

Date of Action: 6/9/14	
Approved <input checked="" type="checkbox"/>	Denied <input type="checkbox"/>
By: K. Smith	

CITY COUNCIL ACTION MEMORANDUM

AM No. 14-19: Authorization to extend the contract for one (1) option year and awarding renewal to KPMG, in the amount of \$53,450 for the purpose of Independent Auditing Services for fiscal year ending June 30, 2014.

Originator: April Dwyer, Purchasing/Contracting Officer

Date: 5/9/2014

Agenda of: 6/9/2014

Route to:	Department Head	Signature	Date
X	Chief of Police	<i>Steve Belden</i>	5/28/14
X	Public Works Director	<i>[Signature]</i>	5/28/14
X	Recreation & Cultural Services Director	<i>Jan Haggurich</i>	5/28/14
X	Finance Director	<i>[Signature]</i>	5-28-14
X	Deputy Administrator	<i>[Signature]</i>	5-28-14
X	City Clerk	<i>K. Smith</i>	5/28/14

Reviewed by Mayor Verne E. Rupright: *[Signature]*

Fiscal Impact: yes or no

Funds Available: yes or no

Account name/number/amount:

Professional Services – Accounting & Auditing	001-4115-411-30-31	39,327
	220-4270 427-30-31	490
	310-4351-435-30-31	4,752
	320-4361-436-30-31	3,290
	330-4370-437-30-31	4,027
	340-4530-453-30-31	1,564
	Total:	\$53,450

Attachments: KPMG contract with cost proposal (17 pages)

Summary Statement: On December 9, 2010, the City of Wasilla issued a Request for Proposal number 1209-0-2010/JJ for Independent Audit Services. The contract was awarded to KPMG with a three (3) year term and two (2) optional one (1) year extensions. KPMG has provided exceptional service in the delivery of the City’s annual audit, preparation of its Comprehensive Annual Financial Report (CAFR), and communications regarding upcoming changes to professional/technical guidance.

It is recommended that the City exercise the first optional year extension for Fiscal Year 2014 Independent Auditing Services.

Staff Recommendation: Adopt AM No. 14-19.

Attachment C
KPMG LLP
Cost Proposal

COST PROPOSAL

CITY OF WASILLA

•Purchasing•

290 East Herning Avenue • Wasilla • Alaska • 99654-7091
• Telephone 907-373-9047 • Fax 907-373-9046 •

THE CITY OF WASILLA
IS SOLICITING PROPOSALS FOR
Financial Audit Services

REQUEST FOR PROPOSAL NO. 1209-0-2010/JJ

RELEASE DATE: December 9, 2010

DEADLINE FOR SUBMITTING QUESTIONS: December 23, 2010 @ 2:00 p.m.

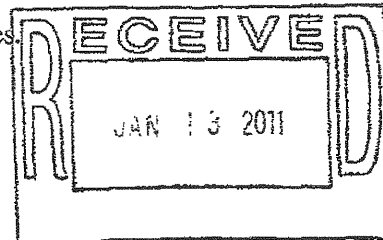
DEADLINE FOR SUBMISSION AND OPENING DATE & TIME: January 13, 2011 @ 2:00 p.m.

Project Abstract:

Professional financial auditing services are being sought by the City of Wasilla for the fiscal years ending June 30, 2011; June 30, 2012; and June 30, 2013 with the option of two (2), one (1)-year extensions.

The actual RFP document consists of 35 pages.

For additional information, please contact:
Josie Judd, Purchasing Officer
(907) 373-9047



JJ 2:50 pm
mae
As the lead engagement partner, Daniel J. Rozema is entitled to represent KPMG, empowered to submit the cost proposal, and authorized to sign a contract with the City.

Company Name KPMG LLP Contact Person Daniel J. Rozema, Partner
Address 701 W. 8th Avenue, Suite 600 City Anchorage State AK Zip 99501
Telephone (907) 265-1200 Fax (907) 265-1296 Federal Tax ID No. 13-5565207
E-Mail Address: drozema@kpmg.com

Attachment E

COST PROPOSAL

A schedule of professional fees and expenses, presented in the format below which documents the total all-inclusive maximum price. To meet the requirements of this proposal, costs are required for the fiscal years 2011 through 2013; proposals for the two (2), one (1) – year extensions are at the option of the bidder.

Daniel Rozema, your lead engagement partner, is entitled to represent KPMG, empowered to submit the cost proposal, and authorized to sign a contract with the City.

Description of Service	Required			Optional	
	FY2011	FY2012	FY2013	FY2014	FY2015
Audit Services (including Federal & State Single Audits & Opinions)	\$ 46,800	\$ 47,000	\$ 47,500	\$ 48,000	\$ 48,500
Review and Preparation of CAFR (to meet requirements of GFOA's Certificate of Excellence in Financial Reporting)	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Printing of all financial statements, schedules, and opinion letters (auditor prepares CAFR)	\$ 450	\$ 450	\$ 450	\$ 450	\$ 450
Printing of all financial statements schedules, and opinion letters (client prepares CAFR)	\$ 450	\$ 450	\$ 450	\$ 450	\$ 450
TOTAL PER YEAR	\$ 52,250	\$ 52,450	\$ 52,950	\$ 53,450	\$ 53,950

Should it become necessary for the City to request the auditor to render additional service to either supplemental work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an amendment to the contract between the City and the Contractor, and shall be performed at the rates set forth in the schedule below. To meet the requirements of this proposal, rates are required for the fiscal years 2011 through 2013; rates for the two (2), one (1) – year extensions are at the option of the proposer.

