

K16-279

**PROFESSIONAL SERVICES AGREEMENT**

**CITY OF NEW ORLEANS**

**AND**

**POSTLETHWAITE & NETTERVILLE, APAC**

**AGREEMENT FOR AUDIT SERVICES FOR CITY OF NEW ORLEANS**

**THIS AGREEMENT** (the "Agreement") is made and entered into this 12<sup>th</sup> day of April, 2016 (the "Effective Date"), by and between the City of New Orleans, represented by Jason Rogers Williams (the "City"), and Postlethwaite & Netterville APAC, represented by Brandy Smith, (the "Contractor").

**WHEREAS**, on October 12, 2015, in accordance with Section 6-108 of the Charter of the City of New Orleans, the City Council issued a Request For Proposals (the "RFP") seeking qualified persons to provide professional services including audit services for the City's combined basic financial statements in the form of the Comprehensive Annual Financial Report (CAFR), the OMB Uniform Guidance Single Audit of Federal Awards, and audits of the Firefighters' Old and New Pension Funds and the Police Pension Fund; and

**WHEREAS**, the Contractor submitted proposals deemed qualified in accordance with the RFP and Council Rule 45; and

**WHEREAS**, the Council of the City of New Orleans has, in accordance with Section 6-308 of the Charter of the City of New Orleans, and by Motion M-15-603 adopted December 10, 2015, authorized and requested its President, Jason Rogers Williams, to sign a professional services contract with Postlethwaite & Netterville, APAC to perform the Comprehensive Annual Financial Report (Task #1), the Single Audit (Task # 2), and audits of the Firefighters' Old and New Pension Funds and the Police Pension Fund (Task #3), as of and for the year ending December 31, 2015; and

**WHEREAS**, the Public Accounting Firm of Postlethwaite & Netterville, APAC is recognized as being fully competent in public accounting and auditing;

**NOW THEREFORE**, the City and Postlethwaite & Netterville, CPAs, for consideration and under the conditions set forth, do agree as follows:

**1. CONTRACTOR'S OBLIGATIONS**

**A. Services.** The Contractor will, in accordance with the schedule approved by the City:

1. Audit the combined financial statements of the City of New Orleans as of and for the year ending December 31, 2015, as described in the Letter(s) of Engagement dated January 15, 2016, attached hereto and made a part hereof as "Attachment A", and as described further herein as Task #1, Task #2 and Task #3:

**TASK #1 – Comprehensive Annual Financial Report**

- A) Principal Auditors – To audit the combined basic financial statements of the City of New Orleans, Louisiana as of December 31, 2015, and for the year then ended, except that the 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:
  - Sewerage & Water Board
  - Canal Street Development Corporation
  - Downtown Development District
  - New Orleans Tourism Marketing Corporation
  - Orleans Parish Communications District
  - Audubon Commission
  - French Market Corporation
  - Municipal Yacht Harbor Management Corporation
  - Upper Pontalba Building Restoration Corporation
  - New Orleans Building Corporation
  - Parish Hospital District for Parish of Orleans District A
- 2) Board of Liquidation - Debt Service Fund and General Obligations Bonds
- 3) Pension Trust Funds
  - Employees' Retirement System

B) That the basic financial statements, as prepared in accordance with the Governmental Accounting Standards Board (GASB), be reported on, and will consist of:

- 1) Government-wide statement of net position.
- 2) Government-wide statement of activities.
- 3) Governmental funds - balance sheet.
- 4) Reconciliation of governmental funds balance sheet to statement of net position.
- 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 fiduciary funds and component units.
- 8) Management Discussion and Analysis.
- 9) Notes to Financial Statements.

C) That the 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 Uniform Guidance) 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 2015.

- 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.
- 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.

#### **TASK #2 – OMB Uniform Guidance – Single Audit**

- A) Perform the City's Single Audit, in accordance with Generally Accepted Auditing Standards (GAAS); Government Auditing Standards (GAS) issued by the Comptroller General of the United States; Office of Management and Budget Circular A133 "Audits of States and Local Governments, and Non-Profit Organizations", or any subsequent document; the provisions of La. R.S. 24:517; and the provisions of the Louisiana Governmental Audit Guide.
- B) Sign and issue the following reports and schedules:
  - 1) Report on the supplementary schedule of expenditures of federal awards;
  - 2) Report on compliance and on internal controls over financial reporting;
  - 3) Report on compliance with requirements applicable to each major program and internal controls over compliance;
  - 4) Schedule of findings and questioned costs, including summary of independent auditors' results; financial statement findings; and federal award findings and questioned costs;
  - 5) Auditor's information section of the Data Collection Form.
  - 6) Comments to management

#### **TASK #3 – Audit of Firefighters' Old & New Pension Funds & Police Pension Fund**

- A) Perform audits of the financial statements of the City's Firefighters' Old and New Pension Funds and Police Pension Fund. The audit of the Firefighters' Old Fund will include a review, in cooperation with the principal auditors, of the Trust Fund administered by the Board of City Trusts for the benefit of the Old Fire Pension Plan.
- B) Sign and issue the following reports for each Pension Fund:
  - 1) Opinion on whether the financial statements are fairly presented, in all material respects, in conformity with Generally Accepted Accounting Principles.
  - 2) Report on the internal control structure based on the audit of the financial statements.
  - 3) Report on compliance with laws and regulations.

4) A management letter, if appropriate.

