



REQUEST FOR PROPOSALS
FOR
AUDIT SERVICES

Issue Date: **January 31, 2022**

Proposal Due Date: **No later than 5:00 P.M. AKST, March 11, 2022**

CITY OF UNALASKA
FINANCE DEPARTMENT
43 RAVEN WAY
P.O. BOX 610
UNALASKA, ALASKA 99685

TABLE OF CONTENTS

I.	INTRODUCTION AND INSTRUCTIONS	1
II.	DESCRIPTION OF THE REPORTING ENTITY.....	2
III.	REQUIRED SCOPE OF AUDIT SERVICES	3
IV.	GENERAL INFORMATION FOR RESPONDING TO THE AUDIT RFP	7
V.	MINIMUM CONTENT OF RESPONSES	7
VI.	EVALUATION AND AWARD CRITERIA	9
VII.	ACCEPTANCE OR REJECTION AND NEGOTIATION OF PROPOSALS	9
	ATTACHMENT A: PRICING TEMPLATE	10
	ATTACHMENT B: PROFESSIONAL SERVICES AGREEMENT	12

I. INTRODUCTION AND INSTRUCTIONS

The City of Unalaska, Alaska (City) invites submission of proposals from licensed Certified Public Accounting firms (Auditor) to audit the City’s financial statements for fiscal years ending June 30, 2022, 2023 and 2024, with two one-year options. At the end of each audit year, the City reserves the right to terminate services for the subsequent year upon 90 days notification.

These audits are to be performed in accordance with General Accepted Auditing Standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America, the provisions of Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards (2 CFR Part 200) of non-Federal entities expending Federal awards, and the provisions of the Alaska Single Audit Regulation to include the State of Alaska Audit Guide and Compliance Supplement for State Single Audits.

Tentative Schedule for Selection Process

Deadline for clarifying questions	March 4, 2022
Submittal Deadline	March 11, 2022 5:00pm
Screening of Submittals	March 14-18, 2022
Notification of Firms Selected for Interviews	March 21-23, 2022
Finalist Interviews	March 28-30, 2022
Recommendation to City Council with Agreement	April 12, 2022

This schedule and its components are subject to change.

Completed proposals shall be submitted via email by 5:00pm AKST **Friday March 11, 2022**, to:

mveeder@ci.unalaska.ak.us; and
emagdaong@ci.unalaska.ak.us

Attention: James D. Sharpe, Interim Finance Director

The email shall clearly state in the subject line “Proposal for Audit Services.” Proposals not received prior to the date and time specified above will not be considered.

All questions regarding this RFP should be submitted by email to:

James D. Sharpe, Interim Finance Director
Email: jsharpe@ci.unalaska.ak.us

A response will be provided within 2 business days via email and will be posted on the City website.

The auditor who submits a proposal in response to this RFP may be required to give an oral presentation of their proposal to a selected committee of City staff. This will provide an opportunity for the auditor to clarify or elaborate on the proposal but will in no way change the original proposal. The City will schedule the date, time and location (on-site or virtual) of these presentations. Oral presentations are an option of the City and may not be conducted; therefore, proposals should be complete.

In order to determine if a proposal is reasonably acceptable for award, communications between City staff are permitted to clarify uncertainties or eliminate confusion concerning the contents of the proposal. Clarifications may not result in a material or substantive change to the proposal.

If the selected auditor fails to provide the information required to begin negotiations in a timely manner, or fails to negotiate in good faith, or indicates they cannot perform the contract within the budgeted funds available for the project, or if the auditor and the City, after a good faith effort, simply cannot come to terms, the City may terminate negotiations with the auditor initially selected and commence negotiations with the next highest ranked auditor.

II. DESCRIPTION OF THE REPORTING ENTITY

The City of Unalaska (City) is an island community of 4,724 people, situated in the Aleutian Islands chain and is approximately 800 miles southwest of Anchorage, Alaska. Unalaska is the largest Municipality in the Aleutian Island and home to the International Port of Dutch Harbor. In 2021 the City's port, Dutch Harbor, was the nation's top fishing port by volume for the 23rd straight year.

The City was incorporated in Alaska on March 3, 1942 as a First-Class City. The City is not part of an organized borough and operates under the Council/City Manager form of government.

