

**AN ORDINANCE TO RATIFY AND AUTHORIZE AN AGREEMENT
WITH BELFINT, LYONS & SHUMAN, P.A., FOR THE CONDUCT OF
THE CAFR AND FEDERAL FUNDS AUDITS FOR FISCAL YEARS
2015, 2016 AND 2017**

#4159

Sponsors:

**Council
President
Gregory**

**Council
Member
Freel**

WHEREAS, City Charter Section 6-300(c) requires that the auditing department “shall cooperate with a firm of certified public accountants selected by Council in auditing at least annually the affairs of every officer, department, board, including the accounts of any board of directors of city trust, and commission of the city and, as far as may be necessary, the accounts of any other agency receiving an appropriation from the city”; and

WHEREAS, Charter Sections 6-300 and 6-304 further require that audit reports be prepared annually and be submitted to the Mayor and Council; and

WHEREAS, City Code Section 2-683(b) provides that the “city auditor shall recommend a certified public accounting firm for the annual financial audit, subject to review by the ARC and subject to approval of the City Council and the Mayor”; and

WHEREAS, the Audit Review Committee (ARC) and the City Auditor’s Office have reviewed the auditing needs of the City in order to set forth the terms of agreement with an independent firm of certified public accountants for the conduct of the required annual audits for the fiscal years 2015, 2016 and 2017; and

WHEREAS, as a result of review of responses to a Request for Proposal (“RFP”), the Audit Review Committee and the City Auditor’s Office have recommended to the Council and the Mayor that Belfint, Lyons & Shuman, P.A. (“BLS”) conduct both the CAFR audit and the Federal Funds audit for fiscal years

2015, 2016 and 2017, with a possible renewal by mutual agreement for the audits for fiscal years 2018 and 2019.

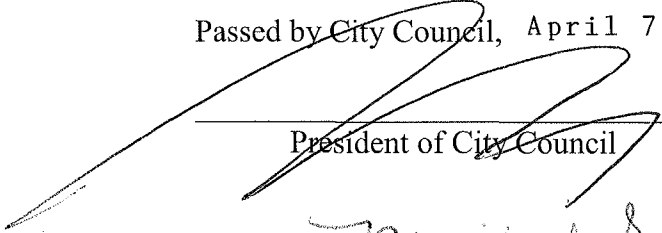
**NOW, THEREFORE, THE COUNCIL OF THE CITY OF
WILMINGTON HEREBY ORDAINS:**

SECTION 1. The Council hereby ratifies and authorizes the Auditing Agreement with BLS for: (1) the conduct of the independent general CAFR audit for fiscal years 2015, 2016 and 2017, and (2) the conduct of the independent Federal Funds audit for fiscal years 2015, 2016 and 2017, with the possibility of two one-year extensions of said Agreement by mutual agreement of the Parties, as set forth in the Agreement to provide services, a copy of which is attached hereto and made a part hereof as Exhibit "A".

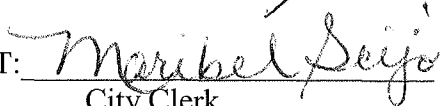
SECTION 2. The City Clerk is hereby directed to forward copies of this Ordinance to BLS and to the City Auditor, the City's Finance Director, the City Treasurer, the City's Director of the Office of Management and Budget and the City Solicitor.

First Reading.....February 4, 2016
Second Reading.....February 4, 2016
Third Reading..... April 7, 2016

Passed by City Council, April 7, 2016



President of City Council

ATTEST: 

City Clerk

Approved as to form this
4th day of February 2016.