2. Submit complete and accurate invoices, maintain records, submit to audits and inspections, maintain insurance, and perform all other obligations of the Contractors set forth in this Agreement;

3. Promptly correct any errors or omissions and any work deemed unsatisfactory or unacceptable by the City, at no additional compensation;

4. Monitor, supervise, and otherwise control and be solely responsible for all persons performing work on its behalf; and

5. Cooperate with the City and any person performing work for the City.

The City's officers and employees are not authorized to request or instruct the Contractor to perform any work beyond the scope or duration of this Agreement in the absence of an executed amendment to this Agreement.

**B. Reports to be Issued.** Upon completion of the audits referred to in Section I, and subject to their findings, Contractor will submit to the Council and others the reports detailed in the Engagement Letter(s) of January 15, 2016, including the following:

1. A report on the audit of the City's basic financial statements as of December 31, 2015, 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, 2015, 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 the Principal Auditor, 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 2015.
5. An opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
6. A report on the fairness of the additional supplemental information when considered in relation to the financial statements taken as a whole.
7. A report on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements.

Each of the foregoing reports will be signed only by, and will be the sole responsibility of, the Contractor. The above reports are to be distributed as follows:

1. PDF file to the Louisiana Legislative Auditor;
2. Three (3) copies to the appropriate pension fund administrator;
3. Fifteen (15) copies and a PDF file to the Council Fiscal Office for distribution to Councilmembers and the Clerk of Council;
4. Twenty five (25) copies to the Department of Finance;

5. Five (5) copies to the Board of Liquidation, city Debt.

**C. Standards.** The Contractor, and any person performing work on its behalf, will perform all work under this Agreement in accordance with standards adopted by the American Institute of Certified Public Accountants, Government Auditing Standards issued by the Comptroller General of the United States.

**D. Invoices.**

1. The Contractor will submit monthly invoices for work performed under this Agreement to the City no later than ten (10) calendar days following the end of the period covered by the invoice. Untimely invoices may result in delayed payment for which the City is not liable. At a minimum, each invoice must include the following information and supporting documentation.

2. All invoices must be signed by an authorized representative of the Contractor under penalty of perjury attesting to the validity and accuracy of the invoice.

3. The City may require changes to the form of the invoice and may require additional supporting documentation to be submitted with invoices.

**E. Records and Reporting.**

1. The Contractor will maintain all books, documents, papers, accounting records, invoices, materials records, payrolls, work papers, personnel records, and other evidence pertaining to the performance of services under this Agreement. If this Agreement is terminated for any reason, the Contractor will deliver to the City all plans and records of work compiled through the date of termination.

2. The Contractor is solely responsible for the relevance and accuracy of all items and details included in any reports relating to the work performed under this Agreement, regardless of any review by the City.

**F. Audit and Inspection.**

1. The Contractor will submit to any City audit, inspection, and review and, at the City's request, will make available all documents relating or pertaining to this Agreement maintained by or under the control of the Contractor, its employees, agents, assigns, successors and subcontractors, during normal business hours at the Contractor's office or place of business in Louisiana. If no such location is available, the Contractor will make the documents available at a time and location that is convenient for the City.

2. The Contractor will abide by all provisions of City Code § 2-1120, including but not limited to City Code § 2-1120(12), which requires the Contractor to provide the Office of Inspector General with documents and information as requested. Failure to comply with such requests shall constitute a material breach of the contract. The Contractor agrees that it is subject to the jurisdiction of the Orleans Parish Civil District Court for purposes of challenging a subpoena.

**G. Indemnity.**

1. To the fullest extent permitted by law, the Contractor will indemnify, defend, and hold harmless the City, its agents, employees, officials, insurers, self-insurance funds, and

assigns (collectively, the “Indemnified Parties”) from and against any and all claims, demands, suits, and judgments of sums of money accruing against the Released Parties: for loss of life or injury or damage to persons or property arising from or relating to any act or omission or the operation of the Contractor, its agents, subcontractors, or employees while engaged in or in connection with the discharge or performance of any work under this Agreement; and for any and all claims and/or liens for labor, services, or materials furnished to the Contractor in connection with the performance of work under this Agreement.

2. The Contractor’s indemnity does not extend to any loss arising from the gross negligence or willful misconduct of any of the Indemnified Parties, provided that neither the Contractor nor any of its agents, subcontractors, or employees contributed to such gross negligence or willful misconduct.

3. The Contractor has an immediate and independent obligation to, at the City’s option: (a) defend the City from or (b) reimburse the City for its costs incurred in the defense of any claim that actually or potentially falls within this indemnity, even if: (a) the allegations are or may be groundless, false, or fraudulent; or (b) the Contractor is ultimately absolved from liability.

