

**CITY OF NEW ORLEANS  
REQUEST FOR PROPOSALS  
FOR AUDITING SERVICES**

The City Council, through its Budget/Audit/Board of Review Committee, is soliciting proposals from certified public accounting firms who wish to function as the principal auditor in performing the audit of the City's annual comprehensive financial statements and related tasks. Preference will be given to all firms with offices in the Greater New Orleans Metro area. The firm(s) selected pursuant to this RFP will perform the audit of the financial statements for the year ending December 31, 2007 and for the four subsequent years, assuming mutual satisfaction.

**Scope of Work:**

The proposal and fees should be based upon the scope of work as set forth in the attached contract and engagement letter. However, if any changes in scope for the year ending December 31, 2007, are necessitated by applicable changes in Governmental Accounting Standards, those changes should be incorporated into the scope and explained in the proposal.

The City's fiscal year is the calendar year. Planning for the audit usually begins in December; the heaviest workload occurs from March through May. Reports from other entities which are included in the City's report are generally received in late May. The City Charter and the Legislative Auditor require that the audit and related reports be issued by June 30th.

The City Council Budget/Audit/Board of Review Committee, which oversees the audit, meets monthly to receive status reports from the auditors and to receive the final reports and recommendations. The committee members include Councilmember Cynthia Hedge-Morrell, Chairman, Councilmember Arnie Fielkow and Councilmember Stacy Head. The

audit plan should include attendance at those meetings.

Firms which currently perform other audits that are consolidated in the CAFR were selected pursuant to a separate RFP and will participate in the audit of FY 2007. Separate engagement letters issued for those audits, include the Single Audit, Fire and Police Pension Systems, and Employees' Retirement System.

The Council asks that its principal auditor allocate 10% of hours required, to provide a material participation opportunity to a small accounting firm certified as a disadvantaged business enterprise or which includes minorities/women as principals or at the professional level.

**Pre-proposal Conference:**

A pre-proposal conference will be conducted on Friday, December 21, 2007, at 10 a.m. in Room 2W16, City Hall. The Council Fiscal Officer along with Derrick Muse, Deputy Director of Finance, will be available at the pre-proposal conference to address any questions of potential proposers. At that time, information to be provided will include, a copy of the City's most recent CAFR; information on computer software and hardware used in preparation of the City's financial statements; information on the work space, equipment, and staff assistance provided to the auditors; a list of reports and schedules to be provided to the Auditors by the Finance Department; and information on any problems anticipated in preparation for or performance of the audit. If you wish to receive any information other than that listed above, please request that information from Mr. Muse in writing, with a copy to the Council Fiscal Office, before 4 p.m. on Wednesday, December 19, 2007. The Finance Director fax number is 658-1706; the Fiscal Office fax number is 658-1100.

**Contents of proposal:**

- 1) The qualifications, training and experience in governmental accounting and auditing

of each professional who will be assigned to the project, with a description of each person's responsibilities. Information on the disadvantaged/minority/women business enterprise should be included. Professional staff may be substituted for those listed in the proposal only with the approval of the Council Budget/Audit/Board of Review Committee and only if the replacement staff provide qualifications and experience equal to or better than those staff members being replaced.

- 2) A description of the technical training and experience of professionals with ability to review and provide advice on data processing systems as they relate to governmental auditing.
- 3) Copies of the most recent peer review.
- 4) An estimate of the number of hours to be allocated to the task, by position, including the hours to be provided by the disadvantaged/minority/women business enterprise.
- 5) A brief audit plan and schedule, including deadlines for receipt of information needed from City staff and plans for coordinating the work of the members of the consortium.
- 6) A schedule of fees for the first year, including reimbursable costs, which follows the format used in the engagement letter.
- 7) A schedule of increases, if any, which would be anticipated in the subsequent four years of the engagement.
- 8) Four references, including name of responsible party, phone and fax numbers, and a brief description of the work performed, with dates.

- 9) A description of any additional services or reports which the firm would provide in connection with the audit.
- 10) If the firm is performing work that is or appears to be a conflict of interest, then that information should be disclosed.
- 11) A sworn affidavit listing all persons with an ownership interest in the respondent. 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. This affidavit is a public record.
- 12) A sworn affidavit stating that no other person holds an ownership interest in the respondent via a counter letter.
- 13) A list of all persons, natural or artificial, who are retained by the respondent at the time of the application and/or who are expected to perform work as sub-contractors in connection with the respondent's work for the City Council. The Council may require information on employees or sub-contractors of or ownership interests in the sub-contractor. This list is a public record.

