

K08-286

**AGREEMENT FOR PROFESSIONAL SERVICES**

**BETWEEN**

**THE CITY OF NEW ORLEANS**

**AND**

**POSTLETHWAITE & NETTERVILLE, APAC**

THIS AGREEMENT made and entered into as of the 1st day of February, 2008, by and between the City of New Orleans, herein represented by Arnie Fielkow, President of the Council (hereinafter referred to as "City"), and the Public Accounting Firm of Postlethwaite & Netterville, APAC (P&N).

**WITNESSETH**

WHEREAS, the Council of the City of New Orleans by Motion No. M-08-40, has in accordance with Section 6-107 of the Charter of the City of New Orleans, authorized its President, Arnie Fielkow to enter into a contract for the purpose of receiving an audit of the comprehensive annual financial report (CAFR) of the City and;

WHEREAS, the Public Accounting Firm of P&N is recognized as being fully competent in public accounting and auditing.

THE CITY OF NEW ORLEANS and the Firm of P&N, for consideration and under the conditions set forth do agree as follows:

**I. P&N AGREES:**

- A. To audit the combined basic financial statements of the City of New Orleans, Louisiana as of December 31, 2007, and for the year then ended, except that

their audit will not include the financial statements of the following entities whose activities comprise the funds which will be audited by other auditors but included in the City's combined basic financial statements:

1. Component Units:

- Canal Street Development Corporation
- Downtown Development District
- New Orleans Tourism Marketing Corp.
- French Market Corporation
- Orleans Parish Communications District
- Audubon Commission
- Sewerage and Water Board
- Upper Pontalba Building Restoration Corp.

2. Board of Liquidation - Debt Service Fund and General Obligations Bonds

3. Pension Trust Funds

B. That the basic financial statements, as modified by the provisions of the Governmental Accounting Standards Board (GASB) Statement 34, to be reported upon by them will consist of:

1. Government-wide statement of net assets.
2. Government-wide statement of activities.
3. Governmental funds - balance sheet.
4. Reconciliation of governmental funds balance sheet to statement of net assets.

5. Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
  6. Reconciliation of governmental funds Statement of Revenues, Expenditures, and Fund Balance to Statement of Activities.
  7. Separate financial statements on proprietary and fiduciary funds.
  8. Notes to Financial Statements.
- C. That their audit of the City's basic financial statements will be made in accordance with generally accepted auditing standards adopted by the American Institute of Certified Public Accountants, Government Auditing Standards issued by the Comptroller General of the United States, the provisions of the revised Louisiana Municipal Audit and Accounting Guide and the Single Audit Act of 1996 (as amended) (OMB Circular A-133) at the financial statement level.
- D. To subject the combining, individual fund and account group statements and schedules to the auditing procedures applied in their audit of the City's basic financial statements.
- E. To perform specified audit procedures on the Passenger Facilities Charges received and expended by the New Orleans Aviation Board in 2007.
- F. To respond to periodic requests from the Legislative Auditor for review of allegations received by the office of the Legislative Auditor. Notice of each request for review, with a cost estimate, and a copy of the response to the Legislative Auditor shall be provided to the Council Budget/Audit/BoR Committee through the Council Fiscal Officer and to the Chief Administrative Officer or his

- designee. Notwithstanding the foregoing, the parties agree that the performance of services under this subparagraph 1.F is contingent upon Contractor's completion of a review for actual or potential conflicts of interest and the execution of a separate engagement letter between the Contractor and the City.
- G. To perform procedures to provide assistance with respect to the requirements prescribed by the Louisiana Department of Environmental Quality in connection with the Local Government Financial Test as described by Title 33, Part VII of the Louisiana Environmental Regulatory Code.
- H. The City confirms that it has contracted separately for the A-133 audit at the program level. P&N shall not conduct any aspect of the A-133 audit.

**II. REPORTS TO BE ISSUED:**

Upon completion of the audits referred to in Section I, Item A and completion of procedures referred to in Section I, Item E, and subject to their findings, P&N will submit the following reports to the Council and others, as specified. Each of the following reports are identified at Appendix I of the engagement letter, dated February 15, 2008, between the City and P&N, a copy of which is attached as Annex A to this contract and is incorporated in its entirety by reference.