## **II. REPRESENTATIONS AND WARRANTIES.**

A. The Contractor represents and warrants to the City that:

1. The Contractor, through its duly authorized representative, has the full power and authority to enter into and execute this Agreement;

2. The Contractor has the requisite expertise, qualifications, staff, materials, equipment, licenses, permits, consents, registrations, and certifications in place and available for the performance of all work required under this Agreement;

3. The Contractor is bonded, if required by law, and fully and adequately insured for any injury or loss to its employees and any other person resulting from the actions or omissions of the Contractor, its employees, or its subcontractors in the performance of this Agreement;

4. The Contractor is not under any obligation to any other person that is inconsistent or in conflict with this Agreement or that could prevent, limit, or impair the Contractor’s performance of this Agreement;

5. The Contractor has no knowledge of any facts that could prevent, limit, or impair the performance of this Agreement, except as otherwise disclosed to the City and incorporated into this Agreement;

6. The Contractor is not in breach of any federal, state, or local statute or regulation applicable to the Contractor or its operations;

7. Any rate of compensation established for the performance of services under this Agreement are no higher than those charged to the Contractor’s most favored customer for the same or substantially similar services;

8. The Contractor has read and fully understands this Agreement and is executing this Agreement willingly and voluntarily; and

9. All of the representations and warranties in this Article and elsewhere in this Agreement are true and correct as of the date of this Agreement by the Contractor and the

execution of this Agreement by the Contractor's representative constitutes a sworn statement, under penalty of perjury, by the Contractor as to the truth of the foregoing representations and warranties.

**B. Convicted Felon Statement.** The Contractor complies with City Code § 2-8(c) and no principal, member, or officer of the Contractor has, within the preceding five years, been convicted of, or pled guilty to, a felony under state or federal statutes for embezzlement, theft of public funds, bribery, or falsification or destruction of public records.

**C. Non-Solicitation Statement.** The Contractor has not employed or retained any company or person, other than a bona fide employee working solely for it, to solicit or secure this Agreement. The Contractor has not paid or agreed to pay any person, other than a bona fide employee working for it, any fee, commission, percentage, gift, or any other consideration contingent upon or resulting from this Agreement.

**D. Employee Verification.** The Contractor swears that (i) it is in compliance with La. R.S. 38:2212.10, and is registered and participates in a status verification system to verify that all employees in the State of Louisiana are legal citizens of the United States or are legal aliens; (ii) it shall continue, during the term of this Agreement, to utilize a status verification system to verify the legal status of all new employees in the State of Louisiana; and (iii) it shall require all subcontractors to submit to the Contractor a sworn affidavit verifying compliance with items (i) and (ii) above. Any violation of the provisions of this paragraph may subject this Agreement to termination, and may further result in the Contractor being ineligible for any public contract for a period of three years from the date the violation is discovered. The Contractor further acknowledges and agrees that it shall be liable for any additional costs incurred by the City occasioned by the termination of this Agreement or the loss of any license or permit to do business in the State of Louisiana resulting from a violation of La. R.S. 38:2212.10. The Contractor will provide to the City a sworn affidavit attesting to the above provisions if requested by the City. The City may terminate this Agreement for cause if the Contractor fails to provide such the requested affidavit or violates any provision of this paragraph.

**E.** The Contractor acknowledges that the City is relying on these representations and warranties and Contractor's expertise, skill, and knowledge and that the Contractor's obligations and liabilities will not be diminished by reason of any approval by the City.

### **III. THE CITY'S OBLIGATIONS.**

**A. Administration.** The City will:

1. Administer this Agreement through the New Orleans City Council;
2. Provide the Contractor documents deemed necessary for the Contractor's performance of any work required under this Agreement; and
3. Provide access to Department personnel to discuss the required services during normal working hours, as requested by the Contractor.

**B. Payment.** The City will make payments to the Contractor at the rate of compensation established in this Agreement based upon the Contractor's certified invoices, except:

1. The City's obligation to pay is contingent upon the Contractor's: (a) submission of a complete and accurate invoice; (b) satisfactory performance of the services and conditions required by this Agreement;

2. The City, in its discretion, may withhold payment of any disputed amounts, and no interest shall accrue on any amount withheld pending the resolution of the dispute;

3. The City may set off any amounts due to the Contractor against any amounts deemed by the City to be owed to the City by the Contractor pursuant this Agreement; and

4. All compensation owed to the Contractor under this Agreement is contingent upon the appropriation and allocation of funds for work under this Agreement by the City.

5. The City is not obligated under any circumstances to pay for any work performed or costs incurred by the Contractor that: exceed the maximum aggregate amount payable established by this Agreement; are beyond the scope or duration of this Agreement; arise from or relate to the any change order within the scope of the Agreement; are for services performed on days on which services were suspended, due to circumstances beyond the control of the City, and no work has taken place; arise from or relate to the correction of errors or omissions of the Contractor or its subcontractors; or the City is not expressly obligated to pay under this Agreement.

6. The City, in its discretion, may withhold payment of any disputed amounts, and no interest shall accrue on any amount withheld pending the resolution of the dispute.

7. If this Agreement is terminated for any reason, the City will pay the Contractor only for the work requested by the City and satisfactorily performed by the Contractor through the date of termination, except as otherwise provided in this Agreement.

#### IV. COMPENSATION.

##### A. Rate of Compensation.

1. The rate of compensation for all work completed under the terms of this Agreement shall be the following:

<u>Task</u>	<u>Hours*</u>	<u>Fee</u>
1	2,270	270,000
2**	820	90,000
3	445	42,000
	<u>3,535</u>	<u>\$402,000</u>

*\*The total number of hours includes DBE participation of at least 35%.*

*\*\*The fee for Task 2 (Single Audit) assumes up to 13 major programs or program clusters. The fee for additional major programs or program clusters is \$4,000 per major program or program cluster.*

2. This Agreement does not guarantee any amount of work or compensation except as specifically authorized by the City in accordance with the terms and conditions of this Agreement.

