



TRANSMITTAL MEMORANDUM
------------------------

TO: The Honorable Mayor and City Council

FROM: Lacey G. Simpson, Acting City Manager

DATE: December 3, 2021

RE: **Financial and Compliance Audit for the Year Ending December 31, 2021 – Teuscher Walpole, LLC**

At its meeting of November 22, 2021, the City Council adopted a motion directing staff to negotiate a single-year contract with Teuscher Walpole, LLC to conduct the City's financial and compliance audit for the year ending December 31, 2021. As indicated in the attached memorandum from Finance Director Michelle Johansen, a contract with Teuscher Walpole, LLC has been negotiated to perform the audit for a base fee of \$73,250. As noted by the Finance Director, the total cost of the contract increased \$1,750 due to additional work required as a result of the American Rescue Plan Act (ARPA) grant wards received by the City in 2021. Ms. Johansen's memo details the possibility of additional expenses that could be incurred if the City has more than two major federal grant program awards. As such, the Finance Director is recommending a contingency of \$4,250. I concur with Ms. Johansen's recommendation.

Finance Director Michelle Johansen will be attending the City Council meeting of December 16, 2021, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

### **RECOMMENDATION**

It is recommended that the City Council adopt the motion approving a single-year contract with Teuscher Walpole, LLC in the amount of \$73,250 for a financial and compliance audit for the year ending December 31, 2021; establishing a \$4,250 contingency for extra single audit work, bringing the total project cost to \$77,500; and authorizing the Acting City Manager to execute the contract on behalf of the City Council.

**Recommended Motion:** I move the City Council approve a single-year contract with Teuscher Walpole, LLC in the amount of \$73,250 for a financial and compliance audit for the year ending December 31, 2021; establish a \$4,250 contingency for extra single audit work, bringing the total project cost to \$77,500; and authorize the Acting City Manager to execute the contract on behalf of the City Council.

**MEMORANDUM**  
**CITY OF KETCHIKAN, ALASKA**  
**Finance Department**  
*Office of the Finance Director*

*Michelle L. Johansen, Finance Director*  
*Camille Nelson, Financial Analyst*  
*Phone: (907) 228-5621*  
*Facsimile: (907) 228-5617*

---

TO: Lacey G. Simpson, Acting City Manager

FROM: Michelle L. Johansen, Finance Director

DATE: December 3, 2021

**SUBJECT: Financial and Compliance Audit for the Year Ending December 31, 2021**

At its meeting of November 22, 2021, the City Council directed staff to negotiate a single-year contract with Teuscher Walpole, LCC (TW) to conduct the City's financial and compliance audit for the year ending December 31, 2021.

I met with TW's audit partner, Kelly Priestley, to discuss the terms and conditions for a single-year audit contract. Subject to City Council approval, the City has reached an agreement with TW to perform the 2021 audit for a base fee of \$73,250. This is an increase of \$1,750 over the fee that was charged for the 2020 audit. Additional work will be required because of the American Rescue Plan Act (ARPA) grant awards that the City received in 2021. The fee covers the annual audit of the City's financial statements and the single audit work required for two major federal grant programs and nine major state grant programs. If the City has more than two major federal programs, the City will be required to pay an additional \$1,225 for each major federal grant program. If the City has more than nine major state grant programs, the City will be required to pay an additional \$900 for each major state grant program. The number of federal and state single audits that trigger additional federal and state single audit fees and the fees themselves remain unchanged from last year.

Since the primary criteria for determining if a grant program is a major program is expenditures, it will be necessary to request a contingency to cover the cost of exceeding the number of grant audits provided under the base audit fee. I am recommending a \$4,250 contingency, an amount sufficient to cover two additional major federal programs and two additional major state programs.

I believe that the proposed base fee of \$73,250 is reasonable and recommend that the City Council approve a single-year contract with TW for the financial and compliance audit for the year ending December 31, 2021 in an amount not to exceed \$73,250 and provide for a contingency in the event that additional federal or state single audits are required for the City's grant awards. If approved by the City Council, this would be the fifth year that TW has been engaged to conduct the City's annual audit. Since TW became the auditor, fees for the base audit have ranged between \$69,500 and \$71,500.

**Recommended Motion:**

I move that the City Council approve a single-year contract with Teuscher Walpole, LLC in the amount of \$73,250 for a financial and compliance audit for the year ending December 31, 2021; establish a \$4,250 contingency for extra single audit work; and authorize the city manager to execute the contract documents on behalf of the City Council.

**Financial and Compliance Audit for the Year Ending December 31, 2021**

Moved by Flora, seconded by Bradberry the City Council authorize the Finance Director to negotiate a contract with Teuscher Walpole, LLC for the financial and compliance audit for the City of Ketchikan for the year ending December 31, 2021, said contract to be submitted to the City Council for formal consideration and approval.

Motion passed with Gage, Zenge, Bradberry, Flora, Gass, Mahtani and Kistler voting yea.

**Change Order No. 2 (FINAL) to Contract No. 20-20 – W.I.S.H. Domestic Violence Shelter Renovations – BAM, LLC**

Moved by Bradberry seconded by Flora the City Council approve Change Order No. 2 (FINAL) to Contract No. 20-20, W.I.S.H. Domestic Violence Shelter Renovation, between the City and BAM, LLC in the amount of \$102,639.50 with the addition of 45 days to the contract completion date, bringing the total contract cost to \$1,636,797; authorize funding from the Public Works Department's 2020 Domestic Violence Shelter Capital Account; and direct the Acting City Manager to execute the contract change order on behalf of the City Council.

Public Works Director Hilson answered questions from the Council.

Motion passed with Mahtani, Kistler, Gass, Gage, Zenge, Bradberry and Flora voting yea.

**Insurance Services and Brokerage Agreement**

Moved by Bradberry, seconded by Mahtani the City Council authorize the Acting City Manager to negotiate a three-year insurance brokerage agreement with Davies-Barry/Alliant Insurance Services.

Motion passed with Zenge, Bradberry, Flora, Mahtani, Kistler, Gass and Gage voting yea.

**Award of Contract No. 21-18 – Ketchikan Generator No. 4 Rotor & Stator Rewind – Delta Electric Motors**

Moved by Kistler, seconded by Mahtani the City Council accept the bid of Delta Electric Motors in the amount of \$363,500 for Contract No. 21-18, Ketchikan Generator No. 4 Rotor & Stator Rewind; approve the creation of a 2021 Electric Division Capital Account titled Ketchikan Generator No. 4 Rotor and Stator Rewind; establish a ten percent contingency in the amount of \$36,350 and Factory Acceptance Testing in the amount of \$15,000 bringing the total project cost to \$414,850; approve budget transfers in the amounts of \$252,000 from the Electric Division's 2021 Bailey Unit No. 1 Rehabilitation Capital Account and \$162,850 from the Electric Division's 2021 Beaver Falls Switchgear Replacement Capital Account to the newly created Ketchikan Generator No. 4 Rotor and Stator Rewind Capital Account; authorize funding in the amount of \$414,850 from the Ketchikan Generator No. 4 Rotor and Stator Rewind Capital Account; and authorize the Acting General Manager to execute the contract documents on behalf of the City Council.

Electric Division Manager Donato and Electric Division System Engineering Manager Bynum answered questions from the Council.

Motion passed with Bradberry, Flora, Mahtani, Kistler, Gass, Gage and Zenge voting yea.

**VOUCHERS** - None