The reporting entity includes the City of Unalaska as the primary government and the Unalaska City School District (District) as a component unit. The District is audited independently from the City and is the City's only component unit.

The City has approximately 170 employees which include non-represented employees and employees represented by three labor organizations.

For the year ended June 30, 2021, the City reported revenue of approximately \$45 million for governmental activities and \$29 million for business-type activities. Additionally, the City met the requirements for a Federal Single Audit and was subject the State Single Audit requirements as well. It is expected the City will meet the requirements for both Federal and State Single Audits throughout the length of the proposed contract.

The City's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The government-wide and proprietary fund statements are reported under the economic resources measurement focus and the accrual basis of accounting.

The City's fiscal year 2021 Annual Comprehensive Financial Report reported the following major funds:

Governmental:

- General Fund
- Coronavirus Relief Special Revenue Fund
- Capital Projects Fund

Proprietary:

- Electric Utility Fund
- Water Utility Fund
- Wastewater Utility Fund
- Solid Waste Utility Fund
- Ports and Harbors Fund

In addition to the major funds, the City's aggregate non-major funds included the following:

Governmental:

- 1% Sales Tax Fund (special revenue fund)
- Bed Tax Fund (special revenue fund)
- Street Paving Fund (capital project fund)

Proprietary:

- Airport
- Housing

The City does not report any Fiduciary Funds

Historical copies of the City's annual Financial Statements are located on the City's website at <https://www.ci.unalaska.ak.us/finance>.

During fiscal year 2022, the City has added 2 governmental funds that are not expected to meet the criteria for presentation as a major fund. Additionally, the City is in the process of creating a Permanent Fund. It is uncertain at this time if the Permanent Fund will qualify as a major governmental fund.

III. REQUIRED SCOPE OF AUDIT SERVICES

General Requirements

The auditor shall express an opinion on the fair presentation of the general purpose financial statements, combining and individual fund statements and schedules in conformity with generally accepted accounting standards. The auditor shall also be responsible for performing certain limited procedures involving supplementary information required by the Government Accounting Standards Board, as mandated by generally accepted auditing standards.

The auditor is not required to provide an opinion on introductory or statistical information included in the Annual Comprehensive Financial Report.

The auditor is required to report on compliance with applicable state and federal laws and regulations and on internal controls over financial reporting that could have a direct and material effect on the fair presentation of the financial statements.

The auditor is required to test internal controls and compliance as described in the provisions of Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards

(2CFR Part 200) of non-Federal entities expending Federal awards and the State of Alaska Audit Guide and Compliance Supplement for State Single Audits.

The auditor is required to report any findings or questioned costs found in the course of the work described above. Findings, and recommendations for corrective action must be reported in three separate categories:

- Those affecting financial reporting;
- Those affecting major federal programs; and
- Those affecting major state programs

Auditor shall review and verify all Trial Balances by Fund and all of the accounting detail necessary to perform the audit. An initial draft of the ACFR will be prepared by the auditor and given to the City for review. Final report preparation and necessary editing shall be the responsibility of the auditor.

Auditor shall submit for management review a draft of all other audit reports. The Audit Committee (Committee) will review the final reports. Auditor shall incorporate, as part of the basic proposal, meeting time with Staff and the Committee for the purpose of discussing the audits or management letter and its conclusions.

Basic Reports to Be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue the following:

Annual Comprehensive Financial Report (ACFR): The auditor shall provide the City with an unsecured electronic copy of the ACFR and Auditor's report thereon and no later than December 15, 2022. The auditor will present the audit findings and reports to the City Council in February 2023.

As guided by AICPA Auditing Standards Board Statement on Auditing Standards, the auditor shall exercise due professional care in understanding the type of engagement and also requiring that, if during the audit, the auditor becomes aware that the City is subject to audit requirements that may not be encompassed in the terms of the engagement he or she shall communicate to management and/or City Council or others with equivalent authority and responsibility that the audit may not satisfy the requirements.

State and Federal Requirements: The auditor shall issue a separate single audit report that provides the following information for use by State and Federal agencies.

- Auditor opinion as to the fair presentation of State and Federal reporting requirements
- State and Federal Single Audit reports that include the auditor's opinion thereon

In connection with the audit of the State and Federal programs, the auditor shall perform tests of internal controls and compliance in accordance with Generally Accepted Auditing Standards, the provision of Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards (2 CFR Part 200) of non-Federal entities expending Federal awards and the State of Alaska Audit Guide and Compliance Supplement for State Single Audits.

