



**CITY OF CALLAWAY, FLORIDA  
CITY HALL**

6601 East Highway 22, Callaway, FL 32404  
Phone 850-871-6000 • FAX 850-871-2444  
www.cityofcallaway.com

Mayor  
Thomas W. Abbott

Commissioners  
Dennis A. DeLapp  
Pamn Henderson  
David Otano  
Ralph L. Hollister

**NOTICE OF MEETING**

**CALLAWAY AUDIT COMMITTEE  
AUDIT COMMITTEE MEETING**

**Wednesday, March 13, 2013 – 6:00 P.M.**

**CALLAWAY ARTS & CONFERENCE CENTER**

**500 CALLAWAY PARK WAY, CALLAWAY, FL 32404**

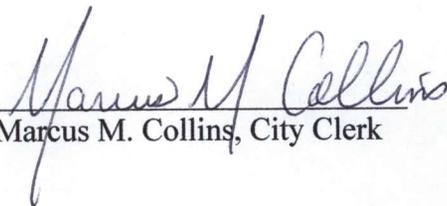
William Castor   Pamn Henderson   John L'Heureux   Shelley McKinney   Doug Smith

**AGENDA**

CALL TO ORDER  
ROLL CALL  
APPROVAL OF MINUTES – February 27, 2012

**BUSINESS ITEMS:**

ITEM #1      Development of RFP for Auditing Services

  
Marcus M. Collins, City Clerk

If a person decides to appeal any decision made by the City Commission with respect to any matter considered at the meeting, if an appeal is available, such person will need a record of the proceeding and such person may need to ensure that a verbatim record of the proceeding is made, which record includes the testimony and evidence upon which the appeal is to be based. Any person requiring a special accommodation at this meeting because of a disability or physical impairment should contact Callaway's City Clerk, at 6601 E. Highway 22, Callaway, FL 32404; or by phone at (850) 871-6000 at least five calendar days prior to the meeting.

If you are hearing or speech impaired, and you possess TDD equipment, you may contact the City Clerk using the Florida Dual Party Relay System, which can be reached at 1-800-955-8770 (Voice) or 1-800-955-7661 (TDD).

**Fire Department**  
P: 850-871-2753  
F: 850-871-5564

**Leisure Services**  
P: 850-874-0031  
F: 850-874-9977

**Planning / Code Enforcement**  
P: 850-871-4672  
F: 850-871-2404

**Public Works**  
P: 850-871-1033  
F: 850-871-2416

**Arts & Conference Center**  
P: 850-874-0035  
F: 850-874-0706

***"This institution is an equal opportunity provider and employer."***

**CALLAWAY AUDIT COMMITTEE MEETING**  
**February 27, 2013**  
**TIME: 5:00 P.M.**

Called to order by Chairperson McKinney at 5:00 P.M.

ROLL-CALL – PRESENT: Shelley McKinney, John L’Heureux, Doug Smith

MEMBER/S ABSENT: Bill Castor, Commissioner Pamn Henderson

ALSO PRESENT: Sandra Hirth

**APPROVAL OF MINUTES:**

Doug Smith moved to approve the Audit Committee meeting minutes of December 13, 2012. John L’Heureux moved to second the motion.

All ayes  
Bill Castor – Absent  
Pamn Henderson - Absent

**BUSINESS ITEMS:**

**ITEM #1 REVIEW DRAFT FY12 AUDIT – ANGELA BALENT, WARREN AVERETT**

Ms. Balent distributed 2012 Audit Results Presentation information to the members. She explained the need for an A133 single audit due to the City receiving more than \$500,000.00 in grants. This audit is in addition to the regular City audit. They noted no deficiencies in internal control over compliance for the three audited grants – Community Development Block Grant, Energy Efficiency Conservation Black Grant (ARRA), and DOT – Highway Planning and Construction Grant (ARRA). She explained the Sandy Creek Special Assessment final legal opinion was not received until after year end (December, 2012) so it will be shown in the FY13 receivables. They reviewed the City’s most sensitive estimates to the financial statements – the investment in Florida Small Business Administration Pooled Cash Fund B which has a balance as of September 30, 2012 of \$299,851 which is less than the \$304,000 from FY 11. The auditors proposed two audit adjustments – one for \$22,000 and the other for \$14,000. These were not significant and therefore will not have a Comment made.