1. A report on the audit of the City's basic financial statements as of December 31, 2007, and for the year then ended to be included within the CAFR. This report shall be issued upon completion of the audit, and, insofar as it relates to amounts included in the City's basic financial statements taken from the financial statements audited by other auditors, will be based solely upon the

reports of the other auditors.

2. A report on the audit of the Balance Sheet of the New Orleans Aviation Board as of December 31, 2007, and the related Statements of Revenues and Expenses, Changes in Fund Equity and Cash Flows for the year then ended.
3. Memoranda of advisory comments (management letters) containing comments and recommendations developed during the course of the audits regarding the internal control structure and other matters, if any, which, in the opinion of P&N , should be communicated to the City and independent agencies in writing.
4. Various reports to the New Orleans Aviation Board in connection with the Passenger Facilities Charges it received and expended in 2007.

All of the above reports are to be distributed as follows: fifteen (15) copies to the Council and its staff; six (6) copies to the Department of Finance, 1 pdf file to the Legislative Auditor, and ten (10) copies to the Board of Liquidation, City Debt. In addition, ten (10) manually signed copies of the report described in Item 1 above are to be furnished to the Board of Liquidation, City Debt. In addition, copies of the reports and memoranda described in Items 2, 3, and 4 above are to be furnished to the respective Boards of those units on which the report is rendered. In addition, ten (10) manually signed copies of the memoranda of advisory comments described in Item 3 above shall be delivered to the Board of Liquidation, City Debt.

### **III. COMPENSATION:**

It is mutually agreed upon and understood that the total cost of the above-described audit and other assessments and reports to the City of New Orleans is estimated to

be \$399,000. It is further mutually agreed by the parties to this agreement that the fee of \$399,000 assumes that (1) the City's general ledger and bank accounts have been reconciled as of year-end and reconciling items, if any, have been properly resolved, (2) no audit adjusting entries are required to reflect the City's basic financial statements in accordance with generally accepted accounting principles, (3) the City will provide supporting working papers to P&N consistent with those provided in prior years (4) all property, plant, equipment and infrastructure have been properly valued in accordance with GASB 42 and (5) the City will hire an outside accounting firm, other than P&N, to assist the City in maintaining accounting records and providing audit assistance.

**IV. EQUAL EMPLOYMENT OPPORTUNITY:**

In all hiring or employment made possible by or resulting from this contract, there (1) will not be any discrimination against any employee or applicant for employment because of race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture or ancestry, and (2) where applicable affirmative action will be taken to ensure that P&N employees are treated during employment without regard to their race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture, or ancestry. This requirement shall apply to, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. All solicitations or advertisements for employees shall

state that all qualified applicants will receive consideration for employment without regard to race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture, or ancestry.

**V. ASSIGNABILITY:**

P&N shall not assign any interest in this contract without prior written consent of the City of New Orleans.

**VI. CONFLICT OF INTEREST:**

In the interest of ensuring that efforts of P&N do not conflict with the interest of the City, and in recognition of P&N professional responsibility to the City, P&N agrees to adhere to AICPA and Louisiana State Board of Certified Public Accountants professional standards regarding independence and conflicts of interest. The initial determination of these matters rests with P&N. It is incumbent upon P&N to notify the City and provide full disclosure of the possible effects of these matters on P&N independent professional work on behalf of the City. Final decision on any such matters shall rest with the City.

**VII. INDEMNIFICATION:**

P&N shall be solely responsible to indemnify and save harmless the City of New Orleans against any and all claims, demands, suits, judgments of sums of money to any party accruing against the City for loss of life or bodily injury or damage of real or tangible personal property to the extent directly and proximately caused by any act of negligence or willful misconduct of P&N, his agents, servants, or employees while engaged in or about or in connection with the discharge or performance of the services to be done or performed by P&N hereunder, and shall also hold the City

harmless from any and all claims and/or liens for labor, services, or materials furnished to P&N in connection with the performance of his obligation under this Agreement.