Assistant City Solicitor

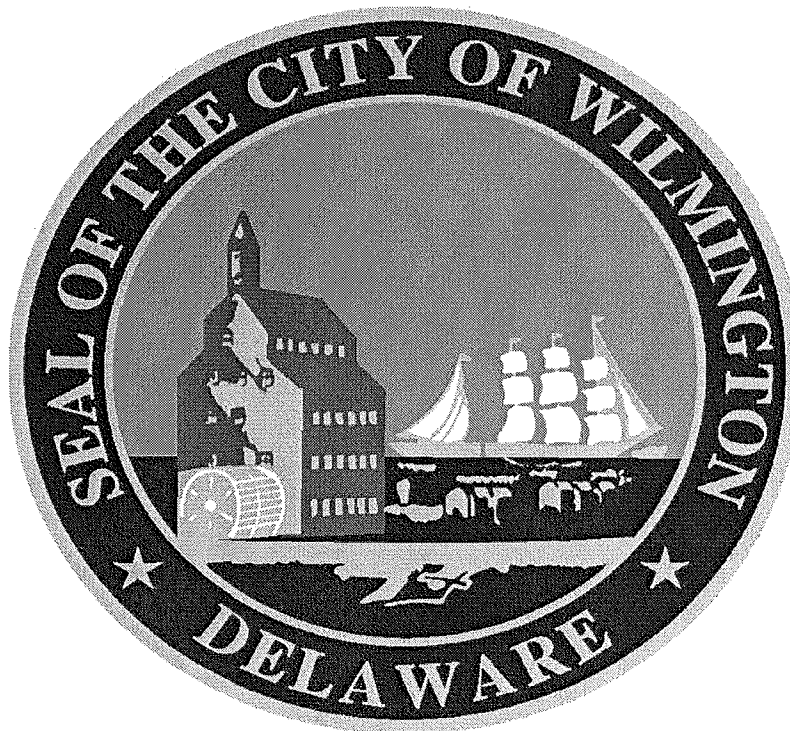
Approved this 12 day of April, 2016.



Mayor

SYNOPSIS: This Ordinance ratifies and authorizes the independent Audit Agreement with Belfint, Lyons & Shuman, P.A. for the CAFR and the Federal Funds audits for fiscal years 2015, 2016 and 2017, with the possibility of two one-year extensions of the Agreement by mutual agreement of the parties for fiscal years 2018 and 2019. The estimated fees are \$185,000 for each fiscal year.

REQUEST FOR PROPOSAL AND COMPETITIVE NEGOTIATION
PROFESSIONAL AUDIT SERVICES #16032ADPS



ISSUED BY THE CITY OF WILMINGTON, DELAWARE

DUE BY 5:00PM EASTERN STANDARD TIME

APRIL 17, 2015

INTRODUCTION

The City of Wilmington (City) is the largest city in Delaware with a population of approximately 71,000. The City's fiscal year begins on July 1st and ends on June 30th.

The City provides the normal range of governmental services including police and fire protection, low and moderate income housing, recreational services, planning, zoning and code enforcement to its citizens. In addition, the City of Wilmington includes a variety of enterprise activities including water and sewer services and municipal golf courses.

More detailed information on the government and its finances can be found in the Annual Budget and the Comprehensive Annual Financial Report (CAFR). These documents are available on the City's website, www.wilmingtonde.gov.

GENERAL INFORMATION

The City of Wilmington (City) is soliciting proposals (RFP) from qualified firms of certified public accountants to audit its financial statements for the next three fiscal years commencing with the fiscal year ending June 30, 2015, the option, at the City's discretion for two one year extensions. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*, The provisions of the federal Single Audit Act of 1984 (as amended) U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Delaware and applicable State and Local Laws.

There is no express or implied obligation for the city to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

The City Auditor and the Audit Review Committee will evaluate proposals submitted. Final selection is subject to confirmation by the Wilmington City Council.

The City reserves the right, where it is determined to be in its best interest, to request additional information, clarification, or allow corrections of error or omissions. At the discretion of the City, firms submitted proposals may be requested to make oral presentations as part of the evaluation process.

City 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 RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and firm selected.

TERM OF ENGAGEMENT

A three- year contract, with an option for two one-year extensions; subject to the satisfactory negotiation of terms, approval by the Audit Review Committee and the concurrence of the Wilmington City Council.

