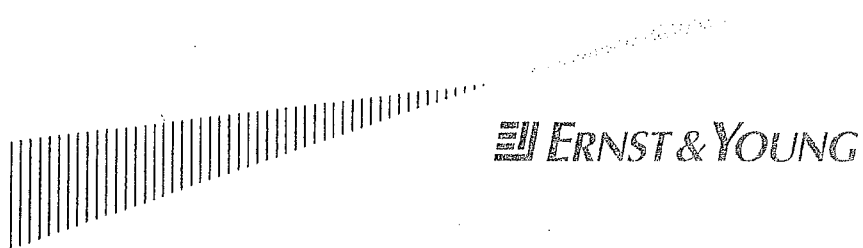
October 21, 2011

Ladies and Gentlemen:

1. This agreement (together with all attachments hereto, the "Agreement") confirms the engagement of Ernst & Young LLP ("we" or "EY") to audit and report on the basic financial statements of the governmental activities, the business-type activities (if applicable), the aggregate discretely presented component units, each major fund and the aggregate remaining fund information, which collectively comprise the basic financial statements of the City of Miami, Florida (the City) for the years ended September 30, 2011, September 30, 2012, and September 30, 2013. We also will audit and report on each major federal program and state financial assistance project of the City for the years ended September 30, 2011, September 30, 2012, and September 30, 2013 in accordance with the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133); Section 215.97, *Florida Statutes*; and Chapter 10.550, *Rules of the Auditor General*. All of the services described in this paragraph are referred to collectively as the "Audit Services" or the "audits."

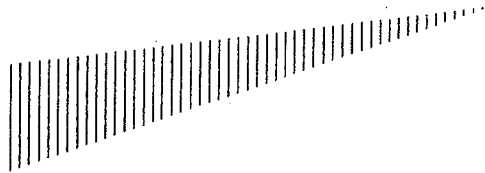
#### **Audit responsibilities and limitations**

2. The objective of our audit of the financial statements is to express opinions on whether the basic financial statements for each applicable opinion unit are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We also will conduct an audit in accordance with the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133; Section 215.97, *Florida Statutes*; and Chapter 10.550, *Rules of the Auditor General* and will include tests of accounting records, a determination of major federal programs and state financial assistance projects, and other procedures we consider necessary to enable us to express an opinion on compliance for each major federal program and state financial assistance project and to render the required reports.
3. We also will provide a report on internal control over financial reporting related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements and other matters, noncompliance with which could have a material effect on the



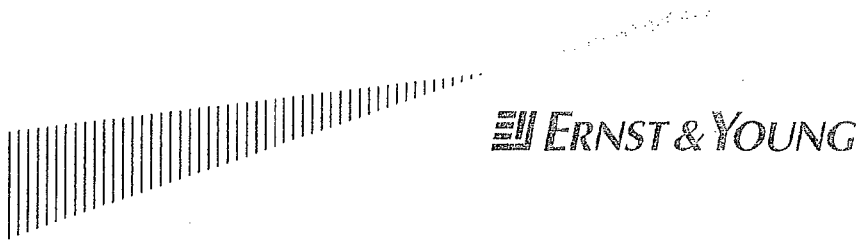
financial statements, as required by *Government Auditing Standards*. We will not perform sufficient procedures to render an opinion on internal control over financial reporting nor on compliance with laws, regulations and the provisions of contracts or grant agreements and other matters, and therefore, we will not express such an opinion. This report is intended solely for the information and use of management, those charged with governance, others within the entity, federal and state 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.

