



City of Mobile
Request for Proposals
Addendum 1 to RFP Number: 5812
Audit Services for Fiscal Years Ending
September 30, 2023, 2024, 2025, 2026, 2027

The City of Mobile is seeking proposals for Audit Services.

The City is providing this Addendum 1 in response to questions received regarding the original RFP.

The due date for submitted written proposals remains 4:00 pm, June 26, 2023.

The full contents of the original Request for Proposals (RFP), and any subsequent Addenda to this RFP may be found on the City Bid page at <https://www.cityofmobile.org/bids>.

QUESTIONS AND ANSWERS:

The follow are questions that have been received and City responses to those questions. The questions are included generally verbatim as received relating to the overall RFP requirements where the City determined that an answer to all potential proposers was merited. Where you remain unclear or uncertain of the City's requirements, please use your judgment as to the City's intent, and state any questions or assumptions you made in interpreting the City's RFP. All timely submitted RFPs will be fully considered and scored by the City.

1. Outside of on time issuance of the financial statements, in what areas can your auditor create added value?

Answer: Additional value is the product of a developed relationship of trust, demonstration of continual competence, and proven availability. These considerations are included in multiple portions of the RFP document. Interaction on current and emerging professional standards and related issues is a simple example of a starting place for an ongoing conversation.

2. Are there any areas within the audit or the City's operations that impact the audit that is of special concern to management or board of directors?

*Answer: Refer to the RFP and to the City's website for the City's financial reporting.
https://www.cityofmobile.org/_new/government/financials/.*

3. Is the transition to a new auditor a concern? If so, why? What would lessen your concern?

Answer: The City changes audit firms every five years.

4. How would you describe the City's internal control environment?

*Answer: Refer to the City's website for the City's financial reporting.
https://www.cityofmobile.org/_new/government/financials/.*

5. Has there been any recent significant turnover in Finance Administration Department? Does the City feel there is sufficient staffing to close the books and draft the ACFR?

Answer: Refer to the RFP and the City's website at www.CityofMobile.org.

6. Do you anticipate the level of federal and state funding for the City to be different for FY 2022?

Answer: The City has not yet prepared its budget for the next fiscal year.

7. What was the nature and magnitude of any audit adjustments for the FY 2022 audit, if any?

Answer: There were no material adjustments required for the FY 2022 financial statements nor any material passed adjustments.

8. What are the most significant challenges faced during the FY 2022 audit, if any?

*Answer: Refer to the City's website for the City's financial reporting.
https://www.cityofmobile.org/_new/government/financials/.*

9. Please describe the financial systems of the City? Are the City's financial systems integrated with Munis? Is the integration automated or manual?

Answer: Generally, the financial systems of the City either use MUNIS or products compatible with MUNIS. Generally, integration as applicable is automated.

10. Are the GASB 34 conversion entries maintained within MUNIS or are the conversion entries 'top-side' entries?

Answer: GASB 34 conversion entries are made top-side using the financial statement report writer software (a Tyler product) used by the City utilizing data generated from MUNIS.

11. Are there any plans to implement any new financial systems during the term of this RFP?

Answer: There are no known plans to migrate away from Tyler MUNIS during the term of this RFP.

12. Does the City currently prepare its ACFR? What level of involvement does the current auditor have in drafting the initial ACFR? What are the City's expectations for the auditor in drafting the initial ACFR going forward?

Answer: The City's Finance Staff prepared the ACFR for the year ended September 30, 2022. The current auditor reviewed the draft ACFR and provided small QC changes as part of the normal scope of the audit engagement services provided. The City anticipates the auditor playing a similar role for the initial ACFR preparation, but it is desired to evaluate firms' service capacity for alternate preparation options.

13. What were the audit fees for FY 2022 and 2021? Does the audit fee amount include any overrun billings?

Answer: Total fees for the audit of the 9.30.2022 ACFR and the Single Audit were \$105,358 (inclusive of \$6,358 of procedures/services pertaining to a component unit as requested by the City of Mobile's Finance leadership). Total fees for the audit of the 9.30.2021 ACFR and the Single Audit were \$96,000.

14. Please provide a copy of the FY2022 audit engagement letter.

Answer: See Exhibit A to this Addendum..

15. What percentage of the work performed under contract was awarded to a socially and economically disadvantaged individual and/or business entity by the City's current audit firm? Who was the socially and economically disadvantaged individual and/or business entity and in what capacity did they assist the City's current audit firm?

Answer: Not available.

16. Has interim work been performed for the audit? If so, how long were the auditors in the field for interim and final and how many people?

Answer: Limited if any interim work has been performed in recent years.

17. What is management's preferred timing of the audit, interim and final?

Answer: Our best experiences in recent years have occurred when most of the fieldwork has been done between Veteran's Day and traditional Christmas break and then additional fieldwork occurring in January and February with desired completion of all procedures by end of February.