**VIII. ACKNOWLEDGEMENT OF EXCLUSION OF WORKER'S COMPENSATION COVERAGE:**

P&N herein expressly agrees and acknowledges that it is an independent contractor as defined in R.S. 23:1021 (6) and as such, it is expressly agreed and understood between the parties hereto, in entering into this professional services contract, that the City of New Orleans shall not be liable to P&N for any benefits or coverages as provided by the Worker's Compensation Law of the State of Louisiana and further, under the provisions of R.S. 23:1034 anyone employed by P&N shall not be considered an employee of the City for the purpose of Worker's Compensation coverage.

**IX. ACKNOWLEDGEMENT OF EXCLUSION OF UNEMPLOYMENT COMPENSATION COVERAGE:**

P&N herein expressly declares and acknowledges that it is an independent contractor, and as such are being hired by the City under this contract of hire as noted and defined in R.S. 23:1472 (E), and therefore, it is expressly declared and understood between the parties hereto, in entering into this professional services contract, or contract for hire, and in connection with unemployment compensation coverage only, that:

A. P&N has been and will be free from any control or direction by the City over



the performance of the services covered by this contract; and

B. Service(s) to be performed by P&N is outside the normal course and scope of the City's usual business; and

C. P&N has been independently engaged in performing the service(s) listed herein prior to the date of this contract. Consequently, neither P&N nor anyone employed by P&N shall be considered an employee of the City for the purpose of unemployment compensation coverage, the same being hereby expressly waived and excluded by the parties hereto.

**X. WAIVER OF SICK AND ANNUAL LEAVE BENEFITS:**

It is expressly agreed and understood between the parties entering into this professional services contract that P&N, acting as an independent contractor, shall not receive any sick and annual leave benefits from the City of New Orleans.

**XI. CONTRACT STATEMENT:**

P&N has not employed or retained any company or person, other than a bona fide employee working solely for him, to solicit or secure the subject contract. P&N has not paid or agreed to pay any person, other than a bona fide employee working for the firm, any fee, commission, percentage, gift or any other consideration contingent upon or securing a professional services contract. Any behavior to the contrary shall be considered bribery and subject the applicant to criminal penalties in addition to suspension from participation in city government contracting for not less than three years.

**XII. JURISDICTION:**

In connection with the confirmation of an arbitration award pursuant to the

Engagement Letter at Annex A hereto, P&N consents and yields to the jurisdiction of the State Civil Courts of the Parish of Orleans and formally waive any pleas of jurisdiction based on P&N residence elsewhere.

**XIII. DURATION OF AGREEMENT:**

This contract shall be effective for the period February 1, 2008 through December 31, 2008. None of the parties to this contract may terminate the contract during the term of the contract except that (1) the City may terminate P&N if P&N should fail to cure a material breach of its obligations under this contract within 30 days after receipt of written notice of such breach, and (2) P&N may resign as the City's auditor and terminate this contract at any time in accordance with the laws, regulations and professional standards applicable to P&N services hereunder and if any extension of time requested pursuant to Article II herein is not granted. Written notice of intent to terminate shall be given thirty (30) days before the intended termination date. Work shall commence as soon as practicable after execution of this agreement, and P&N shall use reasonable efforts, subject to laws, regulations and professional standards applicable to P&N services hereunder, to complete and present the final CAFR report as soon as practicable given the issues created by Hurricane Katrina and related flooding and consistent with the granting of extensions as set forth in Article II herein. For considerations and under the conditions set forth above, P&N has agreed to perform the specified services for the City of New Orleans.

**XIV. FORCE MAJEURE:**

Notwithstanding any other provision in this contract, P&N shall not be liable for any delays or other non-performance resulting from circumstances or causes beyond its

reasonable control, including, without limitation, hurricanes, tornadoes, floods, fire or other casualty, act of God, strike or labor dispute, war or other violence, acts or omissions or the failure to cooperate pursuant to this contract by the City (including, without limitation, entities or individuals under its control, or any of their respective officers, directors, employees or other personnel or agents), acts or omissions of third parties not within P&N reasonable control, or any law, order or requirement of any governmental agency or authority.

**XV. CITY COOPERATION:**

The City understands that the proper and timely completion of P&N services hereunder requires the reasonable cooperation of the City and entities under its control, and their respective officials, employees, and other personnel and agents.

The City agrees to provide all such reasonable cooperation to P&N.