The auditor shall complete their required portion of the annual Data Collection Form online at the Federal Audit Clearinghouse as required by 2 CFR Part 200.

Reporting Requirements

Based on the audit work performed, the auditor shall issue the following reports:

- A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles
- A report on the internal control structured based on the auditor's understanding of the control structure and assessment of control risk. The auditor shall communicate all reportable conditions found during the audit in a separate letter to management
- A report on compliance with specific direct and material compliance requirements for each major federal program
- A report on internal control used in administering federal assistance programs; this report shall communicate all weaknesses that could have a direct and material effect on compliance with Federal programs
- A report disclosing the status of findings and recommendations from previous audits that remain uncorrected

Draft copies of each report shall be provided to management prior to November 30 of each year. In addition to the above reporting requirements, the auditor shall immediately make a written report to the Finance Director, City Manager and City Council of any irregularities, illegal acts, or indications of illegal acts noted during the course of the audit.

Assistance with completion of the Annual Comprehensive Financial Report:

- The auditor will assist the City with the review and comment on the ACFR
- The auditor will prepare the year-end GASB 68 and GASB 75 workpapers, and related journal entries for review and approval by the Finance Director

Reports to be Issued

- ACFR – 1 unsecured pdf file and 1 secured pdf file
- Management Letter – 15 bound reports, 1 pdf file
- Single Audit(s) – 15 bound reports, 1 pdf file
- Combined ACFR and Single Audit Report – 1 unsecured pdf file and 1 secured pdf file

Special Considerations

In prior years, the City of Unalaska has received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA). The City intends to continue submitting its Annual Comprehensive Financial Report to GFOA for review with respect to this program. The format of reports shall allow the City to meet the requirements of that program. This also requires that the auditor review of the ACFR be conducted in such a manner as to provide recommendations to meet the program requirements. As requested, the auditor shall also assist with developing responses to any comments or deficiencies noted by GFOA.

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 five (5) years following completion of the audit, unless the firm is notified in writing by the City of the need to extend the retention period. As necessary, the auditor shall make working papers available, upon request, to the following parties or their designees:

- City of Unalaska
- Parties designated by the federal or state governments or by the City of Unalaska as part of an audit quality review process
- Auditors of entities of which the City of Unalaska is a sub-recipient of grant funds

Assistance to be Provided by the City

- City represents that all general ledger accounts will be fully balanced, all subsidiary ledgers reconciled to control accounts, and all bank accounts for all months reconciled no later than September 25 each year.
- City will prepare the following information:
 - A final trial balance
 - Schedules of Expenditures of Federal Awards
 - State Schedule of Federal Assistance
 - Confirmation letters as requested by the auditor
 - Original and final General Fund budget, along with other annual legally appropriated budgets required for inclusion in the ACFR
 - Capital asset rollforward schedule for Governmental Activities and each proprietary fund, including detail for each capital project
 - Debt rollforward schedule, including bond premium amortization
 - Copies of all Federal and State grant agreements
 - Such reasonable additional schedules as may be requested by auditor
 - First draft of the ACFR by November 10 each year

City management and personnel responsible for the audit will be available during the course of the audit in order to assist auditor with timely completion of their audit procedures. City will also provide the auditor with reasonable workspace, if necessary, and access to the City's wifi network. Auditor will also be provided reasonable access to other tools necessary for onsite completion of their audit procedures.

IV. GENERAL INFORMATION FOR RESPONDING TO THE AUDIT RFP

The firm receiving the contract for audit services shall procure and maintain, for the duration of the contract, insurance as required in the City's standard professional services agreement (see Attachment B).

The firm receiving the contract accepts the terms and conditions of the City Professional Services Agreement (Attachment B, unless they otherwise take exception in their cover letter).

The firm selected must have a valid City of Unalaska business license while conducting any work under this contract for each year of the contract term. Additional information regarding the City's business license program may be obtained by calling the City Clerk at (907) 581-1251.

The City reserves the right to accept or reject any and all proposals. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals and in the attached standard professional services agreement, unless clearly and specifically noted in the proposal submitted and confirmed in the agreement between the City and the firm selected.