18. What has been management's experience with remote auditing? Does the City have a preference for on-site, remote, or hybrid fieldwork?

Answer: A fair portion of fieldwork has been done remotely/hybrid especially during the pandemic. Maximum effectiveness, responsiveness, and availability is recommended for consideration in how audit firms exercise professional judgment to determine how to approach audit fieldwork as is their responsibility.

19. Has the City evaluated the impact of GASB 94 on its parking garage service concession arrangement, and the ASM Global management operation of the Civic Center, Convention Center and Saenger Theater? About how many PPP/APA arrangements do you anticipate meeting the scope of GASB 94

Answer: The City is still evaluating the impact of GASB Statement No. 94, GASB Statement No. 96, and other GASB pronouncements on the FY 9.30.2023 financial statements.

20. Did the City use a software system for the implementation of GASB 87? If so, does management plan to use the same system for GASB 96? About how many IT arrangements do you anticipate meeting the scope of GASB 96?

Answer: No special outside software was used to implement GASB Statement No. 87. Similar process is expected to be used for GASB Statement No. 96. Anywhere from 50-125 arrangements are anticipated to be evaluated for GASB Statement No. 96 implementation, but this estimated number is subject to change as the implementation process is still underway.

21. RFP Section I. INTRODUCTION, 4 requires one original paper copy, three paper copies, and one electronic (flash drive or DC) of the proposal. In light of current cybersecurity threats using flash drives, would the City consider receiving an electronic PDF of proposals via email?

Answer: Refer to the submission requirements in the RFP.

22. RFP Section IV. PROPOSAL REQUIREMENTS, C. 4. b. (6) Experience with Similar Government Entities: Serving 600+ public sector entities annually our representative client listing would be excessive to include all requested information. Would the City accept a representative client listing of county and municipal auditing engagements served in the past five years indicating the scope of work, dates served, and whether the GFOA Certificate was awarded?

Answer: Although it would be a matter of the best professional judgment of the proposing audit firms to determine which entities served would be appropriate, it would appear most suitable to evaluate representative entities/engagements that are served by the partner(s), manager(s) that would be serving the City of Mobile.

23. RFP Section IV. PROPOSAL REQUIREMENTS, C. 4. C. (1) requests 'information on relevant continuing professional education for the past three (3) years'. Would the City accept a summary of total CPE hours broken down by Yellow Book CPE and Total CPE?

Answer: Audit firms should use professional judgment to determine how to best convey the current and recent developed competence of the professional staff that could be performing services in this engagement.

24. RFP Section V. EVALUATION AND SELECTION, C. 6. Requires 15% of the work performed under contract be awarded to socially and economically disadvantaged individuals and business entities. What Certification Program (e.g. US DOT, AL DOT, City of Mobile Office of Supplier Diversity, The Wave Transit System) does the City accept in certifying an individual or business entity as socially or economically disadvantaged?

Answer: Refer to the City of Mobile Supplier Diversity web page at <https://workwith.cityofmobile.org/>

25. AICPA specifies that the indemnification of a client, where any fault may be attributable to client's own actions, would impair the auditor's independence under ET Section 1 .228.020, Indemnification of an Attest Client. This interpretation applies to all CPA firms. We believe the indemnification requirements stated in Section 2.9 of the RFP poses a potential conflict with professional standards. Therefore, if engaged, we propose to limit indemnification only to the extent the claims, damage, liability, loss, etc., result from the services performed and caused by our own negligence or intentional misconduct, so as to not indemnify and hold harmless the City for its own negligence and actions. Would the City be willing to discuss such revisions with the successful bidder?

Answer: Yes.

26. When does audit fieldwork typically begin?

Answer: Usually not long after Veteran's Day each year.

27. Is 100% of audit fieldwork onsite or conducting a portion of the audit remotely be an option?

Answer: It is the responsibility of the audit firm and audit team to use its professional judgment to determine the nature, timing, and location(s) of its audit procedures. However, our most recent audit firm did a portion of the audit fieldwork remotely.

28. Are there any changes you all would like in the audit process going forward?

Answer: We are generally satisfied with the audit process as it has been performed in recent years.

29. What were the prior year audit fees?

Answer: Total fees for the audit of the 9.30.2022 ACFR and the Single Audit were \$105,358 (inclusive of \$6,358 of procedures/services pertaining to a component unit as requested by the City of Mobile's Finance leadership). Total fees for the audit of the 9.30.2021 ACFR and the Single Audit were \$96,000.