Ms. Balent was pleased to announce they had no disagreements with management during the course of the audit. There were no fraud or illegal acts that they became aware of during the audit. She stated that management did a commendable job in preparing for the audit. There were no instances of material weaknesses or significant deficiencies in internal control over financial reporting and compliance, or in internal control over major federal programs and compliance.

They had three recommendations to management. 1) Develop a debt service strategy and perform an analysis of rates in the Water and Sewer Funds. The City’s response to this recommendation is to continue to focus on debt management by searching ways to reduce spending through early payoff of loans thereby reducing the annual debt payments. These savings can be redirected to make annual and advance payments on remaining City of Callaway, Audit Committee Meeting – 12/13/12 - Minutes

debt ; 2) Strengthen the anti-fraud program by adopting periodic documented fraud risk assessments, a written response plan, training for committee and City employees on warning signs of fraud and a policy for reporting fraud with knowledge given regarding the whistleblower policy. The City's Audit Committee with assistance from the City Manager developed a written Fraud Reporting Policy. The Policy was approved by the City Commission in January, 2013 and mandatory training was implemented in February, 2013.; and 3) The need to document control risk assessment (key business processes) regarding what could go wrong, strategizing on this and to identify the most important issue that could happen. The City would then re-examine internal controls, write them down with their pros and cons for documentation.

Ms. Balent said the City has a good, solid General Fund balance in these economic times. She stated there is a net loss in the Enterprise Funds due to the Water account. She said the City is in overall good financial condition, we just need a long term debt payment plan.

With regard to reporting fraud, she stated there is an on-line site, Red Flag Reporting, that allows reporting a suspected fraud situation that other entities are using that may be something we would be interested in checking out. She will get the information to Chairman McKinney.

The Audit Committee members actively pursued information with regard to issues that Ms. Balent brought up throughout her presentation. Ms. Balent answered all questions thoroughly and complimented the Committee members for their interaction during this briefing. She asked that she be placed on the March 12, 2013, Regular Commission Agenda for a presentation of the audit to the Commission.

Doug Smith made a motion to approve the Draft FY12 Audit. John L'Heureux seconded the motion.

All ayes  
Bill Castor – Absent  
Pamn Henderson – Absent

**ITEM #2 DISCUSSION OF RFP (REQUESTS FOR PROPOSALS) FOR AUDITING SERVICES – CHAIRMAN MCKINNEY**

Chairman McKinney said Resolution 12-20 states the Callaway Audit Committee "may" be tasked with recommending an auditor. Due to this wording, she will ask City Manager Collins to place her on the agenda to address the Commission regarding their wishes in this area. After a discussion, it was thought that the intent of the Florida Statute was the selection of an auditor is the primary duty of an Audit Committee.

Chairman McKinney discussed the 2010 RFP for Auditing Services with the members. She asked Sandy Hirth to send each Audit Committee member a copy of FS 218.391. Chairman McKinney believes this is the Florida Statute that addresses Audit Committees, their duties, requirements for auditors such as municipal experience, number of people in the auditing firm, location of the firm and various other criteria. She asked that each member review the statute and develop a draft scoring instrument for proposals and to bring it to the next Audit Committee meeting. With regard to the next Audit Committee meeting, Chairman McKinney would like to have another meeting as soon after the City of Callaway, Audit Committee Meeting – 12/13/12 - Minutes

Commission meeting on March 12<sup>th</sup> as possible. She asked that Sandy send out an email to the Committee members on February 28<sup>th</sup>, attach the FS 218.391 and ask who is available for a meeting on March 13 or March 14 and the earliest time they can meet. This meeting will be to develop the 2013 RFP for Auditing Services and the scoring instrument to be used to score the firms that apply.

There being no further business, Doug Smith moved to adjourn the meeting. John L'Heureux seconded the motion and the meeting was adjourned at 6:53 P.M.

---

Sandra B. Hirth, Assistant to the City Manager

DRAFT

For Use Only as a Guide !

**COPY**



**REQUEST FOR PROPOSAL PACKAGE RECEIPT**

Please complete the information below if you are picking up a RFP package from the City of Callaway. This information will allow us to contact you should there be a change or if additional information is to be provided in the RFP request.

Thank you.