Position	Quoted Hourly Rate				
	Required			Optional	
	FY2011	FY2012	FY2013	FY2014	FY2015
Partners	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
Managers	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Seniors or In-Charges	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
Staff	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90
Admin	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

A Contract Between the City of Wasilla Acting By and Through Its

City of Wasilla
290 E. Herning Avenue
Wasilla, AK 99654
Ph: (907) 373-9047 Fax: (907) 373-9011

and

KPMG LLP 701 W. 8th Avenue, Suite 600
Anchorage, Alaska 99501
Ph: (907) 165-1200 Fax: (907) 265-1296
Federal Tax ID #13-5565207

WHEREAS, WMC 5.08.030 authorizes elective the mayor or the mayor's designee to engage, subject to the approval of the City Council, services of persons as independent contractors; and

WHEREAS, it is deemed that the service of Contractor are both necessary and in the best interests of the City of Wasilla;

NOW, THEREFORE, in consideration of the aforesaid premises, the parties mutually agree as follows:

1. REQUIRED APPROVAL. This Contract shall not become effective until and unless approved by the Wasilla City Council.
2. DEFINITIONS. "City" means the City of Wasilla and any city agency identified herein. "Independent Contractor" means a person or entity that performs services and/or provides goods for the City under the terms and conditions set forth in this Contract. "Fiscal Year" is defined as the period beginning July 1 and ending June 30 of the following year.
3. CONTRACT TERM. This Contract shall be effective for fiscal years June 30, 2011 thru June 30, 2013, unless sooner terminated by either party as specified in paragraph (9).
4. NOTICE. Unless otherwise specified, termination shall not be effective until 30 calendar days after a party has served written notice of default, or without cause upon the other party. All notices or other communications required or permitted to be given under this Contract shall be in writing and shall be deemed to have been duly given if delivered personally in hand, by telephonic facsimile with simultaneous regular mail, or mailed certified mail, return receipt requested, postage prepaid on the date posted, and addressed to the other party at the address specified above.
5. INCORPORATED DOCUMENTS. The parties agree that the scope of work shall be specifically described; this Contract incorporates the following attachments in descending order of constructive precedence; a Contractor's Attachment shall not contradict or supersede any City specifications, terms or conditions without written evidence of mutual assent to such change appearing in this Contract:
ATTACHMENT A, City – Request for Proposal 1209-0-2010/JJ, 3. Scope of Services, pages 4-9
ATTACHMENT B, KPMG LLP - Technical Proposal
ATTACHMENT C, KPMG LLP – Cost Proposal
Contractor's Engagement Letter
6. CONSIDERATION. The parties agree that Contractor will provide the services specified in paragraph (5) at a total maximum cost as specified in the KPMG LLP Proposal to provide Audit Services – Cost Proposal dated January 13, 2011 for the scope of work as described in the referenced RFP on pages 4 through 9 and will be paid monthly. The City does not agree to reimburse Contractor for any other expenses except those submitted in a change order. Any intervening end to appropriation period shall be deemed an automatic renewal (not changing the overall Contract term) or a termination as the results of legislative appropriation may require.

7. ASSENT. The parties agree that the terms and conditions listed on incorporated attachments of this Contract are also specifically a part of this Contract and are limited only by their respective order of precedence and any limitations specified.
8. TIMELINESS OF BILLING SUBMISSION. The parties agree that timeliness of billing is of the essence to the contract and recognize that the City is on a fiscal year. All billings for dates of service prior to July 1 must be submitted to the City no later than July 15 of the same year. A billing submitted after July 15, which forces the City to process the billing as a stale claim, will subject the Contractor to an administrative fee not to exceed \$100.00. The parties hereby agree this is a reasonable estimate of the additional costs to the City of processing the billing as a stale claim and that this amount will be deducted from the payment due to the Contractor.
9. INSPECTION & AUDIT.
 - a. Books and Records. Contractor agrees to keep and maintain under general accepted accounting principles (GAAP) full, true and complete records, contracts, books, and documents as are necessary to fully disclose to the City or United States Government, or their authorized representatives, upon audits or reviews, sufficient information to determine compliance with all state and federal regulations and statutes. Access or disclosure under this subparagraph shall be provided by Contractor only to the extent such access or disclosure does not undermine the independence of the auditor or the validity of the audit process (ref. AICPA Professional standards AU 339.31).
 - b. Inspection & Audit. Contractor agrees that the relevant books, records (written, electronic, computer related or otherwise), including, without limitation, relevant accounting procedures and practices of Contractor or its subcontractors, financial statements and supporting documentation, and documentation related to the work product shall be subject, at any reasonable time, to inspection, examination, review, audit, and copying at any office or location of Contractor where such records may be found, with or without notice by a City audit representative or any of their authorized representatives. All subcontracts shall reflect requirements of this paragraph. Inspection, examination, review, audit, copying, access, and/or disclosure under this subparagraph shall be provided by Contractor only to the extent said inspection, examination, review, audit, copying, access, and/or disclosure does not undermine the independence of the auditor or the validity of the audit process (ref. AICPA Professional Standards AU 339.31.).
 - c. Period of Retention. All books, records, reports, and statements relevant to this Contract must be retained a minimum three years and for five years if any federal funds are used in the Contract. The retention period runs from the date of payment for the relevant goods or services by the City, or from the date of termination of the Contract, whichever is later. Retention time shall be extended when an audit is scheduled or in progress for a period reasonably necessary to complete an audit and/or to complete any administrative and judicial litigation which may ensue.
10. CONTRACT TERMINATION.
 - a. City Termination for Nonappropriation. The continuation of this Contract beyond the current fiscal year is subject to and contingent upon sufficient funds being appropriated, budgeted, and otherwise made available by the City Council, State Legislature and/or federal sources. The City may terminate this Contract, and Contractor waives any and all claim(s) for damages, effective immediately upon receipt of written notice (or any date specified therein) if for any reason the Contracting Agency's funding from City, State and/or federal sources is not appropriated or is withdrawn, limited, or impaired.
 - b. Cause Termination for Default or Breach. A default or breach may be declared with or without termination. This Contract may be terminated by either party upon written notice of default or breach to the other party as follows:
 - i. If Contractor fails to provide or satisfactorily perform any of the conditions, work, deliverables, goods, or services called for by this Contract within the time requirements specified in this Contract or within any granted extension of those time requirements; or
 - ii. If any state, county, city or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by Contractor to provide the goods or services required by this Contract is for any reason denied, revoked, debarred, excluded, terminated, suspended, lapsed, or not renewed; or
 - iii. If Contractor becomes insolvent, subject to receivership, or becomes voluntarily or involuntarily subject to the jurisdiction of the bankruptcy court; or
 - iv. If the City materially breaches any material duty under this Contract and any such breach impairs Contractor's ability to perform; or

