

**FIRST EXTENSION/AMENDMENT
TO THE AGREEMENT
FOR PROFESSIONAL AUDITING SERVICES**

JUNE 2006



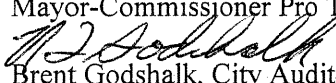
**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

June 14, 2006

TO: Audit, Finance and Legislative Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Craig Lowe, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: First Extension/Amendment to the Agreement for Professional Auditing Services between the City of Gainesville and Davis, Monk & Company and Ernst & Young LLP

Recommendation

The Audit, Finance and Legislative Committee recommend that the City Commission:

- 1) Approve the first extension/amendment to the agreement for professional auditing services with Davis, Monk & Company and Ernst & Young LLP, and
- 2) Authorize the City Auditor to execute the first extension/amendment subject to the review of the City Attorney as to form and legality.

Explanation

The City's Charter requires an annual financial audit to be completed by an independent certified public accountant. For the past five years, the independent CPA firms of Davis, Monk & Company and Ernst & Young LLP have provided these services through a contract executed in August 2001 and administered by the City Auditor's Office. The contract provides an option to extend these services for an additional three years and the joint venture of Davis, Monk and Company and Ernst & Young LLP is agreeable to extending the agreement. They have requested an increase in the base fee for audit services, due to increased governmental accounting and auditing pronouncements that will impact the City's future audits.

The City Auditor's Office has discussed the proposed contract extension with representatives from both General Government and Gainesville Regional Utilities and there is consensus that the proposed three year extension would be in the City's best interest given the high level of service and competitive rates provided by the current vendor. In addition, a review of the independent auditors' services and fees and a comparative analysis of fees charged to other Florida municipalities for similar services indicates that their proposed rates remain competitive. A competitive selection process will be conducted at the end of the three year extension.

Fiscal Note

The base fee for audit services was approximately \$160,000 for the fiscal year 2005 audit. Fees for the next three years are proposed at \$170,000, \$180,000 and \$190,000 as shown in Exhibit A. Fees for these services are shared by General Government and Gainesville Regional Utilities and will be provided in the proposed budget documents for each.

**FIRST EXTENSION/AMENDMENT TO THE
AGREEMENT FOR PROFESSIONAL SERVICES**

THIS AGREEMENT is made and entered into this _____ day of _____, 2006, by and between THE CITY OF GAINESVILLE, FLORIDA, a municipal corporation (hereinafter referred to as "CITY"), and Davis, Monk & Company ("Davis Monk") and Ernst & Young LLP ("E&Y"), partnerships authorized to do business in the State of Florida, Davis Monk and E&Y collectively (hereinafter referred to as "AUDITOR").

WHEREAS, the CITY and AUDITOR have previously entered into an agreement for auditing services dated August 17, 2001 and

WHEREAS, the CITY and AUDITOR desire to continue the agreement through the completion of auditing services for the City's fiscal year ended September 30, 2008.

NOW, THEREFORE, the parties hereto agree as follows:

1. AUDITOR will continue to provide the services described in the agreement dated August 17, 2001 and first extension/amendment dated _____ for the City's fiscal years ending September 30, 2006, 2007 and 2008, subject to the same terms and conditions.
2. AUDITOR will be compensated by the City in accordance with the compensation terms and payment schedule attached as Exhibit A.
3. This extension/amendment, when executed, together with the original contract, constitute the entire contract between the parties.

DAVIS, MONK & COMPANY:

ERNST & YOUNG LLP:

Alan Nast, Partner

Michael Pattillo, Partner

WITNESS:

WITNESS:

Title

Title

WITNESS:

CITY OF GAINESVILLE:

Brent Godshalk, City Auditor

EXHIBIT A

Compensation:

During the period of this first extension/amendment to the agreement for professional auditing services, compensation will be in accordance with the Auditor's fee as negotiated and accepted by the City. The base fee for audit services and the payment schedule for the fiscal years ended September 30, 2006 (Year 1) through September 30, 2008 (Year 3) are as follows:

Year 1 (Fiscal Year 2006).....	\$170,000
Year 2 (Fiscal Year 2007).....	\$180,000
Year 3 (Fiscal Year 2008).....	\$190,000

Payment Schedule for Years 1, 2 and 3:

For Year 1 (the fiscal year ended September 30, 2006), the base fee for general audit services of \$170,000 is to be paid in accordance with the following schedule:

October, 2006	50%
November, 2006	25%
December, 2006	20%
Upon Completion	<u>5%</u>
	<u>100%</u>

For Years 2 and 3, the same relative payment schedule and percentage breakdown will be applied to the compensation for those years.