### **Evaluation Criteria**

- 1) Appropriate qualifications and relevant experience of professionals to be assigned to the task, including training and experience with data processing systems.
- 2) Capability and commitment to provide sufficient staff to complete the task in a timely manner.
- 3) Information received from references.

- 4) Involvement at the professional level of members of disadvantaged/minority/women business enterprise and New Orleans domiciliaries.
- 5) Cost

**Proposal submission:**

**15 copies of the proposal should be submitted by 4:00 p.m. on Friday, January 11, 2008 to Calvin Aguiard, Council Fiscal Officer, Room 1E06 City Hall, 1300 Perdido Street, New Orleans, La. 70112. Proposals need not be bound.**

**Selection process:**

A staff evaluation committee, composed of the Council Chief of Staff, the Council Utilities Director, the Council Fiscal Officer, the Assistant Council Fiscal Officer, and the Deputy Director of Finance, will review and evaluate the proposals and provide its report to the Council Budget/Audit/Board of Review Committee. The review will include contact with references.

The Inspector General shall be notified in writing prior to any meeting of a selection or negotiation committee relating to the procurement of goods or services by the city, including meetings involving third party transactions. The notice required shall be given to the Inspector General as soon as possible after a meeting has been scheduled, but in no event later than twenty-four hours prior to the scheduled meeting. The Inspector General may attend all city meetings relating to the procurement of goods or services as provided herein, and may pose questions and raise concerns consistent with the functions, authority and powers of the Inspector General. An audio recorder or court stenographer may be utilized to record all selection or negotiation committee meetings attended by the Office of the Inspector General.

The Council Audit Committee may choose to interview some of the respondents; it is anticipated that the Director of Finance will be invited to participate in those interviews. The Budget/Audit/Board of Review Committee may make a recommendation to the City Council. The Council will make its decision by Council Motion. It is anticipated that the selection process will be completed during the month of January, 2008.

**Additional information:**

The City of New Orleans is not liable for any costs incurred prior to entering into a formal written contract. Any costs incurred in the preparation of the proposal, interview, or other pre-contract activity are the responsibility of the proposer.

All proposals submitted become the property of the City and, as such, are public information.

The City Council reserves the right to reject any or all proposals.

**Except for the pre-proposal conference and any written correspondence preceding it, no written or oral communications from potential applicants regarding this proposal shall be made to any Councilmember or City employee during this request for proposals process.**

**Deadline for proposal submission:**

**15 copies of the proposal should be submitted by 4:00 p.m. on Friday, January 11, 2008 to Calvin Aquillard, Council Fiscal Officer, Room 1E06 City Hall, 1300 Perdido Street, New Orleans, La. 70112. Proposals need not be bound.**

## **Attachments**

**AGREEMENT FOR PROFESSIONAL SERVICES**

**BETWEEN**

**THE CITY OF NEW ORLEANS**

**AND**

**“INSERT CONTRACTOR NAME”**

THIS AGREEMENT made and entered into as of the 1st day of February, 2008, by and between the City of New Orleans, herein represented by Arnie Fielkow, President of the Council (hereinafter referred to as "City"), and the Public Accounting Firm of “INSERT CONTRACTOR NAME” (“INSERT CONTRACTOR NAME”).

**W I T N E S S E T H**

WHEREAS, the Council of the City of New Orleans by Motion No. M-07-#, has in accordance with Section 6-107 of the Charter of the City of New Orleans, authorized its President, Arnie Fielkow to enter into a contract for the purpose of receiving an audit of the comprehensive annual financial report (CAFR) of the City and;

WHEREAS, the Public Accounting Firm of “INSERT CONTRACTOR NAME” is recognized as being fully competent in public accounting and auditing.