City representatives will review the proposals and may interview finalists. The City will consider a variety of factors in recommending the selected firm to the City Council, including evaluating the proposals for compliance with the requirements of the RFP. The City shall not be responsible for proposal preparation costs nor for costs including attorney fees associated with any (administrative, judicial or otherwise) challenge to the determination of the highest ranked proposal and/or award of contract and/or rejection of proposal. By submitting a proposal, the firm agrees to be bound in this respect and waives all claims to such costs and fees.

V. MINIMUM CONTENT OF RESPONSES

Submitted proposals shall include the following information in the order listed:

- Cover page
 - The complete name, address and telephone number of the proposing audit firm
 - Name of the primary contact persona associated with the proposal.
 - Project title and due date
- Table of Contents
- A signed letter of transmittal briefly stating that the firm submitting the proposal:
 - Is properly licensed to practice in Alaska (including all of the assigned professional staff to the engagement);
 - Agrees to perform all of the work outlined in the City's RFP within the time periods established by the City; and
 - Understands that the firm's proposal is a firm and irrevocable offer through at least April 30, 2022.
- Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City.
- Firm Background and experience
 - Length of time firm has been in business
 - General scope of services provided
 - Current principal areas of expertise

- Description of similar work performed
- Firm experience in the State of Alaska and with local governments similar in size to the City of Unalaska
- Three (3) references, including contact information, that are representative of the size and scope of services included in the proposal
- Affirmative statement that the firm is independent of the City of Unalaska as defined by auditing standards generally accepted in the United States
- A description of any professional relationships involving the City of Unalaska for the most recent five-year period, if any. Description shall include an explanation of why these relationships do not constitute a conflict of interest relative to performance of the proposed audit.
- Narrative description of the audit team, including resumes that highlight relevant experience to this engagement
- Affirmative statement ensuring the quality of personnel will remain as proposed throughout the term of the agreement and that the City of Unalaska will be apprised of such changes
- A description of the firm's audit approach including:
 - Proposed segmentation and timing with respect to planning, fieldwork and wrap-up/issuance
 - Level of staff and number of hours assigned to each proposed audit section (i.e., cash, investments, etc.)
 - Organization of audit team and approximate percentage of time spent on the audit at each staffing level
 - Use of statistical sampling and analytical procedures
 - Understanding of internal controls and control risk assessment
 - Use of IT specialists
 - Audit timeline
 - Approach to client-drafted statements
- Cost proposal (Please include in a separate email, labeled as "Cost Proposal" in order for the committee to evaluate the remainder of the proposal separately)
 - Proposed fixed cost by year, by section (i.e., financial statements, federal compliance, state compliance, review) in a manner similar to what is included as **Attachment A**
 - Estimated reimbursable costs, by year
 - Estimated cost of additional services included in the Scope of Work above
 - Hourly billing rates by staff level for any additional work billed, if necessary
- Copy of most recent peer review report, with auditor's responses to noted items, and an acceptance letter

VI. EVALUATION AND AWARD CRITERIA

Proposals will be evaluated by a committee selected by the City.

Each proposal will be scored against the criteria below (100 possible points)

- Overall Audit Firm experience and qualifications as described in this Request for Proposal (25 points)
 - Audit Firm's experience in Alaska
 - Audit Firm's audit experience with local governments
 - Descriptions of the audit firm's quality control program and peer review report
 - Existence of an Alaska based decision making location
- Professional qualifications and experience of personnel (25 points)
 - Level of local government experience for identified key members of the audit team
 - Experience of audit team members attributable to their assigned roles
 - Firm's description of approach to ensure the quality of personnel over the term of the engagement
- Understanding of the work to be performed (25 points)
 - Description of auditor understanding of scope of work
 - Understanding of the established audit timeline
 - Description of audit approach
- Cost Proposal (25 points)

Award shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to the City, taking into consideration price and the evaluation factors.

VII. ACCEPTANCE OR REJECTION AND NEGOTIATION OF PROPOSALS

The winning proposal authorized by a Notice of Award will initiate negotiations with the highest rated proposer for the purpose of determining final project scope and contract amount. The negotiations are anticipated to begin April 1, 2022. If agreement cannot be reached, the City reserves the right to enter into negotiations with the next highest rated firm until an agreement is reached, or until the City exercises its right to cancel the solicitation.