- v. If it is found by the City that any quid pro quo or gratuities in the form of money, services, entertainment, gifts, or otherwise were offered or given by Contractor, or any agent or representative of Contractor, to any officer or employee of the City of Wasilla with a view toward securing a contract or securing favorable treatment with respect to awarding, extending, amending, or making any determination with respect to the performing of such contract; or
 - vi. If it is found by the City that Contractor has failed to disclose any material conflict of interest relative to the performance of this Contract.
- c. Time to Correct. Termination upon a declared default or breach may be exercised only after service of formal written notice as specified in paragraph (4), and the subsequent failure of the defaulting party within 15 calendar days of receipt of that notice to provide evidence, satisfactory to the aggrieved party, showing that the declared default or breach has been corrected.
- d. Winding Up Affairs Upon Termination. In the event of termination of this Contract for any reason, the parties agree that the provisions of this paragraph survive termination:
- i. The parties shall account for and properly present to each other all claims for fees and expenses and pay those which are undisputed and otherwise not subject to set off under this Contract. Neither party may withhold performance of winding up provisions solely based on nonpayment of fees or expenses accrued up to the time of termination;
 - ii. Contractor shall satisfactorily complete work in progress at the agreed rate (or a pro rata basis if necessary) if so requested by the Contracting Agency;
 - iii. Contractor shall execute any documents and take any actions necessary to effectuate an assignment of this Contract if so requested by the Contracting Agency;
 - iv. Contractor shall preserve, protect and promptly deliver into City possession all proprietary information in accordance with paragraph (20). Information stored on routine backup media for the purpose of disaster recovery will be subject to destruction in due course. Latent data such as deleted files and other non-logical data types, such as memory dumps, swap files, temporary files, printer spool files and metadata that can customarily only be retrieved by computer forensics experts and are generally considered inaccessible without the use of specialized tools and techniques will not be within the requirement for the return of records as set forth by this paragraph.
 - v. The Contractor shall not have any liability to the City as a result of the City's use of any unfinished, incomplete, or draft work products and materials that are furnished to the City, provided that the Contractor has notified the City of the incomplete status of such material.
11. REMEDIES. Except as otherwise provided for by law or this Contract, the rights and remedies of the parties shall not be exclusive and are in addition to any other rights and remedies provided by law or equity, including, without limitation, actual damages, and to a prevailing party reasonable attorneys' fees and costs. It is specifically agreed that reasonable attorneys' fees shall include without limitation \$165 per hour for City-employed attorneys. The City may set off consideration against any unpaid obligation of Contractor to any City agency.
12. LIMITED LIABILITY. The City will not waive and intends to assert available liability limitations in all cases. Contract liability of both parties shall not be subject to punitive damages. Liquidated damages shall not apply unless otherwise specified in the incorporated attachments. Damages for any City breach shall never exceed the amount of funds appropriated for payment under this Contract, but not yet paid to Contractor, for the fiscal year budget in existence at the time of the breach. To the fullest extent permitted by law, Contractor shall indemnify, hold harmless and defend not excluding the city's right to participate, the City from and against all liability, claims, actions, damages, losses, and expenses, including, without limitation, reasonable attorney fees and costs, for death, bodily injury, or damage to tangible property, arising out of any negligent acts. Contractor's obligation to indemnify shall not extend or apply to any claim alleging that the City's financial statements are inaccurate or incomplete or were not prepared in accordance with generally accepted accounting principles. Contractor 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 effected by Contractor if doing so would violate the AICPA or other independence obligations.
13. FORCE MAJEURE. Neither party shall be deemed to be in violation of this Contract if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including, without limitation, earthquakes, floods, winds, or storms. In such an event the intervening cause must not be through the fault of the party asserting such an excuse, and the excused party is obligated to promptly perform in accordance with the terms of the Contract after the intervening cause ceases.