THE CITY OF NEW ORLEANS and the Firm of “INSERT CONTRACTOR NAME”, for consideration and under the conditions set forth do agree as follows:

**I. “INSERT CONTRACTOR NAME” AGREES:**

A. To audit the combined general purpose financial statements of the City of



New Orleans, Louisiana as of December 31, 2007, and for the year then ended, except that their audit will not include the financial statements of the following entities whose activities comprise the funds which will be audited by other auditors but included in the City's combined general purpose financial statements:

1. Component Units:

Canal Street Development Corporation

Downtown Development District

New Orleans Tourism Marketing Corp.

French Market Corporation

Orleans Parish Communications District

Audubon Commission

Sewerage and Water Board

Upper Pontalba Building Restoration Corp.

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

3. Pension Trust Funds

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

1. Government-wide statement of net assets.

2. Government-wide statement of activities.

3. Governmental funds - balance sheet.

4. Reconciliation of governmental funds balance sheet to statement of net assets.
  5. Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
  6. Reconciliation of governmental funds Statement of Revenues, Expenditures, and Fund Balance to Statement of Activities.
  7. Separate financial statements on proprietary and fiduciary funds.
  8. Notes to Financial Statements.
- C. That their audit of the City's general purpose 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 (OMB Circular A-133) at the financial statement level.
- D. To subject the combining, individual fund and account group statements and schedules to the auditing procedures applied in their audit of the City's general purpose financial statements.
- E. To perform specified audit procedures on the Passenger Facilities Charges received and expended by the New Orleans Aviation Board in 2007.
- F. To respond to periodic requests from the Legislative Auditor for review of allegations received by the office of the Legislative Auditor. Notice of each request for review, with a cost estimate, and a copy of the response to the

Legislative Auditor shall be provided to the Council Budget/Audit/BoR Committee through the Council Fiscal Officer and to the Chief Administrative Officer or his designee. Notwithstanding the foregoing, the parties agree that the performance of services under this subparagraph 1.F is contingent upon Contractor's completion of a review for actual or potential conflicts of interest and the execution of a separate engagement letter between the Contractor and the City.

- G. To perform procedures to provide assistance with respect to the requirements prescribed by the Louisiana Department of Environmental Quality in connection with the Local Government Financial Test as described by Title 33, Part VII of the Louisiana Environmental Regulatory Code.
- H. The City confirms that it has contracted separately for the A-133 audit at the program level. "INSERT CONTRACTOR NAME" shall not conduct any aspect of the A-133 audit.

**II. REPORTS TO BE ISSUED:**

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

1. A report on the audit of the City's general purpose financial statements as of

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

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

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

Item 3 above shall be delivered to the Board of Liquidation, City Debt.

**III. COMPENSATION:**

It is mutually agreed upon and understood that the total cost of the above-described audit and other assessments and reports to the City of New Orleans is estimated to be “INSERT CONTRACT AMOUNT”. It is further mutually agreed by the parties to this agreement that the fee of “INSERT CONTRACT AMOUNT”. assumes that (1) the City's general ledger and bank accounts have been reconciled as of year-end and reconciling items, if any, have been properly resolved, (2) no audit adjusting entries are required to reflect the City's general purpose financial statements in accordance with generally accepted accounting principles, (3) the City will provide supporting working papers to “INSERT CONTRACTOR NAME” consistent with those provided in prior years (4) all property, plant, equipment and infrastructure have been properly valued in accordance with GASB 42 and (5) the City will hire an outside accounting firm, other than “INSERT CONTRACTOR NAME”, to assist the City in maintaining accounting records and providing audit assistance.

**IV. EQUAL EMPLOYMENT OPPORTUNITY:**

In all hiring or employment made possible by or resulting from this contract, there (1) will not be any discrimination against any employee or applicant for employment because of race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture or ancestry, and (2) where applicable affirmative action will be taken to ensure that “INSERT CONTRACTOR NAME”

employees are treated during employment without regard to their race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture, or ancestry. This requirement shall apply to, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. All solicitations or advertisements for employees shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture, or ancestry.

**V. ASSIGNABILITY:**

“INSERT CONTRACTOR NAME” shall not assign any interest in this contract without prior written consent of the City of New Orleans.

**VI. CONFLICT OF INTEREST:**

In the interest of ensuring that efforts of “INSERT CONTRACTOR NAME” do not conflict with the interest of the City, and in recognition of “INSERT CONTRACTOR NAME” professional responsibility to the City, “INSERT CONTRACTOR NAME” 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 “INSERT CONTRACTOR NAME”. It is incumbent upon “INSERT CONTRACTOR NAME” to notify the City and provide full disclosure of the possible effects of these matters on “INSERT CONTRACTOR NAME” independent professional work on behalf of the

City. Final decision on any such matters shall rest with the City.