The City reserves the right to reject any or all proposals, to waive any irregularities in the request for proposal, and to accept or reject any item or combination of items. By requesting proposals, the City is in no way obligated to award a contract. Furthermore, the City reserves the right to reject any and all proposals prior to the execution of the contract, with no penalty to the City of Unalaska.

Upon completion of negotiations, the selected firm will provide the following information to the City:

- Insurance Certificate(s)
- Three signed agreements
- W-9

ATTACHMENT A: PRICING TEMPLATE

In accordance with the Request for Proposals for Professional Auditing Services issued by City of Unalaska, the firm referenced below hereby submits the following cost proposal:

Year Ending June 30th	2022	2023	2024	2025 (option year 1)	2026 (option year 2)
Basic Reports to be Issued:					
Financial Statement audit, including ACFR					
Single Audit Reports, including Federal and State of Alaska					
Additional Services:					
GASB 68 and GASB 75 journal entry preparation					
ACFR review and assistance with preparation of ACFR to meet GFOA Certificate of Excellence in Financial Reporting requirements					
Total Not to Exceed Fees					
Additional Costs not included in the Not to Exceed Fee above:					
Reimbursables					

Hourly fee quotation and hours proposed for all positions to be assigned to the audit:

Hours	Hour budget associated with not to exceed engagement fee	Standard hourly rate
Partners		
Senior Manager		
Manager		
Senior Staff		
Staff		
Clerical/Support Staff		
Other: Please specify		

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected authorized to sign a contract with the City, for the services identified in the Request for Proposals.

Firm Name: _____

Signature _____

Printed Name: _____

Title _____

Date: _____

Attachment B – City Professional Services Agreement

It is recognized that the formal basis of any agreement between the City and the service provider is a contract rather than a proposal. In submitting proposals, Proposers must indicate that they are prepared to complete the City's Professional Services Agreement, which is presented below and on the following pages.

The selected Proposer will be expected to accept these terms and conditions unless they otherwise take exception in their cover letter.

AGREEMENT FOR PROFESSIONAL SERVICES

This agreement is made and entered into by and between the City of Unalaska "City" and _____ "Auditor" in consideration of the mutual promises contained herein.

Term of Agreement

The term of the agreement will cover the three fiscal years ending June 30, 2022, June 30, 2023, and June 30, 2024. The contract may be renewed on a year-to-year basis for two additional years. The renewals will be by mutual agreement, confirmed in writing and approved by the City Council. The maximum length of the contract is five (5) years.

Scope of Services

The auditors will express an opinion on the fair presentation of the basic financial statements and supplementary information in conformity with U.S. Generally Accepted Accounting Principles (GAAP). The auditors are not required to audit the accompanying management's discussion and analysis and the introductory and statistical sections of the Annual Comprehensive Financial Report (ACFR). The independent auditors will also prepare all reports required by Federal Single Audit Act and amendments and State of Alaska Single Audit Act and debt covenants.

The scope of the audit shall include all accounts and funds of the City. Audit of the component units' financial statements will not be included in this agreement. As required by the Government Accounting Standards Board (GASB), financial statements of component units will be included in the ACFR of the reporting entity.

The audit shall be conducted in accordance with Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants, Government *Auditing Standards* issued by the Comptroller General of the United States of America, Federal Single Audit Act and amendments, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards (2CFR Part 200) of non-Federal entities expending Federal awards and the State of Alaska Audit Guide and Compliance Supplement for State Single Audits.

The Auditors shall accept responsibility to work with the component units and their auditors for financial statement presentations within the ACFR.

The Auditor shall consider the adequacy of systems of internal control, accounting procedures and other significant matters. If significant deficiencies and/or material weaknesses are noted, appropriate recommendations should be reviewed with management and included in the Single Audit Report.

The Auditors will assist management in drafting the financial statements and notes, if necessary. In accordance with *Government Auditing Standards*, management will confirm that management reviewed, approved, and accepts full responsibility for the financial statements and notes. The auditor is responsible for printing of all reports. The ACFR will also be prepared according to the requirements of Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

The management of the City has responsibility for the financial statements and all representations contained therein. Management of the City also has responsibility for the adoption of sound accounting policies and the implementation of record keeping and internal controls to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements.

An audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, there is a risk that material errors, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit performed in accordance with generally accepted auditing standards. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

The Auditor will perform tests the Auditor considers necessary to evaluate the effectiveness of the design and operation of internal control relevant to preventing or detecting material noncompliance with laws and regulations applicable to the City's major programs. The test of internal controls performed in accordance with State of Alaska and federal (if necessary) regulations are less in scope than would be necessary to render an opinion on internal control. The limited purpose of these tests may not meet the needs of some users of audit reports who require additional information about internal control.

Compliance with laws, regulations, contracts and grants that govern State and federal award programs is the responsibility of management of the City. The Auditor will perform tests of the City's compliance with certain specific provisions of laws, regulations, contracts and grants the Auditor determines to be necessary based on the Audit Guide and Compliance Supplement for State Single Audits and Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards (2CFR Part 200) of non-Federal entities expending Federal awards (if necessary) and report thereon whether in the Auditor's opinion the City complied in all material respects with the laws and regulations applicable to the City's major State and federal financial awards. The procedures outlined in the Compliance Supplements are those suggested by each State and federal agency and do not cover all areas of regulations that govern each program. Program reviews by State agencies may identify additional instances of noncompliance.

The City agrees that all records, documentation, and information the Auditor requests in connection with the audit will be made available to the Auditor, that all material information will be disclosed to the Auditor, and that the Auditor will have the full cooperation of the City's personnel. As required by generally accepted auditing standards, the Auditor will make specific inquiries of management of the City and about representations embodied in the financial statements and the effectiveness of internal controls, and obtain a representation letter from management of the City about these matters. The responses to the Auditor's inquiries, the written representations, and the results of audit tests comprise the evidential matter the Auditor will rely upon in forming an opinion of the financial statements.

The Auditor's Engagement Letter, attached as Exhibit A, forms part of this Agreement.

Timelines and Presentation of Work Product

Specific dates for delivery of audit prep package, field work and presentation to City Council for each fiscal year shall be agreed to in writing so long as they meet the following deadlines.

All audit field work shall be completed by October 31 following the end of each fiscal year.

An exit conference will be held on the last day of field work with the finance director, city manager and assistant city manager. The purpose of this meeting will be to summarize the results of fieldwork and review significant findings.

Draft copies of each report shall be provided to management prior to November 30 of each year.

The appropriate financial reports and management letter should be presented to the City Council early in the calendar year following the fiscal year end. A senior member of the audit team (partner, senior manager or manager) should lead the presentation to City Council.

Compensation of Auditor

The City shall pay the Auditor no more than is detailed for each fiscal year as outlined in the attached engagement letter, unless additional services are requested by the City. The specified fees are based on the City's books and records being ready for audit (having account balances reconciled and adjusted for June 30), and the client-prepared items as previously discussed and mutually agreeable. The audit fees are based on the key accounting personnel of the City being available during the course of the audit.

Should any of these conditions change and the scope of the audit or the assistance being provided change, a fee adjustment may be necessary. Any such fee adjustment relating to a change in scope of audit or accounting assistance must be agreed to in writing and signed by the City and the Auditor before performing any additional work. Additional work resulting from changed conditions will be charged at the following rates:

Partner	\$
Senior Manager	\$
Manager	\$
Senior Staff	\$
Staff	\$
Office/clerical	\$

If the City should request services other than audit related or accounting assistance, they must be agreed to in writing and signed by the City and the Auditor before performing any work. Additional services agreed upon will be charged at the following rates:

Partner	\$
Senior Manager	\$
Manager	\$
Senior Staff	\$
Staff	\$
Office/clerical	\$

At the conclusion of each phase of work for which payment is due, the Auditor shall present a bill to the Finance Department describing the work for which it seeks payment and documenting expenses and fees to the satisfaction of the Finance Department. Any reimbursable costs will be supported by receipts, as appropriate. Amounts due shall be paid by City no later than thirty (30) days from receipt of a properly documented invoice.

The City shall in addition to the monetary compensation agreed to, provide the Auditor with office space, materials and photocopying during the time the Auditor is onsite conducting fieldwork.

This contract is subject to the availability of funds lawfully appropriated for its performance.

The City may deduct from the amount of any payment made to Auditor any sums owed to City by Auditor including, but not limited to, past due sales tax, port and harbor fees, property tax or rent. Before making any such deduction the City shall have provided Auditor written notice of the amount claimed by City to be due and owing from Auditor.