**RFP Package Received:** Request for Proposal for Audit Services

**Date Received:** \_\_\_\_\_

**Company Name:** \_\_\_\_\_

**Company Address:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Company Phone & Fax Number:** \_\_\_\_\_

**COPY**

**THE CITY OF CALLAWAY  
REQUEST FOR PROPOSAL FOR AUDIT SERVICES**

The City Commission of the City of Callaway ("Commission") is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending September 30, 2010, 2011 and 2012. These audits are to be performed in accordance with general auditing standards in addition to the following:

- (1) Section 218.39, Florida Statutes
- (2) Rules of the Florida Department of Financial Services
- (3) Rules of the Auditor General (Chapter 10.550, Local Government Entity Audits)
- (4) AICPA Audit and Accounting Guide – Audits of State and Local Governmental Units
- (5) Federal and Florida Single Audit Acts
- (6) *Government Auditing Standards* issued by the Comptroller General of the United States
- (7) Circular No. A-133, Executive Office of the President, Office of Management and Budget, Washington, DC

**I. General Information**

- 1) The City of Callaway has a population of 14,233 (U. S. Dept. of Commerce, 2000 Census. It has 5,541 total households as of September 30, 2000 (U. S. Dept. of Commerce, 2000 Census) and has 8,340 registered voters (Bay County Supervisor of Elections Office as of September, 2008).

Callaway is comprised of approximately 12 square miles and is served by two major roadways – U. S. 98 and S. R. 22. The Bay County Sheriff's Office contracts with the City to provide law enforcement services. Callaway has its own Fire Department which provides fire protection not only for the City but for some of the unincorporated areas of Bay County.

- 2) The Audit Committee consists of one (1) City Commissioner, one (1) City Employee, and three (3) Citizens of Callaway. A copy of Resolution 08-31 is attached.

**COPY**

- 3) Questions regarding the Request for Proposal (RFP) are to be addressed to:

Genette Bernal,  
City Clerk  
City of Callaway  
6601 East Highway 22  
Callaway, Florida 32404  
Telephone: (850) 871-6000

- 4) All responses to this RFP must be received as soon as possible, but no later than 2:00 p.m. (CST) February 3, 2010, at the address listed above. Original and nine signed copies of your proposal shall be submitted in one sealed package, clearly marked on the outside "Proposal for Independent Auditing Services". All responses received by the deadline above will be unsealed at 2:15 p.m. (CST) February 3, 2010, at the address listed above. Any responses received after the deadline will be returned to the proposer unopened and marked "RECEIVED AFTER DEADLINE". All costs incurred by the responding firms in preparing proposals to this request will not be reimbursed by the City of Callaway.
- 5) The Audit Committee reserves the right to reject any or all proposals submitted and to request additional information from the proposers. At the discretion of the Commission or the Audit Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.
- 6) The Commission reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Callaway and the firm selected.
- 7) The Audit Committee will rank the proposers and recommend the highest ranked firm in accordance with Section 218.391, Florida Statutes to the Commission. Upon approval, it is anticipated that the Commission will enter into a three year contract for services related to fiscal years ending September 30, 2010; September 30, 2011; and September 30, 2012.

**COPY**

- 8) **RFP Calendar:**
- |          |  |
|----------|--|
| 12/18/09 | Request for Proposal noticed   |
| 1/15/10  | All inquiries submitted in writing   |
| 2/3/10   | Responses to RFP due (2:00 p.m. CST)   |
| Feb/Mar  | February/March 2010 – During these months the Audit Committee will meet to evaluate the proposals with the intention of making a formal recommendation to the City Commission at the Regular Commission Meeting on either the 2 <sup>nd</sup> or 4 <sup>th</sup> Tuesday of March. |
- 9) **Audits for the last several fiscal years were completed by Carr, Riggs & Ingram, LLC.**
- 10) **The City of Callaway does not have an internal audit department.**
- 11) **All requirements and conditions set forth in this RFP shall be incorporated into the contract between the City of Callaway and the selected firm unless expressly provided otherwise by the contract.**