**VII. INDEMNIFICATION:**

“INSERT CONTRACTOR NAME” shall be solely responsible to indemnify and save harmless the City of New Orleans against any and all claims, demands, suits, judgments of sums of money to any party accruing against the City for loss of life or bodily injury or damage of real or tangible personal property to the extent directly and proximately caused by any act of negligence or willful misconduct of “INSERT CONTRACTOR NAME”, his agents, servants, or employees while engaged in or about or in connection with the discharge or performance of the services to be done or performed by “INSERT CONTRACTOR NAME” hereunder, and shall also hold the City harmless from any and all claims and/or liens for labor, services, or materials furnished to “INSERT CONTRACTOR NAME” in connection with the performance of his obligation under this Agreement.

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

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

shall not be considered an employee of the City for the purpose of Worker's Compensation coverage.

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

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

- A. “INSERT CONTRACTOR NAME” has been and will be free from any control or direction by the City over the performance of the services covered by this contract; and
- B. Service(s) to be performed by “INSERT CONTRACTOR NAME” is outside the normal course and scope of the City's usual business; and
- C. “INSERT CONTRACTOR NAME” has been independently engaged in performing the service(s) listed herein prior to the date of this contract. Consequently, neither “INSERT CONTRACTOR NAME” nor anyone employed by “INSERT CONTRACTOR NAME” shall be considered an employee of the City for the purpose of unemployment compensation coverage, the same being hereby expressly waived and excluded by the parties hereto.



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

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

**XI. CONTRACT STATEMENT:**

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

**XII. JURISDICTION:**

In connection with the confirmation of an arbitration award pursuant to the Engagement Letter at Annex A hereto, “INSERT CONTRACTOR NAME” consents and yields to the jurisdiction of the State Civil Courts of the Parish of Orleans and formally waive any pleas of jurisdiction based on “INSERT CONTRACTOR NAME” residence elsewhere.

**XIII. DURATION OF AGREEMENT:**

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

**XIV. FORCE MAJEURE:**

Notwithstanding any other provision in this contract, "INSERT CONTRACTOR NAME" shall not be liable for any delays or other non-performance resulting from circumstances or causes beyond its reasonable control, including, without limitation, hurricanes, tornadoes, floods, fire or other casualty, act of God, strike or labor

dispute, war or other violence, acts or omissions or the failure to cooperate pursuant to this contract by the City (including, without limitation, entities or individuals under its control, or any of their respective officers, directors, employees or other personnel or agents), acts or omissions of third parties not within "INSERT CONTRACTOR NAME" reasonable control, or any law, order or requirement of any governmental agency or authority.

**XV. CITY COOPERATION:**

The City understands that the proper and timely completion of "INSERT CONTRACTOR NAME" services hereunder requires the reasonable cooperation of the City and entities under its control, and their respective officials, employees, and other personnel and agents. The City agrees to provide all such reasonable cooperation to "INSERT CONTRACTOR NAME".

**XVI. INDEPENDENT CONTRACTOR:**

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

IN WITNESS THEREOF:

ATTEST

CITY OF NEW ORLEANS

---

Arnie Fielkow  
President-City Council

---

“INSERT CONTRACTOR NAME”  
“INSERT CONTRACTOR ADDRESS”

---

“Contractor Representative”  
Federal ID Number:

February 15, 2008

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

Dear Mr. Fielkow:

“INSERT CONTRACTOR NAME” (“INSERT CONTRACTOR NAME”) is pleased to serve as certified public accountants for the purpose of auditing and reporting on the financial statements of the City of New Orleans (the City) for the year ending December 31, 2007, subject to the completion of our client continuation process which is further discussed in the next section. This letter will confirm our understanding of our engagement to report upon our audit of the City’s financial statements described in Appendix I as of and for the year ended December 31, 2007 and the nature and scope of the services we will provide.

“NAME”, will be the partner in charge of all work we perform for you. “NAME” can be reached at “ADDRESS” or by telephone at #.

