



June 6, 2019

Honorable City Council and City Manager
City of Marco Island, Florida
50 Bald Eagle Drive
Marco Island, FL 34145

Mauldin & Jenkins appreciates the opportunity to serve as the auditors for the City of Marco Island, Florida (the "City"). As requested by City Council, below we have detailed our internal policies and procedures to ensure that Mauldin & Jenkins remains independent of the City, and is able to conduct the audit.

On an annual basis, each employee of the firm is required to complete an independence survey for all clients within the firm, where they identify any clients where there is a potential impairment to independence. As part of this process, no individuals identified that they were not independent of the City of Marco Island.

Additionally, for each annual audit Mauldin & Jenkins conducts for the City of Marco Island, we perform an evaluation to ensure that the firm, and all employees assigned to the engagement, are independent of the City. This process includes identifying potential threats to independence, and the safeguards that were applied to mitigate each threat, if applicable. The following outline both the AICPA and Government Auditing Standards requirements for auditor independence. As part of these procedures, Mauldin & Jenkins documents its understanding of potential threats to independence, and the related safeguards, within our Audit Engagement Letter and the Management Representation Letter.

AICPA Independence Requirements. In forming a conclusion on compliance with independence requirements that apply to the engagement, the engagement partner is required to: (1) obtain information from the firm to identify and evaluate circumstances and relationships that create threats to independence, (2) evaluate any identified breaches of the firm's independence policies and procedures to determine if they represent threats to independence, and (3) take appropriate action to eliminate threats or reduce them to an acceptable level, or when appropriate, withdraw from the engagement when permissible. Also, audit documentation is required to include conclusions on compliance with independence requirements along with relevant discussion supporting the conclusions.

The AICPA Code of Professional Conduct provides guidance on the performance of allowable nonattest services for an attest client. Before performing nonattest services, the practitioner is required to establish and document in writing the understanding with the client regarding: (1) the objectives of the engagement; (2) the services to be performed; (3) the client's acceptance of its responsibilities; (4) the practitioners' responsibilities; and

(5) any limitations of the engagement. The Code of Professional Conduct also includes requirements for the practitioner: (1) to be satisfied that, among other things, the client agrees to assume all management responsibilities pertaining to the nonattest service and oversee the service by designating an individual who possesses suitable skill, knowledge, and/or experience; (2) to assess and be satisfied that the designated individual understands the services to be performed sufficiently to oversee them; and (3) to consider whether the performance of multiple nonattest services to the client creates a threat to independence. Additional threats to independence, including additional nonattest/nonaudit services that are contemplated, should be considered throughout the engagement.

The Code of Professional Conduct provides guidance on the effect of relationships with entities included in governmental financial statements.

Government Auditing Standards Independence Requirements. The Yellow Book, beginning at Paragraph 3.02, states that the audit organization and the individual auditor *must* be independent, both in mind and appearance. The auditor is required to document threats to independence that require the application of safeguards and the safeguards applied. For nonaudit services, regardless of whether threats to independence are determined to be significant, the auditor is required to document (1) the understanding established with the audited entity regarding the nonaudit services to be performed and (2) management's ability to effectively oversee the nonaudit services, including whether management possesses suitable skills, knowledge, or experience to do so.

Because many different circumstances, or combinations of circumstances, may create threats to independence, the Yellow Book establishes a *conceptual framework for independence*, which should be used to assess independence for any activity that is not specifically prohibited in the Yellow Book. The auditor should evaluate threats both individually and in the aggregate because threats can have a cumulative effect on independence. Threats to independence may be created by a wide range of relationships and circumstances, such as starting a new audit, assigning new staff to an ongoing audit, and performing a nonaudit service for an audited entity, among other things. The auditor should use professional judgment to determine whether the facts and circumstances created by an event warrant use of the conceptual framework.

Should you have any further questions regarding our internal policies and procedures to ensure independence on the City's audit, please contact us at 941-747-4483.

Thank you,



Daniel Anderson, CPA
Audit Manager