**II. Description of Records to be Audited**

- 1) **The City provides a full range of services including public safety (law enforcement and fire), physical environment, economic environment, highways and streets, general administrative services, culture, and recreation. In addition the City also operates three enterprise activities: Water, Sewer, and Solid Waste services. Also, the City sits as the CRA Board of the City of Callaway CRA. Risk Management programs within the City consist of the following programs: Workers Compensation coverage by Florida Municipal Insurance Trust, property and liability insurance, as well as public officials insurance; and City-paid disability and term life insurance for all full time employees, as well as subsidies of health insurance.**
- 2) **The City maintains its own accounting records**
- 3) **All accounting records are maintained on the modified accrual basis with accounting records for enterprise and internal service funds converted to full accrual basis at fiscal year-end.**
- 4) **Budgets are integrated with the accounting records.**

**III. Services Required**

- 1) **Prepare an audit and an opinion on the basic financial statements of the City of Callaway. The audit is to be done in accordance with the Rules of**

**COPY**

the Auditor General, Chapter 10.550; the Federal and Florida Single Audit Acts (if applicable); OMB Circular A-133; *Government Auditing Standards* issued by the Comptroller General of the United States; and the AICPA Auditing Standards. In addition, as part of the Audit, the City requires the conduct of a random sample of city employees to gather information of any suspicious activity, suspected fraud, abuse, or internal control problems.

- 2) Final audit required by this RFP must be completed within five (5) months of the end of the fiscal year.
- 3) Prepare a calendar including the following items which will be established by the Audit Committee:
  - a. Contract signed with proposer
  - b. Interim audit procedures
  - c. Fiscal year end for the City of Callaway
  - d. Close books of the City of Callaway
  - e. Preliminary management comments and recommendations delivered to the City of Callaway Audit Committee
  - f. Written management comments delivered to the City of Callaway Audit Committee
  - g. First draft of financial statements delivered to Director of Finance and the Audit Committee
  - h. Second draft of financial statements delivered to Director of Finance and the Audit Committee
  - i. Final production of financial statements delivered to Director of Finance and Audit Committee.
  - j. Provide a formal "outbrief" to the City Commission and Audit Committee in a public workshop.
- 4) Prepare a draft of the City of Callaway's financial statements and related notes to be reviewed and approved by the City of Callaway.
- 5) Prepare all required note disclosures for the City of Callaway's financial statements.
- 6) Prepare the Annual Financial Report which shall include the following contents:

Title Page

Financial Section

Report of Independent Accountants  
Management's Discussion and Analysis  
Basic Financial Statements

**COPY**

**Statement of Net Assets  
Statement of Activities  
Statement of Cash Flow  
Notes to Financial Statements**

**Independent Auditor's Report on Additional Information**

**Schedule of Expenditures of Federal Awards**

**Report on Compliance and Internal Control**

**Summary of Findings**

**Independent Auditor's Management Letter**

- 7) **Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue the following reports for the City of Callaway.**
  - a. **A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.**
  - b. **A report on the internal control structure based on the auditors understanding of the control structure and assessment of control risk.**
  - c. **A report on compliance with applicable laws and regulations.**
  - d. **Reports on compliance with specific requirements applicable to Federal awards and State financial assistance programs.**
  - e. **The auditor shall communicate in a letter to management and the Audit Committee any reportable conditions found during the audit.**
- 8) **Department of Financial Services report review as required by Section 218.32(1), Florida Statutes.**
- 9) **Assistance in providing guidance and implementing changes in governmental accounting standards**
- 10) **For any debt issued by the City of Callaway, which included an official statement in connection with the debt containing basic financial statements and the report of independent accounts, the firm shall be required to issue a "consent and citation of expertise" as auditor and any necessary "comfort letters" at no additional cost to the City of Callaway.**

COPY

- 11) **Fraud and illegal acts:** Auditors shall be required to make an immediate, **written** report of all fraud and illegal acts.
- 12) **Support by City Staff**

City Staff will perform the year-end closing of the books  
City Staff will provide information necessary for preparing draft financial statements and related notes  
City Staff will prepare work schedules and related materials as requested by the selected firm  
City Staff will provide paid invoices, cancelled checks and other supportive documentation as requested by the firm.

#### IV. **Qualifications of the Auditor**

- 1) The firm must have been established in Florida and performed continuous CPA services for a minimum of five years.
- 2) The firm should clearly indicate its available governmental expertise. Resumes should be provided for the partner and manager who would be in charge of the audit.
- 3) The individuals who will be primarily responsible for the audit must have 24 hours of governmental accounting and auditing CPE.
- 4) The firm should indicate its approach to peer review and provide a report of the most recent peer review. Indicate whether that peer review included a review of local government client activities.
- 5) The firm should indicate any disciplinary actions that have been instituted or proposed against the firm during the last three years.
- 6) The firm should describe the results of any State or Federal reviews during the past three years of the firm's governmental client audit work.