Exhibit A: Wilkins Miller Engagement Letter dated September 30,2022

Exhibit A to Addendum 1 to RFP 5812

Wilkins Miller LLC Engagement Letter dated September 30, 2022.



wilkinsmiller.com

September 30, 2022

Ms. Rebecca Christian, Comptroller
City of Mobile, Alabama
Mobile, Alabama

We are pleased to confirm our understanding of the services we are to provide for the City of Mobile, Alabama (the City) as of and for the year ended September 30, 2022.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements, of the City of Mobile, Alabama (the City) as of and for the year ended September 30, 2022. Accounting standards generally accepted in the United States of America (U.S. GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by U.S. GAAP and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
- Notes to General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
- GASB-required supplementary Pension Information
- GASB-required supplementary OPEB Information

Wilkins Miller LLC

Certified Public Accountants + Advisors

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditors' report on the financial statements:

- Combining Financial Statements
- General Fund - Schedule of Revenues and Other Financing Sources (Uses) Budget and Actual (Budgetary Basis)
- Long-term Debt - Schedule of Bonds, Warrants, and Notes Payable
- Schedule of Expenditures of Federal Awards

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditors' report will not provide an opinion or any assurance on that other information.

- Introductory Section
- Statistical Section

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditors' report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Auditors' Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Audit Procedures - Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. GAAP, and for compliance with applicable laws and regulations (including federal statutes) rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants.

Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review when we begin fieldwork.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with U.S. GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means of distributing information and, thus, we are not required to read the information contained in those sites or to consider the consistency of other information in an electronic site with original documents.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Wilkins Miller, L.L.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a regulator or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Wilkins Miller personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

It is our policy to retain engagement documentation for a minimum period of seven years after the report release date or for any additional period requested by a regulator. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

During the course of our engagement, we will request information and explanations from management regarding the City's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management reconfirm this information in a written representation letter. The procedures we will perform in our engagement will be heavily influenced by the representations that we receive from your management.

Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or a fraud to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the City's financial statements that we fail to detect as a result of knowing misrepresentations that are made to us by the City's management.

In addition, because our failure to detect material misstatements could cause others relying on our audit report to incur damages, the City further agrees to indemnify and hold us harmless for any liability and all reasonable costs (including legal fees) that we may incur in connection with claims based on our failure to detect material misstatements in the City's financial statements resulting from knowing misrepresentations made to us by any member of the City's management.

We agree that our total gross fees to perform the financial audit and Single Audit including all travel and other out of pocket expenses for the year ending September 30, 2022, will be \$99,000. The fee is based on anticipated cooperation from the City's personnel and the assumption that unexpected circumstances will not be encountered during the engagement. We expect the City maintains complete books and accounting records in accordance with U.S. GAAP, the financial statements are supported by detailed general ledger and subsidiary schedules, and all transactions and journal entries have adequate supporting documentation and approval. If significant additional time is necessary, we will discuss it with you and arrive at a new fee agreement before we incur additional charges. Our invoices for these services will be rendered as work progresses and are payable on presentation.

In accordance with Firm policies, work may be suspended if your account becomes 90 days or more overdue and will not be resumed until your account is paid in full. Also, invoices outstanding for 30 days or greater are subject to a finance charge that will accrue at 1 ½% per month. If we elect to terminate our services for nonpayment, you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. In the event that any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including attorneys' fees.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fee. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. We will use appropriate efforts to keep confidential client data and communications secure in accordance with our obligations under applicable laws and professional standards. However, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

Our Firm employs measures in the use of computer technology designed to maintain data security, including but not limited to the use of firewall security measures, encryption on secure files sent out of the Firm via our secure portal, standard password access controls for all Firm computers, physical security controls over access to Firm data center facilities, and internal security protocols followed by our professional staff.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates for the time we expend in connection with such response, and to reimburse us for reasonable out-of-pocket costs incurred in that regard, including necessary travel and reproduction costs.

In the event that we are or may be obligated to pay any fine, penalty, or similar sanction as a result of investigation or other proceeding instituted by a government authority, resulting from an intentional or knowing misrepresentation made to us by any member of the City's management or staff, or by the provision to us by any member of the City's management or staff known by said member to be false, you agree to indemnify, defend, and hold us harmless against such sanction, unless the sanction results from failure on our part to comply with professional standards and/or applicable law, rule, regulation, or court order.

We expect to begin our audit as soon as the information is available and issue our report no more than 60 days from receiving all necessary information. Erin S. Jones, CPA is the engagement executive and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

To ensure that our independence is not impaired under the *AICPA Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

This engagement letter is contractual in nature, and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

Reporting

We will issue written reports upon completion of our audits. Our reports will be addressed to the Honorable Mayor and Members of the City Council of the City of Mobile, Alabama. We will make reference to the audit of WAVE Transit, the Mobile Public Library, and the Public Park and Recreation Board audits in our report on your financial statements. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

A handwritten signature in black ink that reads "Erin S. Jones". The signature is written in a cursive, flowing style.

Erin S. Jones, CPA
For the Firm

RESPONSE:

This letter correctly sets forth the understanding of the City of Mobile, Alabama.

Approved By: Rebecca S. Christian

Title: 10-13-2022