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

#### *Completion of Client Continuation Process*

“INSERT CONTRACTOR NAME” requires the completion of a client continuation process before beginning an annual audit for a continuing audit client. This is a risk assessment process on each client that can not be performed until the prior audit is complete. This process is to be based upon the latest information available after the completion of the prior year audit. Formal acceptance of the City of New Orleans audit for the year ended December 31, 2007 can not occur until the successful completion of this process and the completion of the audit contract with the City which will include this engagement letter as an attachment.

#### *Financial Statement Audit Services*

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

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

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

Our audits of the financial statements are planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, there is a risk that material errors, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements performed in accordance with the auditing standards generally accepted in the United States of America. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

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

#### *Internal Control Over Financial Reporting*

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

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

In accordance with *Government Auditing Standards*, we will prepare a written report, *Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAS report), on our consideration of internal control and tests of compliance made as part of our audits of the financial statements. While the objective of our audits of the financial statements is not to report on the City's internal control and we are not obligated to search for significant deficiencies or material weaknesses as part of our audits of the financial statements, this report will include any significant deficiencies and material weaknesses to the extent they come to our attention. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that

results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. This report will also include all illegal acts and fraud, unless clearly inconsequential and material violations of grants and contracts, and abuse. It will indicate that it is intended solely for the information and use of the Budget/Audit committee, the Council of the City, the Louisiana Legislative Auditor, and management of the City and federal awarding agencies and pass-through entities and that it is not intended to be and should not be used by anyone other than these specified parties.

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

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

#### *Offering Documents*

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

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

““INSERT CONTRACTOR NAME” , 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. “INSERT CONTRACTOR NAME” also has not performed any procedures relating to this official statement.”

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

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

- Corrected misstatements arising from the audits that could, in our judgment, either individually or in aggregate, have a significant effect on the City’s financial reporting process. In this context, corrected misstatements are proposed corrections of the financial statements that were recorded by management and, in our judgment, may not have been detected except through the auditing procedures performed.

- Uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in aggregate.
- Any disagreements with management or other serious difficulties encountered in performance of our audits.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

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

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

#### **Management responsibilities**

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

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

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



Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon. Because of the importance of management's representations to the effective performance of our services, the City will release all firms and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above.

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

Management is responsible for the distribution of the reports issued by "INSERT CONTRACTOR NAME". In accordance with *Government Auditing Standards*, the reports issued citing *Government Auditing Standards* are to be made available for public inspection.

### **Dispute Resolution**

Any dispute or claim arising out of or relating to the engagement letter between the parties, the services provided thereunder, or any other services provided by or on behalf of "INSERT CONTRACTOR NAME" or any of its subcontractors or agents to the City or at its request (including any dispute or claim involving any person or entity for whose benefit the services in question are or were provided) shall be resolved in accordance with the dispute resolution procedures set forth in Appendix II, which constitute the sole methodologies for the resolution of all such disputes. By operation of this provision, the parties agree to forego litigation over such disputes in any court of competent jurisdiction. Mediation, if selected, will take place in New Orleans, Louisiana. Arbitration shall take place in New Orleans, Louisiana. Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm and enforce any final award entered in arbitration, only in the State Civil Courts of the Parish of Orleans.

Notwithstanding the agreement to such procedures, either party may seek injunctive relief to enforce its rights with respect to the use or protection of (i) its confidential or proprietary information or material or (ii) its names, trademarks, service marks or logos, solely in the State Civil Courts of the Parish of Orleans. The parties consent to the personal jurisdiction thereof and to sole venue therein for such purposes.

### **Other matters**

This letter shall serve as the City's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between "INSERT CONTRACTOR NAME" and the City and between "INSERT CONTRACTOR NAME" and outside specialists or other entities engaged by either "INSERT CONTRACTOR NAME" 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 "INSERT CONTRACTOR NAME". "INSERT CONTRACTOR NAME" 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 "INSERT CONTRACTOR NAME" 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 "INSERT CONTRACTOR NAME" presentations and intranet sites.

"INSERT CONTRACTOR NAME" is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

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

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

\* \* \* \* \*

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

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

*Other Government Auditing Standards Matters*

As required by *Government Auditing Standards*, we have attached a copy of "INSERT CONTRACTOR NAME" most recent peer review report and letter of comments.