Termination of Auditor's Services

The Auditor's Services may be Terminated:

- By mutual consent
- For the convenience of the City, provided that the City notifies the Auditor in writing of its intent to terminate under this paragraph at least ten (10) days prior to the effective date of the termination.
- For cause, by either party where the other party fails in any material way to perform its obligations under this contract. Termination under this subsection is subject to the condition that the terminating party notifies the other party of its intent to terminate, stating with reasonable specificity the grounds therefore, and the other party fails to cure the default within thirty (30) days after receiving the notice.

Duties Upon Termination

If the City terminates the Auditor's services for convenience, the City shall pay the Auditor for its actual costs reasonably incurred in performing before termination. Payment under this subsection shall not exceed the total compensation as stated in the engagement letter. All reports and letters delivered by the Auditor to the City become the property of the City. The Auditor's work papers remain the exclusive property of the Auditor provided, however, that

Auditor shall provide City reasonable access to Auditor's work papers to the extent necessary to review or complete any municipal audit.

If the Auditor's services are terminated for cause, the City shall pay the Auditor the reasonable value of the services satisfactorily rendered prior to termination, less any damages suffered by the City because of the Auditor's failure to perform satisfactorily. Payment under this subsection shall not exceed ninety percent (90%) of the total compensation allowable under this contract.

If the Auditor receives payment exceeding the amount to which it is entitled, they shall remit the excess to the City within thirty (30) days of either receiving notice to do so or discovering the overpayment.

The Auditor shall not be entitled to compensation under this section until the Auditor has delivered to the City of Unalaska Finance Department all documents, records, materials and equipment owned by the City, related to this contract and requested by the City Manager or the Finance Director, except such items that have been incorporated into the Auditor's work papers.

If the Auditor's services are terminated, for whatever reason, the Auditor shall not claim any compensation under this contract, other than that allowed under this section.

Independent Contractor Status. In performing under this Agreement, Auditor acts as an independent contractor and shall have responsibility for and control over the details and means for performing the services required hereunder.

Assignment

Auditor shall not assign this Agreement or any of the monies due or to become due hereunder without the prior written consent of City.

Subcontracting

Auditor may not subcontract any portion of its performance under this Agreement without prior written consent of City.

Compliance with Applicable Laws

Auditor shall, in the performance of this Agreement, comply with all applicable federal, state and local laws, ordinances, orders, rules and regulations applicable to its performance hereunder, including, without limitation, all such legal provisions pertaining to social security, income tax withholding, medical aid, industrial insurance, worker's compensation, and other employee benefit laws. Auditor also agrees to comply with all contract provisions pertaining to grant or other funding assistance which City may choose to utilize to perform work under this Agreement.

Venue and Applicable Law

The venue of any legal action between the parties arising as a result of this Agreement shall be laid in the Third Judicial District of the Superior Court of the State of Alaska, at Unalaska, Alaska unless a non-waivable federal or state law requires otherwise. This Agreement shall be interpreted in accordance with the laws of the State of Alaska.

Attorney's Fees

In the event either party institutes any suit or action to enforce its right hereunder, the prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs in such suit or action and on any appeal therefrom.

Amendment

This contract shall only be amended, modified or changed in writing, executed by authorized representatives of the parties, with the same formality as this contract was executed and such document shall be attached to this contract as an appendix. Any attempt to amend, modify or change this contract by an unauthorized means shall be void.

Severability

Any provision of this contract decreed invalid by a court of competent jurisdiction shall not invalidate the remaining portion of the contract.

Integration

This instrument, the accompanying engagement letter and all appendices and amendments hereto embody the entire agreement of the parties. There are no promises, terms, conditions or obligations other than those stated herein: and this contract shall supersede all previous communications representations, or agreements, either oral or written, between the parties hereto.

Liability

The Auditor shall indemnify, defend, save and hold the City harmless from any claims, lawsuit or liability, including attorney's fees and costs, from third parties for physical damage to property or injury as a result of the Auditor's negligent performance under this contract. Auditor has no obligation to indemnify the City from any claims resulting from the acts or omissions of the City; and in no event would any indemnification provided under this section be *affected* by the Auditor if doing so would violate the AICPA or other independence obligations. Because of the importance of management of the City's representations to the effective performance of the audit, the City agrees to release the Auditor and its personnel from any loss, damage or injury relating to the Auditor's performance under this agreement attributable to any misrepresentations in the engagement letter referred to above.