#### V. **Information to be Included in the Proposal**

- 1) Title page showing the RFP subject, the name of the firm, address, telephone number, the name of the contact person and the date.
- 2) A table of contents providing a clear identification of the material by section and by page number.
- 3) A statement setting forth the proposer's understanding of the work to be done and a positive commitment to perform the work within the specified time period.

**COPY**

- 4) **A statement as to whether the firm is local, regional or national.**
- 5) **The location of the office from which the work is to be done and the number of personnel in that office who would be working on the audit.**
- 6) **An identification of the partners, managers and supervisors who will work on the audit, including staff from other than the local office if necessary for this audit. Resumes for each managerial and supervisory person to be assigned to the audit should be submitted and include the following information:**
  - a. **Formal education**
  - b. **Supplemental education relative to governmental accounting and auditing**
  - c. **Experience in public accounting in general**
  - d. **Experience in private business or government**
  - e. **Experience in auditing governmental units**
  - f. **Membership in various national and state governmental accounting boards, committees, or associations (past and present)**
  - g. **Professional recognition, such as Certified Public Accounting licenses, awards, etc.**
- 7) **A description of your office's experience in preparing governmental financial statements and in providing assistance in obtaining the Certificate of Achievement for Excellence in Financial Reporting.**
- 8) **A listing of Florida counties and municipalities for which your firm is providing or has provided audit services.**
- 9) **The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section III of this request for proposal.**

**Proposers will be required to provide the following information on their audit approach:**

- a. **Proposed segmentation of the engagement**
- b. **Level of staff and number of hours to be assigned to each proposed segment of the engagement.**
- c. **Sample size and the extent to which statistical sampling is to be used in the engagement.**
- d. **Extent of use of EDP software in the engagement.**
- e. **Type and extent of analytical procedures to be used in the engagement.**

**COPY**

- f. Approach to be taken to gain and document an understanding of the internal control structure.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

**V. Evaluation Procedures**

- 1) All responses will be reviewed by the Audit Committee using the mandatory and technical quality elements below and the committee may use as guidance the latest Auditor Selection Guidelines prepared by the Florida Auditor Selection Task Force.
- 2) The responses will be evaluated using two sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored on technical qualifications. Cost of services shall not be considered at this stage. The following represent the principal criteria which will be considered during the evaluation process.

**Mandatory Elements:**

- a. The audit firm is independent and licensed to practice in Florida
- b. The firm has no conflict of interest with regard to any other work performed by the firm to the City of Callaway
- c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal
- d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.
- e. Ability to provide the required services in a timely fashion.

**Technical Quality:**

- a. General Government audit experience
- b. Qualifications of individuals assigned to audit
- c. Size and organization structure of firm
- d. Demonstrated understanding of City's requirements
- e. Audit approach

**VI. Note to All Prospective Proposers**

**QUESTIONS OR INQUIRIES REGARDING THE MEANING OR INTERPRETATION OF ANY OF THE PROVISIONS OF THIS RFP MUST BE**

**COPY**

**MADE IN WRITING PRIOR TO CLOSE OF BUSINESS JANUARY 15, 2010 AND DIRECTED TO CITY CLERK OF THE CITY OF CALLAWAY. ALL WRITTEN QUESTIONS WILL BE PROVIDED TO THE AUDIT COMMITTEE MEMBERS, THE APPROPRIATE STAFF WITHIN THE CITY OF CALLAWAY, AND ALL PARTIES WHO HAVE PICKED UP RFP PACKAGES AT THE TIME OF THE QUESTION. WHEN RESPONSES ARE REQUIRED TO ANY INQUIRY, THE RESPONSE SHALL BE MADE THROUGH THE CITY CLERK IN WRITING AND PROVIDED TO THE AUDIT COMMITTEE AND TO ALL PARTIES WHO HAVE PICKED UP RFP PACKAGES. CONTACT WITH OTHER CALLAWAY PERSONNEL FOR PURPOSES OF INQUIRIES REGARDING MEANING OR INTERPRETATION SHALL BE GROUNDS FOR ELIMINATION.**