4. We will report on the fairness of the schedule of expenditures of federal awards and state financial assistance when considered in relation to the financial statements taken as a whole. We also will report on:
  - i. Internal control related to major federal programs and state financial assistance projects and provide an 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 federal program and state financial assistance project in accordance with the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133; Section 215.97, *Florida Statutes*; and Chapter 10.550, *Rules of the Auditor General*.
  - ii. The report on internal control and compliance is intended only for the information and use of management, those charged with governance, others within the entity, and federal and state awarding agencies, and, if applicable, pass-through entities, and are not intended to be and should not be used by anyone other than these specified parties.
5. Should conditions not now anticipated preclude us from completing our audits and issuing our reports we will advise you and those charged with governance promptly and take such action as we deem appropriate.
6. We will conduct the audit of the basic financial statements in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants (the "AICPA"), and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we obtain reasonable rather than absolute assurance that the basic financial statements for each opinion unit are free of material misstatement whether caused by error or fraud. As management is aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud or illegal acts. Accordingly, there is some risk that a material misstatement of the financial statements may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the basic financial statements. We will conduct our audit of major federal programs and state financial assistance projects in accordance with auditing standards established by the AICPA, the standards for financial audits contained in



*Government Auditing Standards* issued by the Comptroller General of the United States, Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133; Section 215.97, *Florida Statutes*; and Chapter 10.550, *Rules of the Auditor General*.

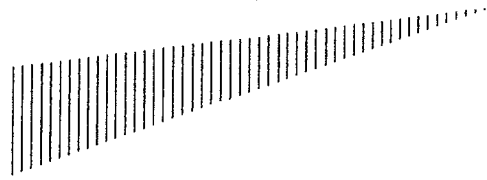
7. As part of our audit of the basic financial statements, we will consider, solely for the purpose of planning our audit and determining the nature, timing and extent of our audit procedures, the City's internal control. Our consideration of internal control for the audit of the financial statements will not be sufficient to enable us to express an opinion on the effectiveness of internal control over financial reporting or to identify all significant deficiencies and material weaknesses.
8. In accordance with AICPA auditing standards, we will communicate certain matters related to the conduct and results of the audit to those charged with governance.
9. If we determine that there is evidence that fraud or possible illegal acts may have occurred, we will bring such matters to the attention of the appropriate level of management. If we become aware of fraud involving senior management or fraud (whether committed by senior management or other employees) that causes a material misstatement of the basic financial statements, we will report this matter directly to those charged with governance. We will determine that those charged with governance and appropriate members of management are adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. We also will inform those charged with governance and appropriate members of management of significant audit adjustments, material violations of contracts or grant agreements and material abuse noted during our audit procedures.
10. We will communicate in writing to management and to those charged with governance all significant deficiencies and material weaknesses identified during our audit, as well as any significant deficiencies and material weaknesses communicated to management and to those charged with governance in previous audits that have not yet been remediated.
11. We also may communicate other opportunities we observe for economies in or improved controls over the City's operations.
12. As part of our engagement, we will apply certain limited procedures to City's required supplementary information (RSI). The RSI consists of Management's Discussion and Analysis, budgetary comparison schedules, pension information, other postemployment benefit information, and infrastructure information under modified approach reporting, if applicable. Those limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation of RSI, which management will affirm to us in its representation letter. However, we will not audit the information and will not express an opinion on it.



13. Supplementary information other than RSI, such as combining and individual fund and nonmajor fund financial statements, introductory and statistical sections, also may accompany the City's basic financial statements. We will subject all supplementary information that is financially oriented to the audit procedures applied in our audit of the basic financial statements and render our opinion on whether that information is fairly stated, in all material respects, in relation to the basic financial statements taken as whole. We will not subject supplementary information that comprises nonaccounting information or accounting information not directly related to the basic financial statements to the auditing procedures applied in our audit of the basic financial statements and therefore will not express an opinion on this supplementary information.
14. To the extent required by law, we will make our audit documentation available to a federal or state agency or to the Comptroller General of the United States Government Accountability Office and provide copies upon their request. Audit documentation, as well as appropriate individuals, also will be made available upon request to appropriate auditors and reviewers. We shall promptly notify the City of any such request to review our audit documentation.
15. An audit performed in accordance with *Government Auditing Standards* is not designed to detect violations of laws or regulations or provisions of contracts or grant agreements that do not have a direct and material effect on the financial statements or other financial data significant to the audit objectives.
16. Because the determination of abuse is subjective, an audit conducted in accordance with *Government Auditing Standards* does not provide reasonable assurance of detecting abuse.
17. In some circumstances in accordance with *Government Auditing Standards*, we may be required to report fraud, illegal acts, violations of provisions of contracts or grant agreements and abuse directly to parties external to the City.
18. In accordance with *Government Auditing Standards*, we will report in a management letter immaterial violations of provisions of contracts or grant agreements and immaterial abuse unless clearly inconsequential considering both qualitative and quantitative factors.
19. Under *Government Auditing Standards*, we are required to provide to the City our most recent peer review report and any letter of comment, as well as subsequent peer review reports and letters of comment received during the term of this Agreement. Our most recent peer review report, letter of comment and our responses to the letter of comment, as applicable, accompany this Agreement.