3. The stated compensation is inclusive, and includes no additional amounts for, the Contractor's costs, including without limitation all expenses relating to overhead, administration, subcontractors, employees, bid preparation, bonds, scheduling, invoicing, insurance, record retention, reporting, inspections, audits, the correction of errors and omissions, or minor changes



within the scope of this Agreement. The City will not consider or be obligated to pay or reimburse the Contractor any other charges or fees and the Contractor will not be entitled to any additional compensation or reimbursement, except otherwise specifically provided in the Agreement

4. The Contractor immediately will notify the City in writing of any reduction to the rate of compensation for its most favored customer and the rate of compensation established by this Agreement automatically will adjust to the reduced rate effective as of the effective date of the reduction for the most favored customer.

**B. Maximum Amount.** The maximum aggregate amount payable by the City under this Agreement is Four Hundred Two Thousand Dollars and Zero Cents (\$402,000).

## **V. DURATION AND TERMINATION.**

**A. Initial Term.** The initial term of this Agreement is one (1) year from the Effective Date.

**B. Extension.** The City may extend the terms of this Agreement for no more than four (4) one (1) year periods pursuant to validly executed amendments, provided that: any extension of this Agreement is subject to and contingent upon the encumbrance of funds; the City determines that the extension facilitates the continuity of services provided under this Agreement; and

**C. Termination for Convenience.** The City may terminate this Agreement at any time during the term of the Agreement by giving the Contractor written notice of the termination at least thirty (30) calendar days before the intended date of termination.

**D. Termination for Non-Appropriation.** This Agreement will terminate immediately in the event of non-appropriation of funds sufficient to maintain this Agreement without the requirement of notice and the City will not be liable for any amounts beyond the funds appropriated and encumbered for this Agreement.

**E. Termination for Cause.** The City may terminate this Agreement immediately for cause by sending written notice to the Contractor. "Cause" includes without limitation any failure to perform any obligation or abide by any condition of this Agreement or the failure of any representation or warranty in this Agreement, including without limitation any failure to comply with the requirements of the City's Disadvantaged Business Enterprise program and any failure to comply with any provision of City Code § 2-1120 or requests of the Office of Inspector General. If a termination for cause is subsequently challenged in a court of law and the challenging party prevails, the termination will be deemed to be a termination for convenience effective thirty (30) days from the date of the original written notice of termination for cause was sent to the challenging party; no further notice will be required.

**F. Suspension.** The City may suspend this Agreement at any time and for any reason by giving two (2) business day's written notice to the Contractor. The Contractor will resume work upon five (5) business day's written notice from the City.

## **VI. NON-DISCRIMINATION.**

**A. Equal Employment Opportunity.** In all hiring or employment made possible by, or resulting from this Agreement, the Contractor (1) will not be discriminate 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, will take affirmative action to ensure that the Contactor's 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.

**B. Non-Discrimination.** In the performance of this Agreement, the Contractor will not discriminate on the basis, whether in fact or perception, of a person's race, color, creed, religion, national origin, ancestry, age, sex (gender), sexual orientation, gender identity, domestic partner status, marital status, physical or mental disability, or AIDS- or HIV-status against (1) any employee of the City working with the Contractor in any of Contractor's operations within Orleans Parish or (2) any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by the Contractor. The Contractor agrees to comply with and abide by all applicable federal, state and local laws relating to non-discrimination, including, without limitation, Title VI of the Civil Rights Act of 1964, Section V of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990.

**C. Incorporation into Subcontracts.** The Contractor will incorporate the terms and conditions of this Article into all subcontracts, by reference or otherwise, and will require all subcontractors to comply with those provisions.

**D.** The City may terminate this Agreement for cause if the Contractor fails to comply with any obligation in this Article, which failure is a material breach of this Agreement.

## **VII. INDEPENDENT CONTRACTOR.**

**A. Independent Contractor Status.** The Contractor is an independent contractor and shall not be deemed an employee, servant, agent, partner, or joint venture of the City and will not hold itself or any of its employees, subcontractors or agents to be an employee, partner, or agent of the City.

**B. Exclusion of Worker's Compensation Coverage.** The City will not be liable to the Contractor, as an independent contractor as defined in La. R.S. 23:1021(6), for any benefits or coverage as provided by the Workmen's Compensation Law of the State of Louisiana. Under the provisions of La. R.S. 23:1034, any person employed by the Contractor will not be considered an employee of the City for the purpose of Worker's Compensation coverage.

**C. Exclusion of Unemployment Compensation Coverage.** The Contractor, as an independent contractor, is being hired by the City under this Agreement for hire and defined in La. R.S. 23:1472(E) and neither the Contractor nor anyone employed by it will be considered an employee of the City for the purpose of unemployment compensation coverage, which coverage same being hereby expressly waived and excluded by the parties, because: (a) the Contractor has been and will be free from any control or direction by the City over the performance of the services covered by this contract; (b) the services to be performed by the Contractor are outside the normal course and scope of the City's usual business; and (c) the Contractor has been

independently engaged in performing the services required under this Agreement prior to the date of this Agreement.

**D. Waiver of Benefits.** The Contractor, as an independent contractor, will not receive from the City any sick and annual leave benefits, medical insurance, life insurance, paid vacations, paid holidays, sick leave, pension, or Social Security for any services rendered to the City under this Agreement.

