



CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99654-7091
PHONE: (907) 373-9050
FAX: (907) 373-9085

C O U N C I L M E M O R A N D U M

N O . 9 5 - 0 9

DATE: January 13, 1995
TO: WASILLA CITY COUNCIL
FROM: ERLING P. NELSON, CMC *eln*
FINANCE DIRECTOR
RE: AUDITING SERVICES
CC: MAYOR STEIN

THE ENGAGEMENT OF COOK & HAUGEBERG TO PROVIDE AUDITING SERVICES FOR THE CITY OF WASILLA IS NOW COMPLETED. COMPARISONS OF ESTIMATED FEES WITH ACTUAL FEES CHARGED ARE LISTED BELOW.

| FISCAL YEAR | ESTIMATED FEES | ACTUAL FEES | DIFFERENCE (OVER) UNDER | % OVER |
|-------------|----------------|-------------|----------------------------|--------|
| 90 | \$23,270.00 | \$23,270.00 | \$0.00 | NA |
| 91 | \$23,050.00 | \$23,050.00 | \$0.00 | NA |
| 92 | \$23,870.00 | \$24,137.00 | (\$267.00) | .01 |
| 93 | \$24,570.00 | \$25,021.00 | \$451.00 | .02 |
| 94 | \$25,380.00 | \$22,338.00 | \$3042.00 | NA |

AUDITING SERVICES PROCUREMENT

AT THIS POINT THE COUNCIL MUST DECIDE WHETHER IT WANTS TO ACHIEVE AUDITOR ROTATION BY SELECTING A NEW AUDIT FIRM OR BY EXTENDING THE CONTRACT OF THE CURRENT AUDITORS WITH INTERNAL ROTATION OF AUDIT STAFF.

THERE ARE ADVANTAGES & DISADVANTAGES TO BOTH METHODS. THE MOST IMPORTANT THING FOR COUNCIL TO REMEMBER IS THAT THE AUDITING PROCESS IS THE LEGISLATIVE BODY'S WAY TO ACHIEVE AN INDEPENDENT CHECK ON THE ADMINISTRATION & YOU MUST BE COMFORTABLE WITH WHOMEVER YOU CHOOSE THAT THEY ARE INDEED PERFORMING THAT FUNCTION.

I WOULD SUGGEST THAT YOU TRY A MOTION FOR EXTENSION OF SERVICES BY COOK & HAUGEBERG FOR UP TO 5 YEARS. FAILING THAT, THEN I WOULD SUGGEST THAT YOU REQUEST THE MAYOR TO CONDUCT AN RFP PROCESS THROUGH THE FINANCE DEPARTMENT OR ALTERNATIVELY REQUEST THE CITY CLERK TO CONDUCT THE SAME PROCESS. YOU WOULD ALSO NEED TO FORM A COMMITTEE TO EVALUATE THE PROPOSALS & RECOMMEND AN AUDITOR TO THE FULL COUNCIL. FINANCE STAFF WILL BE AVAILABLE TO ASSIST IN ANY MANNER DESIRED & APPROVED BY THE MAYOR.

Administration directed to seek terms for the extension of the auditing services agreement with Cook & Haugeberg for a 3 year term and bring back to Council. 1/23/95

Cook & Haugeberg

CERTIFIED PUBLIC ACCOUNTANTS

May 11, 1990

Honorable Mayor and
Members of the City Council
City of Wasilla
290 East Herning Avenue
Wasilla, Avenue 99687

Understanding of Engagement

We are confirming our understanding of the services to be provided in connection with our planned audit of the general purpose financial statements of the City of Wasilla for June 30, 1990. The services will be performed in accordance with our proposal dated December 27, 1989 and your acceptance dated March 9, 1990.

The purpose and scope of our audit will be to express an opinion on the general purpose financial statements. Our audit will be made in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Accordingly, we will selectively test the accounting records of the City of Wasilla and related data, and will perform other auditing procedures by methods and to the extent we deem appropriate.

As part of our audit, a letter of representation will be requested from management confirming (a) certain representations made orally during our audit that are not reflected in the City of Wasilla's books of account or other records and (b) certain other representations implicit in the books and records maintained by employees of the City of Wasilla. That letter will deal with matters such as management's acknowledgement of its responsibilities for the fair presentation of the financial statements, information concerning related party transactions, plans or intentions that may affect the carrying value or classification of assets and liabilities, and similar matters.

We will advise you promptly if we discover conditions which cause us to believe that material errors or defalcations or other irregularities may exist or if we encounter circumstances that require us to extend our work significantly. However, an audit based on selective testing is subject to the inherent risk that material errors or irregularities, if they exist, will not be detected.

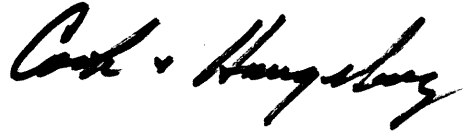
At the conclusion of the audit, we will submit our report with respect to the general purpose financial statements. We will separately advise you of any material weaknesses in internal accounting controls that come to our attention and make recommendations we may have for strengthening those controls. We will also make recommendations for improving operational procedures to the extent that such matters come to our attention.

We will also audit the City of Wasilla's federal and state grants in accordance with federal and state single audit requirements.

Our charges will be made at regular per diem rates, plus out-of-pocket expenses for which we will make monthly billings with payment due within thirty days. We will obtain the assistance of City of Wasilla personnel to the extent possible and otherwise endeavor to keep these charges to a minimum. In any event, our total fees for 1990 will not exceed \$23,270 unless unusual circumstances arise and we receive prior written authorization from you.