All proposals are due by 5:00PM Eastern Standard Time on April 17, 2015. Submissions should be uploaded electronically to www.publicpurchase.com.

Proposals should indicate in the lower left-hand corner of the cover page the name and number of the RFP and the name of the firm submitting the proposal.

All questions should be submitted electronically to www.wilmingtonde.gov/business/citybids by April 2, 2015. Responses to all questions will be posted at www.wilmingtonde.gov/business/citybids no later than April 10, 2015

The City reserves the right to reject any and all proposals, waive any informality in the proposals received, and accept any proposal that in the City's opinion will be in the best interests of the City. The City does not obligate itself to accept the lowest price or any other proposal. The City may request, at no cost to the City, an on-site demonstration from one or more Vendors before a selection is made. The proposal should follow the organization and numbering scheme used in this RFP

The successful proposer will be required to have or obtain an appropriate business license from the Department of Finance, Revenue Division, City of Wilmington, in order to be awarded the contract. Before obtaining a City of Wilmington Business License, all applicants must show proof of a current State of Delaware Business License.

The successful proposer will be required to withhold City of Wilmington Earned Income Tax from their employees and remit them to the City of Wilmington pursuant to the provisions of the Wilmington Earned Income Tax Code. This law applies to people living and/or working in the City of Wilmington.

At the time award is made the selected Proposer will be required to provide certificates of insurance showing that it carries, or has in force, general liability insurance, professional liability insurance, and workers' compensation insurance. Limits of liability for general liability insurance shall be, at a minimum, \$1,000,000.00 per occurrence, \$1,000,000.00 personal and advertising injury, \$1,000,000.00 general aggregate and \$1,000,000.00 products/completed operations aggregate. General liability insurance will include coverage for contractually assumed liability. Limits of liability for professional liability insurance shall be, at a minimum, \$1,000,000.00 per occurrence or claim and \$1,000,000.00 aggregate. If general liability insurance coverage and/or professional liability insurance coverage is on a claims-made basis, the Proposer will maintain coverage in force for a period of two (2) years following the termination of the contract. Workers' compensation insurance shall provide statutory workers' compensation coverage and employers' liability coverage with limits of, at a minimum, \$500,000.00 each accident, \$500,000.00 disease – each employee and \$500,000.00 accident, \$500,000.00 disease – policy limit. If the Proposer is not required to carry workers' compensation insurance, the Proposer will sign a waiver/release for work-related injuries.

The certificate of insurance shall provide the City with thirty (30) days written notice of

cancellation of any of the coverage named in said certificate.

The City will be named as additional insured under the Proposer's general liability.

The U.S. Department of Commerce monitors procurement transaction made to minority business enterprises by the City of Wilmington. The Minority Business Development Agency's District Office reserves the right to contact the successful minority proposer and/or subcontractor to confirm any participation in the procurement process.

The successful bidder certifies that they are not listed on the Federal Government, Excluded Parties List System (www.sam.gov). This will be verified by the City of Wilmington and if listed may be grounds for rejection of the bid or proposal.

Any person doing business or seeking to do business with the City shall abide by the following Global Sullivan Principles:

- A. Support universal human rights and particularly, those of employees, the communities within which you operate, and parties with whom you do business.
- B. Promote equal opportunity for employees at all levels of the company with respect to issues such as color, race, gender, age, ethnicity, or religious beliefs, and operate without unacceptable worker treatment such as the exploitation of children, physical punishment, female abuse, involuntary servitude, or other forms of abuse.
- C. Respect employee's voluntary freedom of association.
- D. Compensate employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise their social and economic opportunities.
- E. Provide a safe and healthy workplace; protect human health and the environment; and promote sustainable development.
- F. Promote fair competition including respect for intellectual and other property rights, and not offer, pay, or accept bribes.
- G. Work with governments and communities in which you do business to improve the quality of life in those communities -- their educational, cultural, economic, and social well-being -- and seek to provide training and opportunities for workers from disadvantaged backgrounds.