## VIII. NOTICE.

Except for any routine communication, any notice, demand, communication, or request required or permitted under this Agreement will be given in writing and delivered in person or by certified mail, return receipt requested as follows:

1. To the City:

Calvin Aguillard, City Council Fiscal Officer  
City of New Orleans  
1300 Perdido St, Room 1E06  
New Orleans, LA 70112

&

Rebecca Dietz, City Attorney  
City of New Orleans  
1300 Perdido Street, Suite 5E03  
New Orleans, LA 70112

2. To Postlethwaite & Netterville, APAC:

Brandy Smith  
Postlethwaite & Netterville, APAC  
One Galleria Blvd., Suite 2100  
Metairie, LA 70001

Notices are effective when received, except any notice that is not received due to the intended recipient's refusal or avoidance of delivery is deemed received as of the date of the first attempted delivery. Each party is responsible for notifying the other in writing that references this Agreement of any changes in its address(es) set forth above.

## IX. ADDITIONAL PROVISIONS.

**A. Limitations of the City's Obligations.** The City has no obligations not explicitly set forth in this Agreement or any incorporated documents or expressly imposed by law.

**B. Order of Documents.** In the event of any conflict between the provisions of this Agreement any incorporated documents, the terms and conditions of the documents will apply in this order: the Agreement, the Letter of Engagement, the RFP.

**C. Ownership Interest Disclosure.** The Contractor will provide a sworn affidavit listing all natural or artificial persons with an ownership interest in the Contractor and stating that no other person holds an ownership interest in the Contractor via a counter letter. For the purposes of this provision, an "ownership interest" shall not be deemed to include ownership of stock in a publicly traded corporation or ownership of an interest in a mutual fund or trust that holds an

interest in a publicly traded corporation. If the Contractor fails to submit the required affidavits, the City may, after thirty (30) days' written notice to the Contractor, take such action as may be necessary to cause the suspension of any further payments until such the required affidavits are submitted.

**D. Subcontractor Reporting.** The Contractor will provide a list of all natural or artificial persons who are retained by the Contractor at the time of the Agreement's execution and who are expected to perform work as subcontractors in connection with the Contractor's work for the City. For any subcontractor proposed to be retained by the Contractor to perform work on the Agreement with the City, the Contractor must provide notice to the City within 30 days of retaining that subcontractor. If the Contractor fails to submit the required lists and notices, the City may, after 30 days' written notice to the Contractor, take any action it deems necessary, including, without limitation, causing the suspension of any payments, until the required lists and notices are submitted.

**E. Prohibition of Financial Interest in Agreement.** No elected official or employee of the City shall have a financial interest, direct or indirect, in this Agreement. For purposes of this provision, a financial interest held by the spouse, child, or parent of any elected official or employee of the City shall be deemed to be a financial interest of such elected official or employee of the City. Any willful violation of this provision, with the expressed or implied knowledge of Contractor, shall render this Agreement voidable by the City and shall entitle the City to recover, in addition to any other rights and remedies available to the City, all monies paid by the City to Contractor pursuant to this Agreement without regard to Contractor's otherwise satisfactory performance of the Agreement.

**F. Prohibition on Political Activity.** None of the funds, materials, property, or services provided directly or indirectly under the terms of this Agreement shall be used in the performance of this Agreement for any partisan political activity, or to further the election or defeat of any candidate for public office.

**G. Conflicting Employment.** To ensure that the Contractor's efforts do not conflict with the City's interests, and in recognition of the Contractor's obligations to the City, the Contractor 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 the Contractor. It is incumbent upon the Contractor to notify the City and provide full disclosure of the possible effects of these matters on the Contractor's independent professional work on behalf of the City. Final decision on any such matters shall rest with the City.

**H. Non-Exclusivity.** This Agreement is non-exclusive and the Contractor may provide services to other clients, subject to the City's approval of any potential conflicts with the performance of this Agreement and the City may engage the services of others for the provision of some or all of the work to be performed under this Agreement.

**I. Assignment.** This Agreement and any part of the Contractor's interest in it are not assignable or transferable without the City's prior written consent.

**J. Terms Binding.** The terms and conditions of this Agreement are binding on any heirs, successors, transferees, and assigns.

**K. Jurisdiction.** The Contractor consents and yields to the jurisdiction of the State Civil

Courts of the Parish of Orleans and formally waives any pleas or exceptions of jurisdiction on account of the residence of the Contractor.

**L. Choice of Law.** This Agreement will be construed and enforced in accordance with the laws of the State of Louisiana without regard to its conflict of laws provisions.

**M. Construction of Agreement.** Neither party will be deemed to have drafted this Agreement. This Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties. No term of this Agreement shall be construed or resolved in favor of or against the City or the Contractor on the basis of which party drafted the uncertain or ambiguous language. The headings and captions of this Agreement are provided for convenience only and are not intended to have effect in the construction or interpretation of this Agreement. Where appropriate, the singular includes the plural and neutral words and words of any gender shall include the neutral and other gender.

**N. Severability.** Should a court of competent jurisdiction find any provision of this Agreement to be unenforceable as written, the unenforceable provision should be reformed, if possible, so that it is enforceable to the maximum extent permitted by law or, if reformation is not possible, the unenforceable provision shall be fully severable and the remaining provisions of the Agreement remain in full force and effect and shall be construed and enforced as if the unenforceable provision was never a part the Agreement.