14. INDEMNIFICATION. To the fullest extent permitted by law, Contractor shall indemnify, hold harmless and defend, not excluding the City's right to participate, the City from and against all liability, claims, actions, damages, losses, and expenses, including, without limitation, reasonable attorneys' fees and costs, arising out of any alleged negligent or willful acts or omissions of Contractor, its officers, employees and agents.
15. INDEPENDENT CONTRACTOR. Contractor is associated with the City only for the purposes and to the extent specified in this Contract, and in respect to performance of the contracted services pursuant to this Contract, Contractor is and shall be an independent contractor and, subject only to the terms of this Contract, shall have the sole right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Contract. Nothing contained in this Contract shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for the City whatsoever with respect to the indebtedness, liabilities, and obligations of Contractor or any other party. Contractor shall be solely responsible for, and the City shall have no obligation with respect to: (1) withholding of income taxes, FICA or any other taxes or fees; (2) industrial insurance coverage; (3) participation in any group insurance plans available to employees of the City; (4) participation or contributions by either Contractor or the City to the Public Employees Retirement System; (5) accumulation of vacation leave or sick leave; or (6) unemployment compensation coverage provided by the City. Contractor shall indemnify and hold City harmless from, and defend City against, any and all losses, damages, claims, costs, penalties, liabilities, and expenses arising or incurred because of, incident to, or otherwise with respect to any such taxes or fees. Neither Contractor nor its employees, agents, or representatives shall be considered employees, agents, or representatives of the City. The City and Contractor shall evaluate the nature of services and term negotiated in order to determine "independent contractor" status and shall monitor the work relationship throughout the term of the Contract to ensure that the independent contractor relationship remains as such. To assist in determining the appropriate status (employee or independent contractor), Contractor represents as follows:

		<u>Contractor's Initials</u>	
		YES	NO
1.	Does the Contracting Agency have the right to require control of when, where and how the independent contractor is to work?	_____	_____
2.	Will the Contracting Agency be providing training to the independent contractor?	_____	_____
3.	Will the Contracting Agency be furnishing the independent contractor with worker's space, equipment, tools, supplies or travel expenses?	_____	_____
4.	Are any of the workers who assist the independent contractor in performance of his/her duties employees of the City of Wasilla?	_____	_____
5.	Does the arrangement with the independent contractor contemplate continuing or recurring work (even if the services are seasonal, part-time, or of short duration)?	_____	_____
6.	Will the City of Wasilla incur an employment liability if the independent contractor is terminated for failure to perform?	_____	_____
7.	Is the independent contractor restricted from offering his/her services to the general public while engaged in this work relationship with the City?	_____	_____

16. INSURANCE SCHEDULE. Unless expressly waived in writing by the City, Contractor, as an independent contractor and not an employee of the City, must carry policies of insurance in amounts specified in this Insurance Schedule and pay all taxes and fees incident hereunto. The City shall have no liability except as specifically provided in the Contract. The Contractor shall not commence work before:
- a. Contractor has provided the required evidence of insurance to the Contracting Agency of the City, and
 - b. The City has approved the insurance coverage provided by the Contractor.
 - c. Prior approval of the insurance policies by the City shall be a condition precedent to any payment of consideration under this Contract and the City's approval of any changes to insurance coverage during the course of performance shall constitute an ongoing condition subsequent this Contract. Any failure of the City to timely approve shall not constitute a waiver of the condition.

- d. Insurance Coverage: The Contractor shall, at the Contractor's sole expense, procure, maintain and keep in force for the duration of the Contract the following insurance conforming to the minimum requirements specified below. Unless specifically specified herein or otherwise agreed to by the City, the required insurance shall be in effect prior to the commencement of work by the Contractor and shall continue in force as appropriate until the latter of:
 - i. Final acceptance by the City of the completion of this Contract; or
 - ii. Such time as the insurance is no longer required by the City under the terms of this Contract.
 - e. Any insurance or self-insurance available to the City shall be excess of and non-contributing with any insurance required from Contractor. Contractor's insurance policies shall apply on a primary basis, but only to the extent that Contractor solely caused the loss. Until such time as the insurance is no longer required by the City, Contractor shall provide the City with renewal or replacement evidence of insurance in connection with the expiration or replacement of the required insurance. If at any time during the period when insurance is required by the Contract, an insurer or surety shall fail to comply with the requirements of this Contract, as soon as Contractor has knowledge of any such failure, Contractor shall immediately notify the City and replace such insurance or bond with an insurer meeting the requirements.
 - f. *Workers' Compensation and Employer's Liability Insurance*
 - i. Contractor shall provide proof of worker's compensation insurance as required of Alaska Administrative Code Title 8.
 - ii. Employer's Liability insurance with a minimum limit of \$100,000 each employee per accident for bodily injury by accident or disease.
 - iii. If this contract is for temporary or leased employees, an *Alternate Employer* endorsement must be attached to the Contractor's workers' compensation insurance policy.
 - g. *Commercial General Liability Insurance*
 - i. Minimum Limits required:
 - 1. \$1,000,000 General Aggregate
 - 2. \$1,000,000 Products & Completed Operations Aggregate
 - 3. \$1,000,000 Personal and Advertising Injury
 - 4. \$1,000,000 Each Occurrence
 - h. *Business Automobile Liability Insurance*
 - i. Minimum Limit required: \$1,000,000 Each Occurrence for bodily injury and property damage. Coverage shall be for "any auto" (including, non-owned and hired vehicles). The policy shall be written on ISO form CA 00 01 or a substitute providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.
 - i. *Professional Liability Insurance*
 - i. Minimum Limit required: \$1,000,000 Each Claim
 - ii. Retroactive date: Prior to commencement of the performance of the contract
 - iii. Discovery period: Contractor will agree to renew the policy for a period of three years following the completion of services under this contract or will obtain discovery coverage for three years after the termination date of this contract, if said coverage is commercially available.
 - j. *Umbrella or Excess Liability Insurance*
 - i. May be used to achieve the above minimum liability limits.
 - ii. Shall be endorsed to city it is "As Broad as Primary Policy"
- General Requirements:*
- i. Additional Insured: By endorsement to the general liability insurance policy evidenced by Contractor, *The City of Wasilla, its officers, employees and immune contractors* shall be named as additional insureds for all liability arising from the Contract.
 - ii. Waiver of Subrogation: Each liability insurance policy shall provide for a waiver of subrogation as to additional insureds.
 - iii. Cross-Liability: All required liability policies shall provide cross-liability coverage as would be achieved under the standard ISO separation of insureds clause.
 - iv. Deductibles and Self-Insured Retentions: Insurance maintained by Contractor shall apply on a first dollar basis without application of a deductible or self-insured retention unless otherwise specifically agreed to by the City. Such approval shall not relieve Contractor from the obligation to pay any deductible or self-insured retention. Any deductible or self-insured retention shall not exceed \$5,000 per occurrence.