Promote the application of these principles by those with whom you do business

SCOPE OF WORK TO BE PERFORMED

The City of Wilmington desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with accounting principles generally accepted in the United States.

The auditor shall express an opinion on the City of Wilmington's Pension Plan. The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards board as mandated by auditing standards generally accepted in the United States.

SPECIFIC REQUIREMENTS

1. The city of Wilmington reserves the right to reject any and all proposals received.
2. Only proposals received at the location described and in the time frame given will be considered.
3. RFP submission should include one original hard copy of the proposal and one electronic copy bearing the original signature by a partner of the firm. Small and/or Minority-Owned Businesses
Efforts will be made by the City of Wilmington to utilize small and minority-owned businesses.
4. A firm qualifies as a small business firm, if it meets the definition of "small business" as established by the Small Business Administration (13 CFT 121.) by having average annual receipts for the last three fiscal years of less than four million dollars.
5. Notification of Award
It is expected that a decision selecting the successful audit firm will be made within thirty days of the closing date from the receipt of proposals in response to the Request for Proposal will be informed, in writing, of the name of the successful audit firm.
6. Price
The firms proposed price should be submitted in a separate sealed envelope marked "Audit Cost".
7. The audit shall be performed in accordance with the following:
 - City Code, if applicable.
 - U.S. Generally Accepted Auditing Standards

- The standards for financial audits contained in *Governments Auditing Standards* issued by the Comptroller General of the United States.
 - OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.
8. The fees quoted in your proposal and included in the contract will be maximum paid for standard audit services, unless both parties complete an amendment to the contract. If material problems arise which were not reasonably anticipated during the firm's proposal response, a contract amendment will be negotiated based on the fee schedule accompanying the proposal. No additional work should be performed by the CPA, nor will it be paid for by the City without a written agreement.
 9. The audit report should conform to any standard reporting formats issued by the AICPA Audit Guides and, if applicable, the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.
 10. Exit conference
An exit conference with the Audit Review Committee will be held at the conclusion of the fieldwork. Observations and recommendations must be summarized in writing and discussed with the City of Wilmington. It should include internal control and program compliance, observations, and recommendations.
 11. Audit Documentation
Upon request, the firm will provide a copy of the audit documentation pertaining to any questioned costs identified in the audit. The audit documentation must be concise and provide the basis for the questioned costs as well as an analysis of the problem.
 12. The audit report should include a management letter, if appropriate, which includes recommendations affecting the financial statements, internal control, accounting systems, and legality of actions.
 13. Bound copies of the report, including the management letter, should be typed and reproduced by the firm accepting the contract in a quantity sufficient to meet the needs of the City of Wilmington and its City Council.

SPECIAL CONSIDERATIONS

1. The City of Wilmington has received the Certificate of Achievement for Excellence in Financial Reporting for twenty eight consecutive years. The CAFR for each of the fiscal years covered by this RFP will be submitted to the Government Finance Officers Association of the United States and Canada for certification consideration.
2. The City of Wilmington currently anticipates it will prepare one or more official statements in connection with the sale of debt securities, which will contain the general

purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters".

3. The Schedule of Expenditures of Federal Awards on compliance and internal controls is to be issued as part of the CAFR.

WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS

All working papers and reports must be retained, at the auditor's expense, for a minimum of three years, unless the firm is notified in writing by the City of Wilmington of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

City of Wilmington

U.S. Department of Housing and Urban Development

U.S. General Accounting Office (GAO)

Parties designated by the federal or state governments or by the city of Wilmington as part of an audit quality review process

Auditors of entities of which the City of Wilmington is a sub recipient of grant funds.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working paper relating to matters of continuing accounting significance.

OTHER INFORMATION

B. Budgetary Basis of Accounting

The City of Wilmington prepares its budgets on a basis consistent with generally accepted accounting principles.

C. Availability of Prior Audit Reports and Working Papers

Copies of previously issued CAFRs can be obtained at www.wilmingtonde.gov Prior audit reports make prior audit reports and supporting working papers available to prosper to aid their response to this request for proposals.