**O. Survival of Certain Provisions.** All representations and warranties and all obligations concerning record retention, inspections, audits, ownership, indemnification, payment, remedies, jurisdiction, and choice of law shall survive the expiration, suspension, or termination of this Agreement and continue in full force and effect.

**P. No Third Party Beneficiaries.** This Agreement is entered into for the exclusive benefit of the parties and the parties expressly disclaim any intent to benefit anyone not a party to this Agreement.


**Q. Amendment.** No amendment of or modification to this Agreement shall be valid unless and until executed in writing by the duly authorized representatives of both parties to this Agreement.

**R. Non-Waiver.** The failure of either party to insist upon strict compliance with any provision of this Agreement, to enforce any right or to seek any remedy upon discovery of any default or breach of the other party at such time as the initial discovery of the existence of such noncompliance, right, default or breach shall not affect or constitute a waiver of either party's right to insist upon such compliance, exercise such right or seek such remedy with respect to that default or breach or any prior contemporaneous or subsequent default or breach.

**S. Entire Agreement.** This Agreement, including all incorporated documents, constitutes the final and complete agreement and understanding between the parties. All prior and contemporaneous agreements and understandings, whether oral or written, are superseded by this Agreement and are without effect to vary or alter any terms or conditions of this Agreement.

IN WITNESS WHEREOF, the City and the Contractor, through their duly authorized representatives, execute this Agreement.

**CITY OF NEW ORLEANS**

BY:   
\_\_\_\_\_  
**JASON R. WILLIAMS, PRESIDENT-CITY COUNCIL**

**FORM AND LEGALITY APPROVED:**  
Law Department

By:   
\_\_\_\_\_  
Printed Name: Julie A. Meyer

**POSTLETHWAITE & NETTENVILLE, APAC**  
One Galleria Blvd., Suite 2100  
Metairie, LA 70001

BY:   
\_\_\_\_\_  
**BRANDY SMITH**

**FEDERAL TAX ID NUMBER: 72-1202445**

January 15, 2016

The Honorable Jason Rogers Williams  
Council President  
City of New Orleans City Council  
1300 Perdido Street  
New Orleans, Louisiana 70112

Dear Mr. Williams:

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, 2015. This engagement between you and our firm will be governed by the terms of this letter.

We will audit the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City as of and for the year ended December 31, 2015 described in Appendix I. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary comparison schedules
3. Schedules required by GASB Statements No. 67 and 68

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

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1. Combining financial statements
2. Affidavit of the City as tax collector
3. Schedule of compensation paid to the City Council
4. Schedule of compensation, benefits, and other payments to the Mayor

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Introductory section
2. Statistical section

We will issue written reports upon our audits of the City's financial statements as set forth in Appendix I. Additional information regarding the planned scope and conduct of our audit is attached in Appendix II to this letter.

Brandy Smith, will be the partner in charge of all work we perform for you. Brandy Smith can be reached at One Galleria Blvd Ste. 2100, Metairie, Louisiana 70001 or by telephone at 504-837-5990.

### **Audit Objectives**

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

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of





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that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our single audit. Our reports will be addressed to the Mayor and City Council of the City of New Orleans. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the single audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

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.

We will make reference to the Component Auditors' audits of Components described in Appendix I in our report on your financial statements.

We will use professional judgment in determining the standards that apply to the work to be conducted. If this engagement will not satisfy the requirements of all audit report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements and will seek approval of the Legislative Auditor for the engagement. We will consider all standards that may apply, but in particular, we will determine whether a different type of engagement is needed based on:

- State of Louisiana's audit law.
- Audit requirements of *Government Auditing Standards*.
- OMB Uniform Guidance audit requirements for a single audit or program-specific audit when federal award expenditures equal or exceed \$750,000 for the fiscal year.
- Bond requirements, either to issue bonds or as a bond indenture provision.
- Other contractual requirements.



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### **Audit Procedures – General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention, and will also notify the Legislative Auditor in writing. Furthermore, should we become aware of fraud or misappropriation of assets, we shall also notify the appropriate enforcement agency, including the local district attorney and sheriff. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required by *Government Auditing Standards*, the Louisiana Governmental Audit Guide, and the Single Audit Act. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.



### **Audit Procedures – Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

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

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

### **Audit Procedures—Compliance**

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 provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB *Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

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### **Other Services**

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, RSI, supplementary information, and related notes of the City in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

### **Management responsibilities**

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements).

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps



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to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review by March 1, 2016.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as



your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, RSI, related notes, and all accompanying information, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual, preferably from senior management, with suitable skill, knowledge, or experience to oversee the following nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them:

- Assistance with preparation of the financial statements and the related notes
- Assistance with preparation of the schedule of expenditures of federal awards
- Assistance with preparation of the RSI
- Assistance with preparation of the supplementary information

#### **Our responsibility to communicate with the Audit/Budget 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.

### **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."

### **Reporting Package**

Immediately upon completion of the engagement, the auditor shall send a copy of the reporting package to the City Council and the Legislative Auditor (one single-sided unbound copy or one .pdf or .tif file). The reporting package will consist of the data collection form, to be prepared by management, and:

1. An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in conformity with accounting principles generally accepted in the United States and, when applicable, an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole. It is our understanding that these statements will include a schedule of per diem paid to the board members, a schedule of payments made to or on behalf of the Mayor, and a schedule of expenditures of federal awards (if applicable). The schedules will be reviewed as part of our audit in an attempt to provide supplemental information assurance on these schedules as part of our audit report.