Inspection of Records

The Auditor shall, during normal business hours, upon reasonable notice, and as often as the City deems necessary, make available to the City for examination all of its timekeeping and expense and work paper records directly related to this engagement, except for such records considered proprietary or containing trade secrets, with respect to all matters covered by this contract for a period ending five (5) years after the date the Auditor is to complete performance in accordance with the special provisions

Pursuant to *Government Auditing Standards*, and Alaska law the Auditor may be legally required to make certain records available to regulatory agencies upon request for their reviews of audit quality and use by their auditors or available to the public for inspection and copying as public records under UCO §2.92.050 and AS 40.25.110. Access to the requested records will be provided

to the regulators under the supervision of the Auditor's personnel. Access to the requested records will be provided to the public only to the extent specifically required by law. The Auditor, upon request, may provide photocopies of records to regulatory agencies. The regulatory agencies may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

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

Nondiscrimination

The certified public accounting firm will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, age, sex, or marital status or mental or physical handicap.

The certified public accounting firm shall state, in all solicitations for employees to work on contract jobs, that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, age, sex, marital status, mental or physical handicap.

Permits, Laws and Taxes

The certified public accounting firm shall acquire and maintain in good standing all permits, licenses and other entitlements necessary to its performance under this contract. All actions taken by the certified public accounting firm under this contract shall comply with all applicable statutes, ordinances, rules and regulations. The certified public accounting firm shall pay all taxes pertaining to its performance under this contract.

Required Insurance

The Auditor shall carry and maintain throughout the life of this contract, at its own expense, insurance not less than the amounts and coverage herein specified, and the City of Unalaska, its employees and agents shall be named as additional insured under the insurance coverage so specified and where allowed, with respect to the performance of the work. There shall be no right of subrogation against the City or its agents performing work in connection with the work, and this waiver of subrogation shall be endorsed upon the policies. Insurance shall be placed with companies acceptable to the City of Unalaska; and these policies providing coverage thereunder shall contain provisions that no cancellation or material changes in the policy relative to this project shall become effective except upon 30 days prior written notice thereof to the City of Unalaska.

Prior to commencement of the work, the Auditor shall furnish Certificates of Insurance on a standard Acord insurance form to the City of Unalaska evidencing that the Insurance policy provisions required hereunder are in force. Acceptance by the City of Unalaska of deficient evidence does not constitute a waiver of contract requirements. The Auditor shall furnish the City of Unalaska with copies of complete insurance policies upon request. The minimum coverages and limits required are as follows:

Workers' Compensation insurance in accordance with the statutory coverages required by the State of Alaska and Employer's Liability insurance with limits not less than \$1,000,000.

Commercial General Liability with limits not less than \$1,000,000 per Occurrence and \$1,000,000 Aggregate for Bodily Injury and Property Damage, including coverage for Premises and Operations Liability, Products and Completed Operations Liability, Contractual Liability, Broad Form Property Damage Liability and Personal Injury Liability.

Commercial Automobile Liability on all owned, non-owned, hired and rented vehicles with limits of liability of not less than \$1,000,000 Combined Single Limit for Bodily Injury and Property Damage per each accident or loss.

Professional Liability insurance with limits of not less than \$1,000,000 per claim and \$1,000,000 aggregate.

If the Auditor maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverages for the higher limits maintained by the Auditor.

All insurance policies as described above other than the professional liability policy is required to be written on an "occurrence" basis. In the event occurrence coverage is not available, the Auditor agrees to maintain "claims made" coverage for a minimum of two years after project completion.

Nonwaiver

The failure of either party to enforce a provision of this contract shall in no way constitute a waiver of the provision, nor in any way affect the validity of this contract or any part hereof, or the right of such party thereafter to enforce any and every provision hereof.

Notice

All notices shall be deemed delivered by personal delivery, or by depositing in the regular United States

Mail, postage prepaid to the following address:

James D. Sharpe
Interim Finance Director
City of Unalaska
P.O. Box 610
Unalaska, AK 99685

IN WITNESS WHEREOF, the parties have executed this contract on the date and at the place shown below:

CITY OF UNALASKA

—

Erin Reinders

City Manager

Date: _____

<company name>