**XVI. INDEPENDENT CONTRACTOR:**

P&N shall act as an independent contractor in the performance of this contract and nothing herein shall be deemed or construed to create a joint venture, partnership, agency prime contractor/subcontractor or employer/employee relationship between such parties. P&N shall be responsible for compensating its own personnel and for their performance under this contract.

IN WITNESS THEREOF:

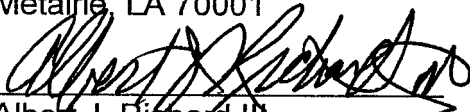
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CITY OF NEW ORLEANS

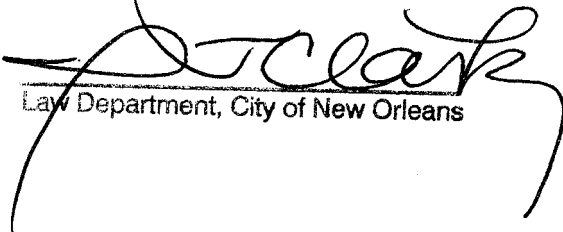
  
\_\_\_\_\_  
Arnie Fielkow  
President-City Council

  
\_\_\_\_\_

Postlethwaite & Netterville, APAC  
2324 Severn Avenue  
Metairie, LA 70001

  
Albert J. Richard III  
Federal ID Number: 72-1202445

FORM AND LEGALITY APPROVED:

  
\_\_\_\_\_  
Law Department, City of New Orleans

February 15, 2008

The Honorable Arnie Fielkow.  
Council President  
City of New Orleans Council  
1300 Perdido Street  
New Orleans, LA 70112

Dear Mr. Fielkow:

Postlethwaite & Netterville, APAC (P&N) is pleased to serve as certified public accountants for the purpose of auditing and reporting on the financial statements of the City of New Orleans (the City) for the year ending December 31, 2007. This letter will confirm our understanding of our engagement to report upon our audit of the City's financial statements described in Appendix I as of and for the year ended December 31, 2007 and the nature and scope of the services we will provide.

Albert J. Richard III, will be the partner in charge of all work we perform for you. Albert J. Richard III can be reached at 2324 Severn Avenue, Metairie, LA 70001 or by telephone at 504-837-5990.

### **Objectives and limitations of services**

#### *Financial Statement Audit Services*

We will issue written reports upon our audits of the City's financial statements as set forth in Appendix I.

We have a responsibility to conduct and will conduct the audits of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the financial statements conforms with accounting principles generally accepted in the United States of America. Our audits will also comply with the provisions of Louisiana Revised Statute 24:513 and the provisions of the *Louisiana Governmental Audit Guide*, published jointly by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

In conducting the audits, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, to provide a reasonable basis for our opinions on the financial statements. We also will assess the accounting principles used and significant estimates made by management, and evaluate the overall financial statement presentation.

Our audits of the financial statements are planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the

characteristics of fraud. Therefore, there is a risk that material errors, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements performed in accordance with the auditing standards generally accepted in the United States of America. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

Our reports will be addressed to the City Council of the City of New Orleans or the governing body of the entity audited. We cannot provide assurance that an unqualified opinion will be rendered. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to the City Council and the Louisiana Legislative Auditor.

#### *Internal Control Over Financial Reporting*

In planning and performing our audits of the financial statements, we will consider the City's internal control in order to determine the nature, timing and extent of our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. In accordance with *Government Auditing Standards*, we are required to communicate that the limited purpose of our consideration of internal control may not meet the needs of some users who require additional information about internal control. We can provide other services to provide you with additional information on internal control which we would be happy to discuss with you at your convenience.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grants, violations of which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on overall compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAS report), on our consideration of internal control and tests of compliance made as part of our audits of the financial statements. While the objective of our audits of the financial statements is not to report on the City's internal control and we are not obligated to search for significant deficiencies or material weaknesses as part of our audits of the financial statements, this report will include any significant deficiencies and material weaknesses to the extent they come to our attention. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. This report will also include all illegal acts and fraud, unless clearly inconsequential and material violations of grants and contracts, and abuse. It will indicate that it is intended solely for the information and use of the Budget/Audit committee, the Council of the City, the Louisiana Legislative Auditor, and management of the City and federal awarding agencies and pass-through entities and that it is not intended to be and should not be used by anyone other than these specified parties.