2. A report on internal control and compliance with laws and regulations material to the financial statements. This report shall describe the scope of testing of internal control and compliance, the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs. The state laws and regulations included in this report shall include all of the compliance matters included in the Louisiana Compliance Questionnaire.
3. A report on internal control and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on major federal programs. The report will include an opinion (or disclaimer of opinion) as to whether you have complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program, and, where applicable, refer to the separate schedule of findings and questioned costs.
4. If applicable, a summary schedule of findings and questioned costs.
5. If applicable, a summary schedule of the current status of any prior findings, which you will prepare.
6. Management's corrective action plans, which you will prepare.
7. If applicable, a management letter to convey suggestions and recommendations not suitable for the foregoing reports. We will ask you to respond to any matters included in the management letter and include your response as a part of the issued management letter, or you may place your response to these matters in your corrective action plan.

We will assist you in the preparation of the state data collection form and sign, or disclaim, the form. In the preparation of the form should there be any material disagreements, we reserve the right to refuse to sign the form and report such matters to the appropriate federal officials and the Legislative Auditor.

At the conclusion of the engagement, we will complete the appropriate sections of the federal Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide a draft of all reports and the management letter to management prior to their issuance.

We will provide copies of our reports to the City Council and management of the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.



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

We understand that the City's employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

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.

Our audit will include a review of any prior-year suggestions and recommendations and will indicate the extent to which the summary schedule of prior year audit findings is fairly stated. As to any current-year recommendations and suggestions, we will afford you the opportunity to respond to such matters and will include your response(s) in management's corrective action plan.

The audit documentation for this engagement is the property of Postlethwaite & Netterville and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Legislative Auditor or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Postlethwaite & Netterville personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. We will follow the Legislative Auditor's policy regarding confidentiality of audit/ engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to audit documentation to any parties other than those previously named individuals and organizations.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Legislative Auditor. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.



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Should we become aware of any illegal acts, we shall make our audit documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. The audit documentation shall be retained by Postlethwaite & Netterville for a minimum of five years after the issuance of the report.

Subsequent to the issuance of the report, should it be necessary to alter or reissue the report and/or any management letter, Postlethwaite & Netterville, APAC shall distribute such reissued report and/or management letter in the same manner as the original report and management letter.

We expect to begin planning in January 2016 and final testing in March 2016, and to issue our reports no later than June 30, 2016. Brandy Smith is the engagement partner and is responsible for supervising the engagement and signing the report.

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 per this letter.

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.

The Legislative Auditor will be notified immediately, in writing, if our audit is cancelled or if there are any significant disagreements. The Legislative Auditor will be notified, immediately, in writing if there are any changes in this agreement or if there are any restrictions placed on our staff during the audit that would impact the scope of the audit, which includes the failure to produce required records in a timely manner, or the nature of the tests required under the previously discussed standards. If federally-assisted programs are involved, we are required to notify your cognizant or oversight agency.

During the course of our audit, it is possible that we may observe opportunities for economies of operation and for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in writing.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2013 peer review report accompanies this letter.

You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.



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Under the provisions of *Government Auditing Standards*, our ability to provide nonattest services may result in an impairment of our independence, and therefore may be limited for the duration of this engagement and for the period covered by this engagement. We will consult those standards and the Louisiana Legislative Auditor to determine whether such an impairment exists, prior to the performance of any nonattest services.

These limited procedures may not meet the needs of all users of audit reports, who may require additional information and assurances on internal control and compliance with laws and regulations. In accordance with *Government Auditing Standards*, you should consider whether additional testing of controls and compliance are necessary to supplement the financial statement audit's coverage of these areas and to meet the reasonable needs of report users. These additional needs are quite often met in two ways, by

- ◆ supplemental (or agreed-upon) procedures, or
- ◆ an examination resulting in an opinion.

We are available to discuss the expanded needs of report users, the nature of this expanded work, and the degree to which these type examinations, or other examinations, will meet the needs of the City and its report users.

### **Electronic Data Communication and Storage**

In the interest of facilitating our services to the City, we may send data over the Internet or store electronic data via computer software applications hosted remotely on the Internet. Electronic data that is confidential to the City may be transmitted or stored using these methods. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and data access secure in accordance with our obligations under applicable laws and professional standards.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or data once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us. You consent to our use of these electronic devices and applications and submission of confidential client information to third-party service providers during this engagement.

To enhance our services to you, we will use Accellion, a collaborative, virtual workspace in a protected, online environment. Accellion allows for real-time collaboration across geographic boundaries and time zones and allows Postlethwaite & Netterville and you to share data, engagement information, knowledge, and deliverables in a protected environment.

### **Approval**

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



The Honorable Jason Rogers Williams  
Council President  
City of New Orleans City Council  
January 15, 2016  
Page 14 of 14

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our audit. Upon your signature and approval, we will seek approval of this engagement from the Legislative Auditor.

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.

Sincerely,

POSTLETHEWAITE & NETTERVILLE, APAC



Brandy Smith, CPA, CGAP  
Director

Enclosure

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RESPONSE:


This letter correctly sets forth the understanding of the City Council and management of the City of New Orleans.