- l. Policy Cancellation: Except for ten (10) days notice for non-payment of premium, each insurance policy shall be endorsed to state that; without thirty (30) days prior written notice to the City of Wasilla, c/o Purchasing/Contracting Officer, the policy shall not be canceled, non-renewed or coverage and/or limits reduced or materially altered, and shall provide that notices required by this paragraph shall be sent by certified mailed to the address shown below.
 - m. Approved Insurer: Each insurance policy shall be:
 - i. Issued by insurance companies authorized to do business in the State of Alaska or eligible surplus lines insurers acceptable to the City and having agents in Alaska upon whom service of process may be made, and
 - ii. Currently rated by A.M. Best as "A-VII" or better.
 - n. Evidence of Insurance: Prior to the start of any Work, Contractor must provide the following documents to the contracting City:
 - i. Certificate of Insurance: The Acord 25 Certificate of Insurance form or a form substantially similar must be submitted to the City to evidence the insurance policies and coverages required of Contractor.
 - ii. Additional Insured Endorsement: An Additional Insured Endorsement (CG20 10 or C20 26) , signed by an authorized insurance company representative, must be submitted to the City to evidence the endorsement of the City as an additional insured per General Requirements, Subsection a above.
 - iii. Schedule of Underlying Insurance Policies: If Umbrella or Excess policy is evidenced to comply with minimum limits, a copy of the Underlier Schedule from the Umbrella or Excess insurance policy may be required.
 - o. Review and Approval: Documents specified above must be submitted for review and approval by the City prior to the commencement of work by Contractor. Neither approval by the City nor failure to disapprove the insurance furnished by Contractor shall relieve Contractor of Contractor's full responsibility to provide the insurance required by this Contract. Compliance with the insurance requirements of this Contract shall not limit the liability of Contractor or its sub-contractors, employees or agents to the City or others, and shall be in addition to and not in lieu of any other remedy available to the City under this Contract or otherwise. The City reserves the right to request and review a copy of any required insurance policy or endorsement to assure compliance with these requirements.
 - p. Mail all required insurance documents to the Contracting Agency identified on page one of the contract. Address the required insurance documents as ATTN: PURCHASING OFFICER.
 - q. COMPLIANCE WITH LEGAL OBLIGATIONS. Contractor shall procure and maintain for the duration of this Contract any city, borough, state or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by Contractor to provide the goods or services required by this Contract. Contractor will be responsible to pay all taxes, assessments, fees, premiums, permits, and licenses required by law. Real property and personal property taxes are the responsibility of Contractor. Contractor agrees to be responsible for payment of any such government obligations not paid by its subcontractors during performance of this Contract. The City may set-off against consideration due any delinquent government obligation.
17. WAIVER OF BREACH. Failure to declare a breach or the actual waiver of any particular breach of the Contract or its material or nonmaterial terms by either party shall not operate as a waiver by such party of any of its rights or remedies as to any other breach.
 18. SEVERABILITY. If any provision contained in this Contract is held to be unenforceable by a court of law or equity, this Contract shall be construed as if such provision did not exist and the nonenforceability of such provision shall not be held to render any other provision or provisions of this Contract unenforceable.
 19. ASSIGNMENT/DELEGATION. To the extent that any assignment of any right under this Contract changes the duty of either party, increases the burden or risk involved, impairs the chances of obtaining the performance of this Contract, attempts to operate as a novation, or includes a waiver or abrogation of any defense to payment by City, such offending portion of the assignment shall be void, and shall be a breach of this Contract. Contractor shall neither assign, transfer nor delegate any rights, obligations or duties under this Contract without the prior written consent of the City.
 20. CITY OWNERSHIP OF PROPRIETARY INFORMATION. Any reports, histories, studies, tests, manuals, instructions, photographs, negatives, blue prints, plans, maps, data, system designs, computer code (which is intended to be consideration under the Contract), or any other documents or drawings, first prepared or in the course of preparation by Contractor (or its subcontractors) in performance of its obligations under this Contract

shall be the exclusive property of the City and all such materials shall be delivered into City possession by Contractor upon completion, termination, or cancellation of this Contract. Contractor shall not use, willingly allow, or cause to have such materials used for any purpose other than performance of Contractor's obligations under this Contract without the prior written consent of the City, provided, however, that Contractor may disclose such materials when required by law, legal process, or applicable professional standards. Notwithstanding the foregoing, the City shall have no proprietary interest in any materials licensed for use by the City that are subject to patent, trademark or copyright protection. City further acknowledges that Contractor retains exclusive ownership of work papers, as well as concepts, ideas, methods, methodologies, procedures, processes, know-how, techniques, models, templates, and software, and the general elements of style, design, art work, graphics, and content of general applicability, included in contract deliverables or work product.