INQUIRES

General inquiries may be directed in writing to:

Gary Fullman, Procurement Manager

Fax: 302-571-4283
Email: procurement@wilmingtonde.gov

Inquiries and questions regarding this RFP must be submitted electronically to www.wilmingtonde.gov/business/citybids by April 2, 2015. Responses to all questions will be posted at www.wilmingtonde.gov/business/citybids no later than April 10, 2015.

No other verbal or written information, which is obtained other than through this Request for Proposal or its addenda, shall be binding on the City of Wilmington.

PROPOSAL REQUIREMENTS

Submission of Proposals

Proposal must be submitted by April 17, 2015 to be considered.

A. **Letter of Transmittal:**

A letter of transmittal briefly outlining the firm's understanding of the work and general information regarding the firm and individuals to be involved is limited to a maximum of two pages. The letter should clearly identify the local address of the office of the firm to be performing the work, the telephone number, and the name of the contact person.

B. **Table of Contents:**

Include a table of contents that identifies the material by section, page number, and a reference to the information to be contained in the proposal.

C. **Profile of Firm Proposing:**

1. State whether the firm is a local, national, or international firm and include a brief description of the size of the firm.
2. State whether the firm is in compliance with the registration and permit requirements to engage in the practice of public accounting in Delaware
3. Describe the local office from which the work is to be performed.
 - i. Location of office
 - ii. Current size of the office
 - iii. The size of professional staff by level, such as partner, manager, and supervisor, senior, and other professional staff.
 - iv. The number of CPA's in the office.
4. Any other information required to describe the office that will be performing the work.

D. **Independence:**

The firm should provide an affirmative statement that it is independent of the city of Wilmington as defined by the U.S. General Accounting Offices' Government Auditing Standards.

The firm should also list and describe the firm's (or proposed subcontractors') professional relationships involving the City of Wilmington or any of its agencies or component united for the past five (5) years, together with a statement

explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

E. License to Practice in Delaware:

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in Delaware.

F. Prior Engagements with the City of Wilmington:

List separately all engagements within the last five (5) years, ranked on the basis of total staff hours, for the City of Wilmington by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

G. Similar Engagements With Other Government Facilities:

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum-5) performed in the last five (5) years that are similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

H. Qualifications:

1. Describe the recent local office auditing experience with similar audits to which the proposal relates. If appropriate, include regional experience in auditing similar entities.
2. Include resumes of all key professional members who will be assigned to the audit. Resumes should be included for all members of the audit team from the audit partner though at least the on-site in-charge accountant. The resumes should include-
 - a. The amount of experience the individual has in the auditing profession.
 - b. A summary of similar audits the individual has worked on.
 - c. A statement affirming the continuing professional education of the individual is in compliance with requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.
 - d. A statement whether the individual is independent, as defined by applicable auditing standards.
3. Describe the firm's policy on notification of changes in key personnel.
4. Provide a listing of the number of professionals in the office who are experience in governmental auditing.
5. Describe the availability of individuals within the firm who are heavily involved in governmental auditing and reporting and with whom the audit team may consult.
6. Briefly describe the firm's system of quality control to ensure the audit is adequately performed.
7. Include a copy of the firm's latest peer review report.
8. Include three audit client references.

I. Fees and Compensation:

Providing the following information in a separate, sealed envelope:

1. Estimated total hours to complete the audit.
2. Estimated out-of-pocket expenses.
3. The hourly rate by staff classification.
4. The all-inclusive maximum fee and out-of-pocket expenses, which will not be exceeded.
5. The frequency and timing of the firm's billing process.

EVALUATION CRITERIA

The proposal will be evaluated based upon the following areas.

FACTOR

1. Qualifications

- a. Organizational structure and size of the firm.
- b. Organizational structure and size of the office performing the work.
- c. Recent experience in similar audits.
- d. Qualifications of the audit team and number of individuals experienced in governmental auditing.
- e. Individuals the audit team may consult with.
- f. Understanding of the work and timetable to complete the engagement.