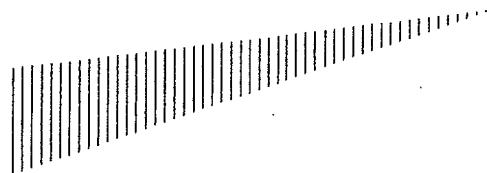
**Management's responsibilities and representations**

20. The basic financial statements are the responsibility of management. Management also is responsible for establishing and maintaining effective internal control, for properly recording transactions in the accounting records, for safeguarding assets and for the overall fair presentation of the basic financial statements. Management also is responsible for the identification of, and for the City's compliance with, laws and regulations and provisions of contracts and grant agreements applicable to its activities.
21. Management is responsible for adjusting the basic financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any uncorrected misstatements accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.
22. Management is responsible for apprising us of all allegations involving financial improprieties received by management or those charged with governance (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") and providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY or other allegations of illegal acts or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the City. If the City limits the information otherwise available to us under this paragraph (based on the City's claims of attorney/client privilege, work product doctrine or otherwise), the City will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the audit and may prevent us from opining on the City's applicable opinion units for the basic financial statements; alter the form of report we may issue on such financial statements; or otherwise affect our ability to continue as the City's independent auditors. We will disclose any such withholding of information to those charged with governance.
23. As required by AICPA auditing standards, we will make specific inquiries of management about the representations contained in the basic financial statements. AICPA auditing standards also require that, at the conclusion of the audit, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our procedures comprise evidence on which we will rely in forming an opinion on the applicable opinion units for the basic financial statements. Management is responsible for providing us with all financial records and related information on



a timely basis, and its failure to do so may cause us to delay our report, modify our procedures or even terminate the Audit Services.

24. Management shall make appropriate inquiries to determine whether the City has a capital lease, material cooperative arrangement or other business relationship with EY or any other member firm of the global Ernst & Young organization (any of which, an "EY Firm") other than one pursuant to which an EY Firm performs professional services.
25. Management shall discuss any independence matters with EY that, in management's judgment, could bear upon EY's independence.
26. The City shall be responsible for its personnel's compliance with the City's obligations under this Agreement.
27. Management is responsible for the following, as provided in *Government Auditing Standards*:
  - Distributing the report on internal control over financial reporting and on compliance and other matters, as well as making copies thereof available for public inspection unless the report is restricted by law or regulation or contains confidential or sensitive information.
  - Acknowledging the auditor's role (if any) in preparing draft financial statements and related notes, or in converting cash-basis financial statements to accrual-based financial statements.
  - Reviewing, approving and taking responsibility for the financial statements and related notes.
  - Identifying for you previous financial audits, attestation engagements, performance audits or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
  - Applying a process to track the status of audit findings and recommendations.
  - Providing views on any of your current findings, conclusions and recommendations, as well as management's planned corrective actions, for the report and the timing and format for providing that information.
  - Taking timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements or abuse that you report.