If the above arrangements are acceptable to you, and if the services outlined are in accordance with your requirements, please sign the copy of this letter in the space provided and return it to us.

Very truly yours,



The services described in the foregoing letter are in accordance with our requirements and acceptable to us.

City of Wasilla

By 

Date 5/21/90

COMPENSATION

Our fees are based on our evaluation of the time involved in providing the highest level of service to the City. Hourly rates are calculated using standard ratios to the salaries we must provide to maintain a quality staff. They reflect the experience and qualifications of each level of our personnel. The hourly standard rates of our staff for this type of service are as follows:

| | <u>Hourly Rates</u> |
|---------------------|---------------------|
| Partners | \$100 to \$130 |
| Managers | 80 to 95 |
| Supervisors | 65 to 75 |
| Supervising Seniors | 55 to 65 |
| Senior Accountants | 50 to 55 |
| Staff Accountants | 45 to 50 |

We have discussed current operations with the City's Director of Municipal Services. He has indicated that accounting work is being accomplished on a timely basis. We have also discussed matters that have a significant effect on the auditing process.

As a result of information provided with the request for proposal and during various discussions, we have estimated our total engagement hours for June 30, 1990 through 1994. Our estimate of the cost required to perform the 1990 engagement is presented as though it was performed after an initial audit. The actual performance for 1990 would require us to devote above normal time to develop permanent files, obtain background information and tailor continuing audit programs. The actual performance of the engagement for 1990 using 420 hours will provide careful planning and auditing that will benefit later years. It is our policy to absorb most of the extra time and costs required to establish long-term relationships with our clients. The summary of the total engagement hours on that basis is presented as follows:

| | <u>Hours</u> |
|---------------------------------------|--------------|
| Estimated hours for 1990 | 420 |
| Estimated hours for 1991 through 1994 | 370 |

In this proposal we have described the qualifications of staff committed to this engagement. We estimate that they would be assigned to the engagement in the following manner:

COMPENSATION
(Continued)

| | 1991 Thru 1994 Hours | 1990 Hours | 1990 Total Cost |
|--|-------------------------------|---------------|-----------------------|
| Partners | 30 | 34 | \$ 2,550 |
| Manager | 80 | 100 | 5,600 |
| Supervising Senior Staff Accountants | 120 | 140 | 6,000 |
| Staff report preparation | 120 | 120 | 4,800 |
| | <u>20</u> | <u>26</u> | <u>700</u> |
| Audit fee | <u>370</u> | <u>420</u> | 19,650 |
| Publication costs for 30 copies of the financial reports and 20 copies of the Management Letter | | | 200 |
| Travel and per diem | | | 3,250 |
| Supplies, telephone, postage and other out-of-pocket expenses | | | <u>170</u> |
| Total fee and costs | | | <u>\$ 23,270</u> |

For the succeeding four years, we would expect the hours required to perform the engagement to remain about the same depending upon the impact of the Alaskan economy on its municipalities. Other costs are likely to increase moderately with inflation while our preliminary audit plans are designed to keep travel costs limited to an economical level. The proposed total of fees and costs for the five years are summarized as follows:

| | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> | <u>1994</u> |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| All inclusive audit fee | \$ 19,650 | \$ 19,800 | \$ 20,400 | \$ 21,000 | \$ 21,700 |
| Report publication | 200 | 200 | 220 | 220 | 230 |
| Travel, per diem and other costs | <u>3,420</u> | <u>3,050</u> | <u>3,250</u> | <u>3,350</u> | <u>3,450</u> |
| | <u>\$ 23,270</u> | <u>\$ 23,050</u> | <u>\$ 23,870</u> | <u>\$ 24,570</u> | <u>\$ 25,380</u> |

In response to your request for a rate schedule for accounting assistance, the following is presented. The rates are effective on a calendar year basis so that they would be expected to usually be in effect for services related to the fiscal year during which auditing is being performed.

COMPENSATION
(Continued)

| <u>Staff Category</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> | <u>1994</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Partner | \$100 | 100 | \$110 | \$110 | \$120 |
| Manager | 80 | 80 | 85 | 85 | 90 |
| Computer Specialist | 65 | 65 | 70 | 70 | 75 |
| Supervisors | 65 | 65 | 70 | 70 | 75 |
| Supervising Seniors | 55 | 55 | 60 | 60 | 65 |
| Senior Accountants | 50 | 50 | 55 | 55 | 60 |
| Staff Accountants | 45 | 45 | 50 | 50 | 55 |

These amounts will not be exceeded unless unusual circumstances develop about which we reach mutual agreement and receive your specific authorization in writing. Travel and per diem costs provide for partner involvement and consultation that is helpful from a management standpoint and for a presence in Wasilla that we think is beneficial to the City.

We prefer to provide our clients with the flexibility of service and management involvement that they desire and appreciate. We have designed our fee estimate to reflect the most favorable billing rates applied to our municipal clients. We believe that fee and cost estimates should be realistic so that the City can expect quality service and we have made our computations on that basis. These time and fee estimates, prepared especially for the City of Wasilla, are designed to assure quality service within a continuing relationship. They recognize the efficiency available from auditing within a programmed format which is revised to recognize new systems and current auditing procedures. Should you have any questions or wish to consider alternatives, we will be pleased to discuss them with you.

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We appreciate the opportunity to provide this information to the City of Wasilla. Our firm is prepared to respond to any further requests for information during your process of retaining auditors.