21. **PUBLIC RECORDS.** Pursuant to WMC 5.08.120(F), information or documents received from Contractor may be open to public inspection and copying. The City will have the duty to disclose unless a particular record is made confidential by law or a common law balancing of interests. Contractor may label specific parts of an individual document as a "trade secret" or "confidential" in accordance with Section 9.18 of the RFP, provided that Contractor thereby agrees to indemnify and defend the City for honoring such a designation. The failure to so label any document that is released by the City shall constitute a complete waiver of any and all claims for damages caused by any release of the records.
22. **CONFIDENTIALITY.** Contractor shall keep confidential all City information, in whatever form, produced, prepared, observed or received by Contractor to the extent that such information is confidential by law or otherwise required by this Contract provided, however, that Contractor may disclose such materials when required by law, legal process, or applicable professional standards..
23. **FEDERAL FUNDING.** In the event federal funds are used for payment of all or part of this Contract:
 - a. Contractor certifies, by signing this Contract, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency. This certification is made pursuant to the regulations implementing Executive Order 12549, Debarment and Suspension, 28 C.F.R. pt. 67, § 67.510, as published as pt. VII of the May 26, 1988, Federal Register (pp. 19160-19211), and any relevant program-specific regulations. This provision shall be required of every subcontractor receiving any payment in whole or in part from federal funds.
 - b. Contractor and its subcontractors shall comply with all terms, conditions, and requirements of the Americans with Disabilities Act of 1990 (P.L. 101-136), 42 U.S.C. 12101, as amended, and regulations adopted thereunder contained in 28 C.F.R. 26.101-36.999, inclusive, and any relevant program-specific regulations.
 - c. Contractor and its subcontractors shall comply with the requirements of the Civil Rights Act of 1964, as amended, the Rehabilitation Act of 1973, P.L. 93-112, as amended, and any relevant program-specific regulations, and shall not discriminate against any employee or offeror for employment because of race, national origin, creed, color, sex, religion, age, disability or handicap condition (including AIDS and AIDS-related conditions.)
24. **LOBBYING.** The parties agree, whether expressly prohibited by federal, State or local law, or otherwise, that no funding associated with this contract will be used for any purpose associated with or related to lobbying or influencing or attempting to lobby or influence for any purpose the following:
 - a. Any federal, state, county or local agency, legislature, commission, council or board;
 - b. Any federal, state, county or local legislator, commission member, counsel member, board member, or other elected official; or
 - c. Any officer or employee of any federal, state, county or local agency; legislature, commission, counsel or board.
25. **WARRANTIES.** Contractor warrants that all work provided under this Contract shall be performed in accordance with applicable professional standards.
26. **PROPER AUTHORITY.** The parties hereto represent and warrant that the person executing this Contract on behalf of each party has full power and authority to enter into this Contract. Contractor acknowledges that as required by statute or regulation this Contract is effective only after approval by the Mayor and/or City Council and only for the period of time specified in the Contract. Any services performed by Contractor before this Contract is effective or after it ceases to be effective are performed at the sole risk of Contractor.
27. **GOVERNING LAW; JURISDICTION.** This Contract and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the City of Wasilla, without giving effect to any principle of

conflict-of-interest that would require the application of the law of any other jurisdiction. Any civil action to enforce this Contract shall be brought in the trial courts for the State of Alaska at Palmer, Alaska.

28. ENTIRE CONTRACT AND MODIFICATION. This Contract and its integrated attachment(s) constitute the entire agreement of the parties and such are intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other agreements that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Contract specifically displays a mutual intent to amend a particular part of this Contract, general conflicts in language between any such attachment and this Contract shall be construed consistent with the terms of this Contract. Unless otherwise expressly authorized by the terms of this Contract, no modification or amendment to this Contract shall be binding upon the parties unless the same is in writing and signed by the respective parties hereto and approved by the Mayor and/or City Council.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be signed and intend to be legally bound thereby.

Debra J. Pantar
Signature, Title

6/6/2011
Date

APPROVED:

Verne E. Ruppert
Signature - Verne E. Ruppert, Mayor

6 June 2011
(Date)

ATTEST:

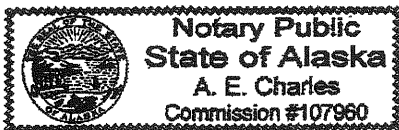
Kristie L. Smithers
Kristie L. Smithers, CMC, City Clerk

[SEAL]

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me on June 6, 2011,
By Daniel Rozena, the partner of KPMG, a
limited liability corporation, on behalf of the corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year in this certificate first above written.



A. E. Charles
Notary Public in and for Alaska
My Commission Expires 9/11/11

3. SCOPE OF SERVICES

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, U.S. Office of Management and Budget (OMB) Circular A-133 and State of Alaska Single Audit Regulations 2 ACC 45.010.

