


TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor & City Council

FROM: Delilah A. Walsh, City Manager Initials: 

DATE: November 9, 2022 File #: MGR22-005

RE: **Financial & Compliance Audit for the Year Ending December 31, 2022 – Teuscher Walpole, LLC**

At its meeting of November 03, 2022, 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, 2022. 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 \$75,000; the total cost of the contract increased by \$1,750 due to additional work required as a result of the American Rescue Plan Act (ARPA) grant awards received by the City in 2022. As noted by the Finance Director in her memo, there will also be an additional \$4,000 cost related to compliance with GASB87, bringing the contract to \$79,000. Further, 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 and agree that the negotiated fees are reasonable.

Finance Director Michelle Johansen will be attending the City Council meeting of November 17, 2022, 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 \$79,000 for a financial and compliance audit for the year ending December 31, 2022; establishing a \$4,250 contingency for extra single audit work, bringing the total project cost to \$83,250; and authorizing the City Manager to execute the contract on behalf of the City Council.

**Recommended Motion:** I move that the City Council approve a single-year contract with Teuscher & Walpole, LLC, in the amount of \$79,000 for a financial and compliance audit for the year ending December 31, 2022; establish a \$4,250 contingency for extra audit work; and authorize the City Manager to execute the contract documents 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*

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TO: Delilah A. Walsh, City Manager

FROM: Michelle L. Johansen, Finance Director

DATE: November 7, 2022

**SUBJECT: Financial and Compliance Audit for the Year Ending December 31, 2022**

At its meeting of November 3, 2022, the City Council directed staff to negotiate a single-year contract with Teuscher & Walpole, LCC (T&W) to conduct the City's financial and compliance audit for the year ending December 31, 2022.

I discussed with T&W's audit partner, Monica Gardner, to discuss the terms and conditions for a single-year audit contract. Subject to City Council approval, the City has reached an agreement with T&W to perform the 2022 audit for a base fee of \$75,000. This is an increase of \$1,750 over the fee that was charged for the 2021 audit. Additional work will be required because of the American Rescue Plan Act (ARPA) grant awards and additional federal grants earmarked for the City or received in 2022. 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. The City is also responsible for implementing a new pronouncement, GASB 87 – Leases. This pronouncement will change how we account for leases and what we currently call a contract service may now qualify as a lease. The audit team will need to review our processes to ensure we have accounted for the City's leases properly and as a result an additional implementation fee of \$4,000 has been added to our contract. This is an expected amount based on the size of our entity. It is possible the initial year of implementation may require more audit work so I am recommending an additional contingency amount of \$4,250 and should be sufficient to cover an additional major federal programs, additional major state programs or additional audit work required for the new GASB 87 pronouncement.

I believe that the proposed fee of \$79,000 is reasonable and recommend that the City Council approve a single-year contract with T&W for the financial and compliance audit for the year ending December 31, 2022 in an amount not to exceed \$79,000 and provide for a contingency in the event that additional audit work is required for the City's audit. If approved by the City Council, this would be the sixth year that T&W has been engaged to conduct the City's annual

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audit. Since T&W became the auditor, fees for the base audit have ranged between \$69,500 and \$75,000.

**Recommended Motion:**

I move that the City Council approve a single-year contract with Teuscher & Walpole, LLC in the amount of \$79,000 for a financial and compliance audit for the year ending December 31, 2022; establish a \$4,250 contingency for extra audit work; and authorize the city manager to execute the contract documents on behalf of the City Council.