We will also assist management in drafting the financial statements and notes. In accordance with *Government Auditing Standards*, we are required to confirm that management accepts responsibility for the financial

statements and notes and, therefore, has a responsibility to be in a position in fact and appearance to make an informed judgment about them and that management will:

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

*Additional Reports and Fees for Services*

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

\* \* \* \* \*

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

Very truly yours,

"Contractor Representative"  
"INSERT CONTRACTOR NAME"

City of New Orleans City Council  
February 15, 2008  
Page 28

ACCEPTED:

City of New Orleans

\_\_\_\_\_  
The Honorable Arnie Fielkow

\_\_\_\_\_  
Council President City of New Orleans

\_\_\_\_\_  
Date

---

Cc: Councilmember Cynthia HedgeMorrell

### Fees for Services

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

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

In addition to the above fees, "INSERT CONTRACTOR NAME" will be reimbursed for travel/lodging and related direct out-of-pocket expenses for those employees utilized from our offices outside of New Orleans.

"INSERT CONTRACTOR NAME" understands that "INSERT CONTRACTOR NAME" audit will not include the financial statements of the following funds which will be audited by other auditors but included in the City's CAFR:

- Component Units:
  - Canal Street Development Corporation
  - Downtown Development District

New Orleans Tourism Marketing Corporation  
Orleans Parish Communication District  
Audubon Commission  
French Market Corporation  
Sewerage and Water Board  
Upper Pontalba Building Restoration Corporation

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

“INSERT CONTRACTOR NAME” will not perform the A-133 audit at the program level. The City has separately contracted with a firm to perform these audit procedures and to report thereon.

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

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

Dispute Resolution Procedures

The following procedures are the sole methodologies to be used to resolve any controversy or claim (“dispute”). If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

***Mediation***

Any party may request mediation of a dispute by providing a written Request for Mediation to the other party or parties. The mediator, as well as the time and place of the mediation, shall be selected by agreement of the parties. Absent any other agreement to the contrary, the parties agree to proceed in mediation using the CPR Mediation Procedures (effective April 1, 1998) issued by the Center for Public Resources, with the exception of paragraph 2 which shall not apply to any mediation conducted pursuant to this agreement. As provided in the CPR Mediation Procedures, the mediation shall be conducted as specified by the mediator and as agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with facilitation by the mediator, to reach a consensual resolution of the dispute. The mediation shall be treated as a settlement discussion and shall be confidential. The mediator may not testify for any party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceeding. Each party shall bear its own costs in the mediation. Absent an agreement to the contrary, the fees and expenses of the mediator shall be shared equally by the parties.

***Arbitration***

Arbitration shall be used to settle the following disputes: (1) any dispute not resolved by mediation 90 days after the issuance by one of the parties of a written Request for Mediation (or, if the parties have agreed to enter or extend the mediation, for such longer period as the parties may agree) or (2) any dispute in which a party declares, more than 30 days after receipt of a written Request for Mediation, mediation to be inappropriate to resolve that dispute and initiates a Request for Arbitration. Once commenced, the arbitration will be conducted either (1) in accordance with the procedures in this document and the Rules for Non-Administered Arbitration of the CPR Institute for Dispute Resolution (“CPR Arbitration Rules”) as in effect on the date of the engagement letter or contract between the parties, or (2) in accordance with other rules and procedures as the parties may designate by mutual agreement. In the event of a conflict, the provisions of this document and the CPR Arbitration Rules will control.

The arbitration will be conducted before a panel of three arbitrators, two of whom may be designated by the parties using either the CPR Panels of Distinguished Neutrals or the Arbitration Rosters maintained by any United States office of the Judicial Arbitration and Mediation Service (JAMS). If the parties are unable to agree on the composition of the arbitration panel, the parties shall follow the screened selection process provided in Section B, Rules 5, 6, 7, and 8 of the CPR Arbitration Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator shall be appointed unless he or she has agreed in writing to abide and be bound by these procedures.

The arbitration panel shall issue its final award in writing. The panel shall have no power to award non-monetary or equitable relief of any sort. Damages that are inconsistent with any applicable agreement between

the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages, shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

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

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only as provided in the CPR Arbitration Rules. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests.

The award reached as a result of the arbitration will be binding on the parties, and confirmation of the arbitration award may be sought in any court having jurisdiction.



---

INSERT PEER REVIEWS