28. Management is responsible for the following as provided in the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133; Section 215.97, *Florida Statutes*; and Chapter 10.550, *Rules of the Auditor General*:

- Complying with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; Section 215.97, *Florida Statutes*; and Chapter 10.550, *Rules of the Auditor General*;
- Preparing the appropriate financial statements, including the schedule of expenditures of federal awards and state financial assistance;
- Establishing and maintaining effective internal control over compliance for federal programs and state financial assistance projects that provides reasonable assurance that federal awards and state projects are being managed in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs and state financial assistance projects;
- Complying with laws, regulations and the provisions of contracts and grant agreements related to each of its federal programs and state financial assistance projects;
- Following up and taking corrective action on audit findings, including preparing a summary schedule of prior audit findings and corrective action plans;
- Submitting the reporting package to required recipients and the data collection form to the designated federal audit clearinghouse; and
- Communicating to EY any significant vendor relationships where the vendor is responsible for program compliance.

#### **Fees and billings**

29. We estimate that fees for the services outlined herein are as follows:

September 30, 2011	\$415,000
September 30, 2012	\$427,000
September 30, 2013	\$440,000

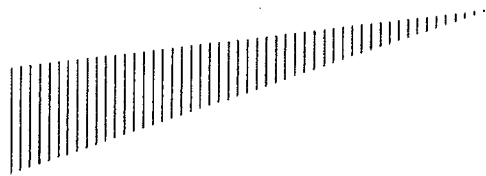
We will submit our invoices based on the following schedule and we expect that payment of them will be made upon receipt: November 10<sup>th</sup>, December 1<sup>st</sup>, and January 3<sup>rd</sup>.

30. Our estimated fees include the audit of twelve major federal programs or state financial assistance projects. The fee for each additional major federal program or state financial assistance project, in excess of twelve, is \$8,500.
31. Our estimated pricing and schedule of performance are based upon, among other things, our preliminary review of the City's records, including, the number of major funds, the number of opinion units, the number of major federal programs and state financial assistance projects and whether the City qualifies as a low-risk auditee in accordance with OMB Circular A-133 and the representations the City's personnel have made to us and are dependent upon the City's personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimates are based, we may adjust our fees and planned completion dates. Fees for any special audit-related projects, will be billed separately from the fees referred to above and will be the subject of other written agreements.
32. If we are requested or authorized by the City or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the City, the City will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

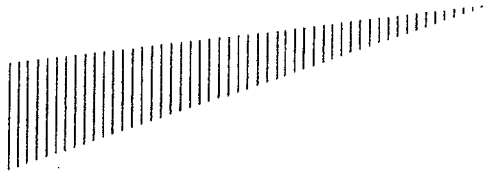
#### **Other matters**

33. From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY Firms, who may deal with the City or its affiliates directly, though EY alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of EY or another, any other EY Firm or any of their respective affiliates or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services. Unless prohibited by applicable law, we may disclose the City's Information to other EY Firms and their personnel to facilitate performance of the Audit Services, to comply with regulatory requirements, or for quality, risk management or financial accounting purposes. Either EY or the City may use electronic media to correspond or transmit information relating to the Audit Services, and such use will not, in itself, constitute a breach of any confidentiality obligations. In the circumstances summarized above, if applicable, we will discuss and coordinate the related efforts with the City's Finance Director.