In accordance with *Government Auditing Standards* we will also issue a management letter to communicate other deficiencies in internal controls that are not significant deficiencies, and other violations of grants and contracts, and abuse that comes to our attention unless clearly inconsequential.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud or illegal acts directly to parties outside the auditee.

#### *Offering Documents*

Should the City wish to include or incorporate by reference these financial statements and our audit report(s) thereon into an offering of exempt securities, prior to our consenting to include or incorporate by reference our report(s) on such financial statements, we would consider our consent to the inclusion of our reports and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should the City wish to include or incorporate by reference these financial statements and our audit report(s) thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our report(s) on such financial statements, and we are not otherwise associated with the offering document, then the City agrees to include the following language in the offering document:

“P&N , our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. P&N also has not performed any procedures relating to this official statement.”

#### **Our responsibility to communicate with the Audit Committee**

We will report to you, in writing, the following matters:

- Corrected misstatements arising from the audits that could, in our judgment, either individually or in aggregate, have a significant effect on the City’s financial reporting process. In this context, corrected misstatements are proposed corrections of the financial statements that were recorded by management and, in our judgment, may not have been detected except through the auditing procedures performed.
- Uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in aggregate.



- Any disagreements with management or other serious difficulties encountered in performance of our audits.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

We will also read minutes, if any, of audit committee meetings for consistency with our understanding of the communications made to you and determine that you have received copies of all material written communications between ourselves and management. We will also determine that you have been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

If, in performance of our audit procedures, circumstances arise which make it necessary to modify our report or withdraw from the engagement, we will communicate to you our reasons for withdrawal.

#### **Management responsibilities**

The management of the City is responsible for the fair presentation, in accordance with U. S. generally accepted accounting principles generally accepted in the United States of America, of the financial statements and all representations contained therein. Management also is responsible for identifying and ensuring that the City complies with laws, regulations, contracts and grants applicable to its activities, and for informing us of any known material violations of such laws and regulations. Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for establishing and maintaining effective internal controls and procedures for financial reporting to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements. Management is also responsible for informing us, of which it has knowledge, of all significant deficiencies and material weaknesses, in the design or operation of such controls.

Management of the City also agrees that all records, documentation, and information we request in connection with our audits will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of the City's personnel. As required by the auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

In accordance with *Government Auditing Standards*, as part of our planning of the audit we will consider the results of previous audits and follow up on known significant findings and recommendations that directly relate to the objectives of the audit. To assist us, management agrees to identify previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and to identify corrective actions taken to address significant findings and recommendations prior to April 1, 2008.





Management is responsible for adjusting the financial statements to correct material misstatements and for affirming 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 being reported upon. Because of the importance of management's representations to the effective performance of our services, the City will release all firms and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above.

Management is also responsible for providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAS report within 7 days of being provided with draft findings.

Management is responsible for the distribution of the reports issued by P&N. In accordance with *Government Auditing Standards*, the reports issued citing *Government Auditing Standards* are to be made available for public inspection.

#### **Other matters**

This letter shall serve as the City's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between P&N and the City and between P&N and outside specialists or other entities engaged by either P&N or the City. The City acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of P&N. P&N will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Further, for purposes of the services described in this letter only, the City hereby grants to P&N a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all names, logos, trademarks and service marks of the City solely for presentations or reports to the City or for internal P&N presentations and intranet sites.

P&N is a professional accounting corporation comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

We will provide a draft of all reports and the management letter to the Chairman of the Audit/Budget Committee, the Mayor, Chief Administrative Officer, and the Director of Finance prior to their issuance.

We will submit directly to the Legislative Auditor one .pdf/.tif of our reports together with any management letters or other communications relating to audit findings and recommendations presented upon completion of the engagement. Subsequent to issuance of the reports, should it be necessary to alter or reissue such reports and any management letters, we will distribute such reports in the same manner as the original reports. In accordance with our understanding, we will provide copies of our reports and management letter to each member of the City Council and the Board of Liquidation, City Debt. Additionally, three copies will be provided to the Department of Finance and one copy will be provided to the Clerk of Council, the Council Fiscal Officer and the U.S. Census Bureau. The City will provide each



federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and the state cognizant agency, if applicable, a sufficient number of our reports.