2. Cost

Overall cost, including out-of-pocket expenses for performance of the audit.

3. Submission of Proposals

All submissions shall include [Quantity] copies of the firm's proposal and [Quantity] copies of the pricing information (in a separate sealed envelope).

4. Oral Presentation

City of Wilmington may, at its discretion, request presentations by or a meeting with any or all firms, to clarify or negotiate modifications to the firm's proposal.

However, City of Wilmington reserves the right to make an award without further discussion of the proposal submitted. Therefore, proposals should be submitted initially on the most favorable terms, from both technical and price standpoints, that the firm can propose.

City of Wilmington contemplates an award of the contract to the most responsible firm as determined by the evaluation criteria previously set forth.



BELFINT • LYONS • SHUMAN

Certified Public Accountants

www.belfint.com

June 17, 2015

To the Honorable Mayor, Members of City Council, and
Earl T. Jeter, CPA, City Auditor
City of Wilmington, Delaware
Louis L. Redding, City County Building
800 French Street
Wilmington, DE 19801

We are pleased to confirm our understanding of the services we are to provide the City of Wilmington, Delaware (City) for the year ended June 30, 2015. We will audit the financial statements of the governmental activities, the business-type 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 June 30, 2015. 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. Pension Funding Status and Progress
3. Post-Retirement Funding Status and Progress
4. Schedule of Contributions
5. Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
6. Schedule of Investment Returns

1011 Centre Road • Suite 310 | Wilmington • DE 19805 | Phone: 302.225.0600 | Fax: 302.225.0625

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We have also been engaged to report on supplementary information other than RSI that accompanies 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 separate written report accompanying our auditors' report on the financial statements OR in a report combined with our auditors' report on the financial statements:

1. Schedule of Expenditures of Federal Awards
2. The Combining and Individual Fund Financial Statements and Schedules

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 auditors' report will not provide an opinion or any assurance on that other information.

1. The Introductory Section
2. The Statistical Section

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 related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that 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) that 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 OMB Circular A-133 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 that testing based on the requirements of OMB Circular A-133. 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 OMB Circular A-133, and will include tests of accounting records, a determination of major programs in accordance with OMB Circular A-133, 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 Members of City Council. We will make reference to other auditors' audits of the following component units: the Christiana Gateway Corporation, Wilmington Parking Authority, Riverfront Wilmington Business Improvement District, Wilmington UDAG Corporation, Wilmington Park and Trust Fund Commission and Rock Manor Golf Corporation. 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 may withdraw from this engagement.

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. 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 for a Single Audit. 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 plan to use the work of the City Auditor's Office to assist us in obtaining audit evidence. We will review internal audit reports issued by the City Auditor. We will request written representations from your attorneys as part of the engagement. 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 OMB Circular A-133, 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 OMB Circular A-133.

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 OMB Circular A-133.

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*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 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 OMB Circular A-133.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the City in conformity with U.S. generally accepted accounting principles and OMB Circular A-133 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 (a) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (b) following laws and regulations; (c) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (d) ensuring that management is reliable 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 in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant 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) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor 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 to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary

schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on July 13, 2015.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with OMB Circular A-133. 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 include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR 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 OMB Circular A-133; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (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 OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information 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 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 for us 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. With regard to using the auditors' report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, related notes, 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 agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations and schedules we request and will locate any documents selected by us for testing. We will not undertake any accounting services (including but not limited to reconciliation of accounts and preparation of requested schedules) without obtaining approval through a written change order for such additional work.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to 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 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to 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.

The audit documentation for this engagement is the property of Belfint, Lyons and Shuman, P.A. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the City's Cognizant Agency 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 Belfint, Lyons and Shuman, P.A. 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.

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 City's Cognizant Agency, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, 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.

We expect to begin our audit on approximately July 13, 2015 and to issue our reports no later than December 15, 2015. George Fournaris is the engagement principal and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$185,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

You may request that we perform additional services not addressed in 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.