The Auditors will express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles (GAAP). The Auditor is not required to audit the combining financial statements or supplemental information. However, the Auditor is to provide an "in-relation-to opinion" on the combining and supplemental information based on the auditing procedures applied during the audit of financial statements. The Auditor is not required to audit the required supplementary information. However, the Auditor shall be responsible for performing certain limited procedures involving supplementary information required by the Governmental Accounting Standards Board (GASB) as mandated by generally accepted auditing standards (GAAS). The Auditor is not required to audit the schedule of expenditures of federal and state awards. However, the Auditor is to perform special testing and provide an "in-relation-to opinion" on that schedule based on the auditing procedures applied during the audit of the financial statements. The Auditor is not required to audit the introductory or statistical sections of the report.

The Auditors will also prepare all reports required by Federal and State Assistance programs and debt covenants. The Auditor is also required to complete the IRS SF-SAC form adhering to the Federal Audit Clearinghouse online submission requirements.

The Auditors will be responsible for the preparation and printing of all reports, financial statements, schedules and notes, and will submit the required number of copies to the State Single Auditor. The Comprehensive Annual Financial Report (CAFR) will also be prepared according to the requirements of Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. Approximately fifty (50) copies shall be provided for distribution to State agencies, the City of Wasilla, and the Auditors. However, in the cost proposal, please provide an alternate cost should the client prepare the financial statements.

3.1. DESCRIPTION OF THE GOVERNMENT –

- 3.1.1. Reporting Entity - The reporting entity for the City, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14 & 34, includes all major and non-major funds reported in the basic financial statements for the fiscal year ending June 30, 2010. This Statement provides additional information on the City's fund structure,

accounting and budgeting policies. The City is not included in any other governmental "reporting entity," as defined by Statement No. 34.

3.1.2. City Contacts – The auditor’s principal contact with the City during the period of engagement will be the Director of Finance or a designated representative. He/she will coordinate the assistance provided by the City to the auditor.

3.1.3. Background Information – The City of Wasilla is a First Class city incorporated in 1973 under Title 29 of the Alaska State Statutes. City code establishes a June 30 fiscal year end. The City operates under a strong mayoral system with six City Council members. The mayor and council members are all elected at-large. The City Council appoints the City Clerk and contract City Attorney. These staff members work under the direction of the Council. The mayor appoints his top executives. These executives and all other staff ultimately work under the mayor’s direction. The City serves an area of approximately six square miles with a population of approximately 7,200. Traditional services offered by the City under the general governmental functions include: police, dispatch, and other public safety, highways, streets, and engineering, sanitation, parks, recreation, library and museum. In addition, water services, sewer services, the airport, and the Curtis D. Menard Sports Center are operated as enterprise funds, with user charges intended to cover operating expenses and payments on outstanding debt. The City has total annual revenues of approximately \$17,000,000 (excluding grants and contributions) of which approximately \$11,000,000 are from local sales tax currently set at 2.0%. The accounting and financial reporting functions of the City are centralized. More detailed information on the government and its finances can be found on the City’s website at www.cityofwasilla.com or official printed statements may be available upon request.

3.1.4. Fund Structure - The City of Wasilla uses the following fund types and account groups in its financial reporting:

Fund Type	FY2010 # of Funds	FY2010 # of Funds with Legally Adopted Budgets	FY2011 # of Expected Funds
General Fund	1	1	1
Capital Funds	5	5	4
Special Revenue Funds	7	7	4
Debt Service Fund	6	6	0
Permanent Fund	1	0	1
Enterprise Fund	4	4	4

The special revenue funds are expected to decrease with implementation of GASB Statement No. 54. Debt service funds are expected to be transferred to the general fund and/or enterprise funds.

3.1.5. Budgetary Basis of Accounting - The City prepares its budgets on a basis consistent with generally accepted accounting principles.

- 3.1.6. Federal and State Financial Assistance - During the fiscal years covered under this RFP, it is anticipated that the City of Wasilla will receive federal and state financial assistance from various grants.
- 3.1.7. Pensions Benefits - The City participates in the State of Alaska Public Employees' Retirement System (PERS) for its pension benefits.
- 3.2. MAGNITUDE OF FINANCE OPERATIONS - The Finance Department consists of eight (8) employees and is managed by the Director of Finance. Two (2) employees in the Public Works department assist with the utility billings and collections. Tax assessment and collection services are performed by the City.
- 3.3. SERVICES TO BE PROVIDED - The audit services will include, but not be limited to, the following:
 - 3.3.1. The primary purpose of the audit shall be to express an opinion on the basic financial statements taken as a whole. The combining and non-major fund type statements and supplementary schedules will be subject to the same auditing procedures as the audit of the basic financial statements.
 - 3.3.2. Following the completion of the audit of the fiscal year's financial statements, the Auditor shall issue all reports currently required by State and Federal grantors, American Institute of Certified Public Accountants, Governmental Accounting Standards Board (GASB), Government Finance Officers Association of the United States and Canada and any other regulatory agency.
 - 3.3.3. In the required reports on internal controls, the Auditor shall communicate any reportable conditions found during the audit to the Director of Finance. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.
 - 3.3.4. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the reports on internal controls.
 - 3.3.5. A report shall also be issued on the supplementary schedule of federal and state financial assistance programs and the internal control structure used in administering those financial assistance programs.
 - 3.3.6. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the Director of Finance.
 - 3.3.7. If requested, auditors shall provide detailed reports, including audited financial statements on the City's component units, the price of which shall be negotiated separately. At this time, the City does not report nor does it anticipate reporting on any component units.