*Acceptance by the City of New Orleans:*

**Management**

Signature: Norman S. Foster  
Printed Name: NORMAN S. FOSTER  
Title: DIRECTOR OF FINANCE  
Date: 1/19/2016

**City Council**

Signature:   
Printed Name: Jason Rogers Williams  
Title: Councilmember At Large  
Date: 1.19.16



**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, 2015 are estimated at \$402,000 which includes the following as indicated in our fee proposal:

- \$270,000 for Task 1
- \$90,000 for Task 2 for up to 13 major programs or program clusters with an additional fee of \$4,000 for each additional major program or program cluster
- \$42,000 for Task 3

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*
- Single Audit report on compliance for each major federal program and report on internal control over compliance required by the Uniform Guidance
- Opinion on whether the Firefighters' Pension and Relief Fund and Subsidiaries' financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America
- Opinion on whether the Police Pension Fund's financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America
- 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 2015 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

We will assist you in the preparation of the data collection form and sign, or disclaim, the form. In the preparation of the form should there be any material disagreements, we reserve the right to refuse to sign the form and report such matters to the appropriate federal officials and the Legislative Auditor.

P&N understands that P&N's audit will not include the financial statements of the following components which will be audited by another firm of certified public accountants or by another P&N audit team as part of a separate audit engagement but included in the City's CAFR:

- Component Units:
  - Sewerage and Water Board
  - 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
  - New Orleans Building Corporation
  - New Orleans Municipal Yacht Harbor Management Corporation
  - Parish Hospital Service District for the Parish of Orleans – District A
- Debt Service Fund
- Pension Trust Funds:
  - Employees' Retirement System

Our report on the above described basic financial statements, insofar as they relate to the amounts included for these particular funds, will be based on the reports of the other auditors. It is our understanding that the reports on these components will be available by May 31, 2016.

Our report on the City's comprehensive annual financial report cannot be issued until all of the auditors of the above entities have issued their reports.

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.

This attachment is intended to communicate certain matters related to the planned scope and conduct of our audit of the financial statements described in the accompanying engagement agreement.

### **Communication**

Effective two-way communication between our audit team and those charged with governance (herein referred to as “you” or “your”) is important to understanding matters related to the audit and in developing a constructive working relationship.

We will consider your oversight of the effectiveness of internal control and at your direction, any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include information that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud, or any concerns you may have about the integrity or competence of your senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We will also communicate to you (and to management) any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

### **Independence**

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. We are not aware of any circumstances that have impaired our independence with respect to our engagement as described in the accompanying engagement agreement.

### **The Audit Planning Process**

Our audit approach places a strong emphasis on obtaining an understanding of how your business functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your business. The development of a specific audit plan will begin by meeting with you (and with management) to obtain an understanding of business objectives, strategies, risks, and performance.

We will obtain an understanding of internal control to assess the impact of internal control on determining the nature, timing and extent of audit procedures, and we will establish an overall materiality limit for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

We will use this knowledge and understanding, together with other factors, to first assess the risk that errors or fraud might cause a material misstatement at the financial statement level. The assessment of the risks of material misstatement at the financial statement level provides us with parameters within which to design the audit procedures for specific account balances and classes of transactions. Our risk assessment process at the account-balance or class-of-transactions level consists of:

- An assessment of inherent risk (the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement, assuming there are no related controls); and
- An evaluation of the design effectiveness of internal control over financial reporting and our assessment of control risk (the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by the entity's internal control).

We will then determine the nature, timing and extent of test of controls and substantive procedures necessary given the risks identified and the controls as we understand them.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the entity's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control. Management is responsible for designing and maintaining an effective internal control environment.

### **The Concept of Materiality in Planning and Executing the Audit**

In planning the audit, the materiality limit is viewed as the maximum aggregate amount of misstatements, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

### **Component Audits**

The City is comprised of various components which may be audited separately by another audit team, including those of other audit firms. In forming our opinion of the City, we will make reference to the audit report of the auditors for the City's components. We have considered the qualifications of the auditors of those components as well as adherence to appropriate audit and reporting standards by the components' auditors and the components, respectively and believe that our standards allow us to make reference to those audit reports.

### **Nonaudit Services**

The Government Accountability Office's *Government Auditing Standards* (the Yellow Book) is restrictive with respect to the provision of nonaudit services that impair the independence of auditors of entities that are subject to the Yellow Book. The 2011 Yellow Book identifies specific nonaudit services that always impair independence and that auditors are prohibited from providing to audited entities. If a nonaudit service is not specifically prohibited, the auditor is required to assess its impact on independence using the conceptual framework. Activities such as preparing financial statements, converting cash basis financial statements to accrual basis, and preparing reconciliations are nonaudit services that are to be evaluated using the conceptual framework. The Yellow Book requires the auditor to document threats to independence that require the application of safeguards and the safeguards applied (i.e., the auditor's application of the conceptual framework), the auditor's consideration of management's ability to effectively oversee nonaudit services, the understanding with the entity about the nonaudit service to be provided, the objectives of the service, any limitations of the service, the entity's acceptance of its responsibilities, and the auditor's responsibilities.



System Review Report

October 10, 2013

To the Directors of Postlethwaite & Netterville  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Postlethwaite & Netterville (the firm) applicable to non-SEC issuers in effect for the year ended May 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of Service Organizations Control (SOC) 2 engagements.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Postlethwaite & Netterville in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Postlethwaite & Netterville has received a peer review rating of *pass*.

*Fitts, Roberts & Co., P.C.*

Fitts, Roberts & Co., P.C.

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