

Good afternoon,

The City entered into a contract with RSM US to complete audits of City, WPCA and several pension fund financial statements for FY 22, 23 and 24. As you know, the audit work for FY 22 was only recently completed and involved considerably more effort than the original agreement envisioned because, in significant part, the City did not provide audit-ready financial statements in a timely way. The City's shortcomings in completing this work are reflected in the findings made by RSM, including more than 120 adjusting journal entries after the financial reports had been submitted for audit. Under our agreement, additional time required by RSM based on the City's failure to comply with the criteria in the engagement letter will result in additional costs for completing the audit.

Invoices received to date from RSM for work on the FY 22 audit are summarized below:

Invoice total	City	WPCA	Pension
738,500	623,000	57,750	57,750
623,000	623,000		
57,750			57,750
57,750		57,750	
738,500	623,000	57,750	57,750

In addition, RSM has claimed additional costs based on total hours performed between \$100,000 and \$225,000. All told, RSM reports having worked 5,773 hours, compared to the original estimate of 2,100. I have requested additional support for this claim and will negotiate an equitable resolution with RSM based on that additional information.

Once this final amount is resolved, RSM's total bill for the FY 2022 audit services will be up to \$965,000, which is more than 15% greater than the \$346,500.00 previously approved by the BOR for FY 22. Therefore, this change needs the approval of the Director of Administration, the Mayor and the Board of Finance per City Code Sec. 23-18.4.C.(2).

I respectfully request that the Board of Finance approve a change order to add \$620,000 to the contract value with RSM, bringing the FY 22 amount to \$966,500 and the three-year contract value to \$1,693,000. My office is working to identify funds from within available resources to cover this bill, and will, if necessary, return to the Board of Finance for any required approvals in that regard.

Thank you for your consideration of this item increasing the contract value at your upcoming meeting.

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