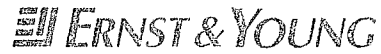
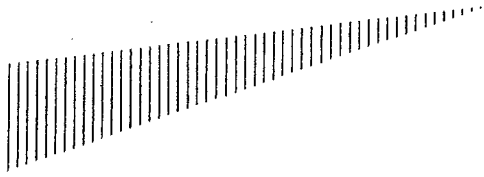
34. The City shall not, during the term of this Agreement and for 12 months following its termination for any reason, without the prior written consent of EY, solicit for employment, or hire, any current or former partner, principal or professional employee of EY, any affiliate thereof, any other EY Firm or any of their respective affiliates if any such professional either: (i) performed any audit, review, attest or related service for or relating to the City at any time (a) during the then current fiscal year of the City up to and including the date of the audit report for that year or (b) in the 12 months ended on the audit report date for the immediately preceding fiscal year. or (ii) influences EY's operations or financial policies or has any capital balances or any other continuing financial arrangement with EY.
35. The City may not make a claim or bring proceedings relating to the Audit Services or otherwise under this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees (all of whom, "EY Persons"). The City shall make any claim or bring proceedings only against EY. This paragraph is intended to benefit the other EY Firms and all EY Persons, who shall be entitled to enforce it. Each EY Firm is a separate legal entity.
36. We may collect, use, transfer, store or otherwise process (collectively, "Process") City information, that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in which EY and the other EY Firms operate (which are listed at [www.ey.com](http://www.ey.com)). We will Process the Personal Data in accordance with applicable law and professional regulations, including, where applicable, the European Union Safe Harbor program of the U.S. Department of Commerce, in which EY participates. We will require any service provider that Processes Personal Data on our behalf to adhere to such requirements. If any City information is protected health information under the Health Insurance Portability and Accountability Act, as amended, this Agreement is deemed to incorporate all of the terms otherwise required to be included in a business associate contract relating to such information. The City warrants that it has the authority to provide the Personal Data to EY in connection with the performance of the Audit Services and that the Personal Data provided to us has been Processed in accordance with applicable law.
37. By your signature below, you confirm that the City, through those charged with governance, has expressly authorized you to enter into this Agreement on behalf of, and to bind, the City. Either EY or the City may execute this Agreement (and any supplements or modifications hereto) by electronic means, and each of EY and the City may sign a different copy of the same document.
38. EY retains ownership in the workpapers compiled in connection with the performance of the Audit Services. However, representatives of the cognizant or oversight agency or their designee, other governments, audit staffs, and the U.S. Government Accountability Office shall have access to the audit working papers upon their request and our consent. Access to requested workpapers will be provided under the supervision of EY audit personnel and at a location



designated by EY. In addition, EY shall maintain the working papers for a period of at least three years after the date of the report, or for a longer period if requested to do so by the cognizant or oversight agency.

39. Except for a claim limited solely to seeking non-monetary or equitable relief, any dispute or claim arising out of or relating to the Audit Services, this Agreement or any other services provided by or on behalf of EY or any of its subcontractors or agents to the City or at the City's request, shall be resolved by mediation or arbitration as set forth in the attachment to this Agreement, which is incorporated herein by reference. Judgment on any arbitration award may be entered in any court having jurisdiction.
40. If any portion of this Agreement is held to be void, invalid or otherwise unenforceable, in whole or part, the remaining portions of this Agreement shall remain in effect. This Agreement applies to all Audit Services performed at any time (including before the date of this Agreement).

To the extent that EY agrees to perform Audit Services for a subsequent fiscal year, the terms and conditions set forth in this Agreement shall apply to the performance of such Audit Services, except as specifically modified, amended or supplemented in writing by the parties. Changes in the scope of the Audit Services and estimated fees for such services in subsequent fiscal years will be communicated in supplemental letters. We may terminate performance of the Audit Services and this Agreement upon written notice if we reasonably determine that we can no longer provide the Audit Services in accordance with applicable law or professional obligations. Upon any termination of the Audit Services or this Agreement, the City shall pay EY for all work-in-progress, Audit Services already performed and expenses incurred by us up to and including the effective date of such termination.



EY appreciates the opportunity to be of assistance to City. If this Agreement accurately reflects the terms on which the City has agreed to engage EY, please sign below on behalf of City and return it to Gracelyn Hodge, Ernst & Young, 201 South Biscayne Blvd., Suite 3000, Miami, FL 33131.

Very truly yours,

*Ernst & Young LLP*

Agreed and accepted by:

City of Miami, Florida

By:

Johnny Martinez  
City Manager

## **Dispute resolution procedures**

### **Mediation**

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR") shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties and must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director or substantial equity owner of any Ernst & Young audit client.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the mediator's assistance, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration or other binding dispute resolution process without initiating mediation, or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

### **Arbitration**

The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration ("Rules") as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures and has confirmed in writing that he or she is not, and will not become during the term of the arbitration, an employee, partner, executive officer, director or substantial equity owner of any Ernst & Young audit client.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort or to make an award or impose a remedy that (i) is inconsistent with the agreement to which these procedures are attached or any other agreement relevant to the dispute, or (ii) could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards.

The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.