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January 25, 2013

Wes Hamil, Finance Director  
Randy Knight, City Manager  
City of Winter Park  
401 Park Avenue South  
Winter Park, FL 32789

***via email & regular U.S. Mail***

Re: Issue presented with James Moore & Co.

Dear Wes and Randy:

You sent me the agreement for audit that the City holds with James Moore & Company for fiscal years 2010, 2011 and 2012.

It was reported to me that one of the audit partners in some manner endorsed the campaign of one of the City Commissioners. I was provided no further details and have received nothing in writing that specifically identifies the nature of this "endorsement". The question is presented regarding the extent of the auditor's duty to refrain from conduct that interferes with the independence of the auditor, and whether the endorsement might be in violation of the applicable Standard of Conduct because it brings into question the independence of the auditor.

It is difficult to comment specifically because I don't have any details in writing that confirm the precise nature of the "endorsement". However, I can report to you that the audit agreement incorporates the requirements of RFP 34-2010 (proposal for "external

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audit services"). In relevant part, on page 9 of the RFP, the minimum requirements for qualification as an external auditor include a requirement that the audit shall be performed in accordance with Generally Accepted Auditing Standards and Governmental Auditing Standards.

Section 220, "Independence" of Generally Accepted Auditing Standards provides: "The auditor must maintain independence in mental attitude in all matters relating to the audit." GAAS Section 220.02 provides that this standard requires that the auditor will be "independent" and "he must be without bias with respect to the client since otherwise he would lack that impartiality necessary for the dependability of his findings, however excellent his technical proficiency may be." GAAS cautions in the same subsection that this "independence does not imply the attitude of a prosecutor but rather a judicial impartiality that recognizes an obligation for fairness."

The AICPA Code of Professional Conduct, at Section 55 provides in relevant part that "objectivity is a state of mind, a quality that lends value to a member's services. It is a distinguishing feature of the profession."

I searched the Comptroller's Governmental Auditing Standards and the AICPA GAAS standards, and found no opinion directly on point concerning whether an endorsement or campaign contribution to a member of a governmental board that is being audited would materially compromise an auditor's required independence. I allocated two hours for researching these standards, and the material is voluminous. It is possible that with more research we could locate an opinion on point, but I'm not certain that the Commission or you wanted me to conduct that research.

I can report, based on my preliminary research that it is certainly a legitimate question whether an endorsement or contribution materially injured the required standard of independence. My advice would be, that if a majority of the City Commission wants to pursue this matter, that it either authorize me to conduct further research on the question, or, engage either a CPA with expertise in ethical considerations for government auditors to request an opinion from either of the Florida Board of Accountancy (the State Board), or the Florida Institute of CPAs (FICPA) concerning the question.

Without further research, I am unable to find, categorically, that an "endorsement" per se is a violation of the required independence standard. I can report, however, that the ethical standards imposed on auditors by the Comptroller and AICPA are incorporated in the contract, and those standards require that the auditor consciously take steps to maintain his or her independence. These standards require that the auditor "maintain independence in [his or her] mental attitude in all matters relating to the audit".

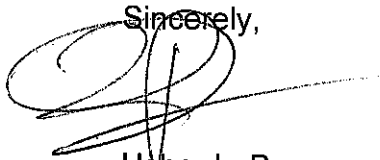
You might also consider meeting with the auditor in question and the persons in her firm to whom she is accountable, report the incident and determine the adequacy of their response concerning whether or not the endorsement materially harmed the independence

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of the auditor or provided an inappropriate appearance that her independence was compromised.

Please let me know if you would like for me to assist you any further with regard to this matter.

Sincerely,

A handwritten signature in black ink, appearing to be 'Usher L. Brown', with a long horizontal line extending to the right.

Usher L. Brown

ULB:tl

cc: City Commissioners

Michelle del Valle, Assistant City Manager

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