- 3.3.8. Auditors shall assure themselves that the City's Mayor and Council are informed of all items required by the regulatory agencies including:
 - 3.3.8.1. Auditor's responsibility under generally accepted and government auditing standards.
 - 3.3.8.2. Significant accounting policies.
 - 3.3.8.3. Management judgments and accounting estimates.
 - 3.3.8.4. Significant audit adjustments.
 - 3.3.8.5. Other information in documents containing audited financial statements.
 - 3.3.8.6. Disagreements with management.
 - 3.3.8.7. Management consultation with other accountants.
 - 3.3.8.8. Major issues discussed with management prior to retention.
 - 3.3.8.9. Difficulties encountered in performing the audit.
- 3.3.9. Auditors shall agree to provide the City with information relating to regulation changes that would affect the City and its operation such as timely notification of changes proposed or initiated by GASB, Financial Accounting Standards Board (FASB) or Government Accountability Office (GAO).
- 3.3.10. The City will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Financial Reporting program. It is anticipated that the auditor will be required to provide minimal assistance to the City to meet the requirements of the program.
- 3.3.11. The schedule of federal and state financial assistance and related auditor's reports, as well as the reports on the internal control structure and compliance, shall be included in the CAFR.
- 3.3.12. The City may prepare one (1) or more official statements in connection with the sale of debt securities which will contain the basic financial statements and the auditor's report thereon. The auditor shall be required, if requested by the City, fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters".
- 3.4. WORK PAPERS -- All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- 3.4.1. City of Wasilla
- 3.4.2. Federal grant agencies and other Federal agencies
- 3.4.3. State of Alaska grant agencies and other State of Alaska agencies
- 3.4.4. Auditors of entities of which the City of Wasilla is a subrecipient of grant funds
- 3.4.5. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance, at no additional cost to the City of Wasilla. Additional fees would be allowable if the degree of inquiries or time involved exceeds the normal requirements.
- 3.5. DATE AUDIT MAY COMMENCE - The City of Wasilla will have all records ready for audit and all management personnel available to meet with the firm's personnel at a date mutually agreed upon.
- 3.6. SCHEDULE FOR FISCAL YEAR AUDIT - The Auditor will submit for review and approval by the Director of Finance a schedule of audit functions as follows:
 - 3.6.1. Field work: expected start and completion dates.
 - 3.6.2. Information to be provided by City of Wasilla. The auditor shall provide the City of Wasilla with completion dates for the list of schedules to be prepared by City staff.
 - 3.6.3. Completion of field work. The auditor shall make every effort to complete all field work prior to September 30 of the year being audited or as required to meet the City's reporting deadline as mutually agreed upon.
 - 3.6.4. Entrance Conferences, Progress Reporting and Exit Conference.
 - 3.6.5. Final Report Due Date - It is anticipated that this process will be completed and the final report prepared by the second City Council meeting in November. City Council meetings are the second and fourth Monday of each month. The Auditor will present the CAFR to the City Council highlighting any significant issues as to the financial operations and on any findings reported in the management letter.
- 3.7. ASSISTANCE TO BE PROVIDED TO THE AUDITOR - The Finance management and staff will be available during normal working hours throughout the course of the audit to assist in pulling invoices, explaining procedures and policies, and providing documentation and explanations. The City of Wasilla will prepare the audit confirmations but ultimately they will be the responsibility of the auditor.
- 3.8. STATEMENTS AND SCHEDULES TO BE PREPARED BY THE STAFF OF THE CITY - During the audit planning process, the auditor should provide a list of schedules that the auditor would like the staff of the City of Wasilla to prepare. The Director of Finance and the auditor will mutually agree on the statements and schedules to be completed by City staff.

The City is committed to complete all requested schedules and have available all requested statements at the commencement of audit fieldwork.

- 3.9. WORK AREA - The City of Wasilla will provide the auditor with reasonable work space. The auditor will also be provided with access to a dedicated telephone line, photocopying facilities, fax machines, and the internet.
- 3.10. REPORT PREPARATION - Report preparation, editing, typing and printing will be conducted by the auditor. The City of Wasilla will review the draft report and upon acceptance of the report, will assume responsibility for the statements. The Schedule of Federal and State Financial Assistance and related auditor's reports, as well as the reports on the internal control structure and compliance, shall be included in the CAFR.
- 3.11. MINIMUM QUALIFICATIONS -- The minimum qualifications required to respond to this RFP are as follows:
 - 3.11.1. The firm and all assigned key professional staff must be properly licensed to practice in the State of Alaska.
 - 3.11.2. The firm must be independent of the City as defined by generally accepted auditing standards and the U.S. Government Accountability Office's *Government Auditing Standards* (2007).
 - 3.11.3. The firm must be experienced and proficient in auditing standards affecting the City, to include without limitation, Governmental Auditing Standards, the Federal Single Audit Act and amendments, U.S. Office of Management and Budget (OMB) Circular A-133, and the State of Alaska Single Audit Regulation 02 ACC 45.010.
- 3.12. PAYMENT - Payment for the contracted service will be within 30 days upon receipt of invoice. Progress billings may be made based on the percentage of work completed over the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost fee estimate. Interim billings shall cover a period of not less than a month.
- 3.13. SUBCONTRACTING -- The City anticipates that the audit will not be subcontracted. Any intention to subcontract, and the name of the proposed subcontracting firms, must be clearly identified in the proposal. The reasons for subcontracting must be stated. Following the award of the audit contract, no additional subcontracting will be allowed without the prior written consent of the City.