The work papers for this engagement are the property of P&N. Pursuant to *Government Auditing Standards*, we are required to make certain work papers available in a full and timely manner to regulatory agencies upon request for their reviews of audit quality and for use by their auditors. In addition, we may be requested to make certain work papers available to regulator pursuant to authority given to it by law or regulation. Access to the requested work papers will be provided under supervision of P&N. Furthermore, upon request, we may provide photocopies of selected work papers to regulatory agencies. These regulatory agencies may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies. Also, the Legislative Auditor, any state or federal grantor, any state or federal cognizant agency, any successor auditor, and any organization authorized by the Louisiana State Board of Certified Public Accountants to perform workpaper reviews as part of a quality assurance program will have access to our working papers for a period of three years.

In the event P&N is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement for the City in judicial or administrative proceedings to which P&N is not a party, the City shall reimburse us at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.

#### *Other Government Auditing Standards Matters*

As required by *Government Auditing Standards*, we have attached a copy of P&N most recent peer review report and letter of comments.

We will also assist management in drafting the financial statements and notes. In accordance with *Government Auditing Standards*, we are required to confirm that management accepts responsibility for the financial statements and notes and, therefore, has a responsibility to be in a position in fact and appearance to make an informed judgment about them and that management will:

- Designate a qualified management-level individual to be responsible and accountable for overseeing the drafting of the financial statements.
- Establish and monitor the performance of the engagement to ensure that it meets management's objectives.
- Make any decisions that involve management functions related to the engagement and accept full responsibility for such decisions.
- Evaluate the adequacy of the financial statements and notes.

#### *Additional Reports and Fees for Services*

Appendix I to this letter lists the additional reports we will issue as part of this engagement and our fees for professional services to be performed by P&N.



City of New Orleans City Council  
February 15, 2008  
Page 7

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this letter.

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We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,  
Postlethwaite & Netterville



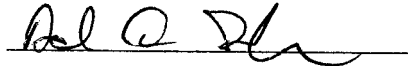
Albert J. Richard III  
Director



City of New Orleans City Council  
February 15, 2008  
Page 8

ACCEPTED:

City of New Orleans



The Honorable Arnie Fielkow

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Council President City of New Orleans

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Date 2/20/08

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Cc: Councilmember Cynthia Hedge-Morrell



**Fees for Services**

Based upon our discussions with and representations of the City of New Orleans, our fees for the audit of the following financial statements for the year ended December 31, 2007 are estimated at \$399,000. The following reports will be issued:

- Opinion on whether the City's financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America
- Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*
- Opinion on whether the New Orleans Aviation Board's financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America
- P&N will perform specified audit procedures on the Passenger Facilities Charges received in 2007 by the New Orleans Aviation Board and issue the reports required by the Federal Aviation Administration in connection therewith
- P&N will respond to Legislative auditor questions. P&N will notify the City of any inquiries and will provide an estimate of the fees to respond to inquiries prior to beginning any work

P&N understands that P&N's audit will not include the financial statements of the following funds which will be audited by other auditors but included in the City's CAFR:

- Component Units:
  - Canal Street Development Corporation
  - Downtown Development District
  - New Orleans Tourism Marketing Corporation
  - Orleans Parish Communication District
  - Audubon Commission
  - French Market Corporation
  - Upper Pontalba Building Restoration Corporation
  - Sewerage and Water Board



## Sewerage and Water Board

- Debt Services Fund
- Pension Trust Funds:
  - Firefighters' Old System
  - Firefighters' New System
  - Police Old System
  - Employees' Retirement System

P&N will not perform the A-133 audit at the program level. The City has separately contracted with a firm to perform these audit procedures and to report thereon.

Our report on the City's comprehensive annual financial report can not be issued until all of the auditors of the above entities have issued their reports. In addition, we can not issue our report until the single audit report has been issued.

Where P&N is reimbursed for expenses, it is P&N's policy to bill the City the amount incurred at the time the good or service is purchased. If P&N subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, P&N does not credit such payment to the City. Instead, P&N applies such payments to reduce its overhead costs, which costs are taken into account in determining P&N standard billing rates and certain transaction charges which may be charged to the City.