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.

Independence is an important component of many of the services Belfint, Lyons & Shuman, P.A. provides to our clients. We have a system of quality controls that includes monitoring employee and firm independence to ensure that we are independent both in fact and in appearance. Our professional standards include a provision that an employee of the firm who is offered a position of employment with a client is no longer independent. By signing this engagement letter you agree to notify us immediately when you make an offer of employment to any of our employees.

It is our firm's policy to store our work product, correspondence and client-provided documents electronically. By signing the attached engagement letter you acknowledge that electronically stored documents and signatures will be considered original documents.

Notwithstanding anything contained herein, both accountant and client agree that regardless of where the client is domiciled and regardless of where this agreement is physically signed, this agreement shall have been deemed to have been entered into at the accountant's office located in New Castle County, Delaware

and New Castle County, Delaware, shall be the exclusive jurisdiction for resolving disputes related to this agreement. This agreement shall be interpreted and governed in accordance with laws of the State of Delaware.

We appreciate the opportunity to be of service to the City 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.

Very truly yours,

Belfint, Lyons & Shuman, P.A.

RESPONSE: This letter correctly sets forth the understanding of the City of Wilmington.

[Signature]
Signature
City Auditor
Title
7/20/15
Date

City of Wilmington Law Dept.
Approved as to form
[Signature]
Signature
Date: 7/14/2015

Incorporation of Standard Terms & Conditions

Belfint, Lyons & Shuman, P.A. hereby agrees to the City's standard terms & conditions which are attached hereto & incorporated herein as Exhibit A. In the event that the City's terms & conditions conflict with any other provision in this Agreement, then the City's terms & conditions shall control. *At 7/20/15*

EXHIBIT A

STANDARD TERMS AND CONDITIONS

1. Insurance Coverage.

Contractor shall provide insurance coverage for itself and all of its employees, if any, used in connection with this Agreement as follows: workers' compensation as required by law; comprehensive general liability coverage for personal injury, including death, and property damage in the minimum amount of One Million Dollars (\$1,000,000.00). Such policies shall be issued by a financially sound carrier and/or carriers and shall be subject to the reasonable approval of the Client. Contractor shall provide the Client with a certificate of insurance evidencing the above-stated coverage and naming the Client as an additional insured.

2. Indemnification.

Contractor shall defend, indemnify, and hold harmless the Client, its employees, agents, and officers, from and against any and all claims, damages, actions, liabilities and expenses, including reasonable attorney's fees, resulting from the negligent acts or omissions of Contractor, its employees, agents, subcontractors, consultants, or subconsultants in performing the services required under this Agreement.

3. Records.

Contractor shall maintain accounts and records, including personnel, property, and financial records, adequate to identify and account for all costs pertaining to this Agreement and such other records as may be deemed necessary by the Client to assure proper accounting for all project funds. Such records shall be made available for audit purposes to the Client or its authorized representatives upon request.

4. Reports and Information.

Contractor, at such time and in such form as the Client may require, shall furnish the Client such periodic reports as the Client may request pertaining to the work or services undertaken pursuant to this Agreement. Time is of the essence of this Agreement.

5. Business License.

Contractor shall obtain and/or maintain an appropriate business license from the City of Wilmington Department of Finance.

6. Taxes.

Contractor shall withhold, if applicable, City of Wilmington wage taxes from the compensation of its officers, agents and employees as required by the City of Wilmington wage tax law.

7. Ownership of Information.

All of the drawings, plans, designs, reports, analyses, specifications, information, examinations, proposals, brochures, illustrations, copy, maps, graphics, slides, and documents prepared, assembled, drafted, or generated by Contractor in connection with this Agreement shall become the exclusive property of the Client. Contractor may keep copies of such documents for its records.

8. Successors and Assigns:

This Agreement, and all the terms and provisions hereof, shall be binding upon and shall inure to the benefit of the Client and Contractor, and their respective legal representatives, successors, and assigns.