



**CITY OF BELLE ISLE, FLORIDA  
CITY COUNCIL AGENDA ITEM COVER SHEET**

**Meeting Date:** February 20, 2018

**To:** Honorable Mayor and City Council Members

**From:** B. Francis, City Manager

**Subject:** Forensic Audit

**Background:** The City Council directed that a forensic audit be done for the past ten fiscal years. The City received two proposals from qualified firms. The City Council tabled the decision on which firm to hire until the City Staff had the opportunity to review both proposals and the City Manager had the opportunity to speak with Council members to determine what years they may want to have audited.

The reasoning for auditing the years 2009-2017 is that those are the years when there was much turmoil and staff changes to include an employee stealing. It's also in this timeframe that Cornerstone Charter Academy was being formed and run by the City Council and City Manager. I am also concerned that if the Council chooses to eliminate any year, even if it is to lessen the cost of the audit, then it may send a message to the community that the Council might be trying to hide something in that particular year.

The staff reviewed both proposals and both are excellent firms.

**Staff Recommendation:** Approve the proposal of CliftonLarsonAllen for the years 2009-2017. Council to determine if they want to appoint an Advisory Committee

**Suggested Motion:** I move we approve the proposal of CliftonLarsonAllen for the years 2009-2017.

**Alternatives:** Approve the proposal of MSL or don't approve either proposal and cancel the forensic audit.

**Fiscal Impact:** NTE \$60,125

**Attachments:** Both Proposals



January 18, 2018

Proposal to Provide Forensic Services to:  
**City of Belle Isle, Florida**

*Prepared by:*

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



# CliftonLarsonAllen

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www.cliftonlarsonallen.com

January 18, 2018

Bob Francis, City Manager  
City of Belle Isle, Florida  
1600 Nela Avenue  
Belle Isle, FL 32809

## **RE: Request for Proposals (RFP) for Forensic Financial Auditing Services**

Dear Members of the Evaluation Committee and Mr. Francis:

Thank you for inviting us to propose our services to you. CliftonLarsonAllen LLP ("CLA") gladly welcomes the opportunity to share our approach to helping the City of Belle Isle, Florida (City) meet its need for professional services. The enclosed proposal responds to your request for forensic services covering fiscal year 2009 through 2017.

Based on our understanding of your needs, you are seeking an investigation of financial records, accounts, business transactions, accounting practices, and internal controls and compliance for the City to identify and quantify any areas of fraud, waste, and abuse in procurement and other financial transactions. This type of engagement is commonly referred to as a forensic audit, and will hereinafter be referred to as such. If retained, we will perform this engagement in accordance with the Statement on Standards for Consulting Services, *Consulting Services: Definitions and Standards* (codified as CS Section 100 in *AICPA Professional Standards*) of the American Institute of Certified Public Accountants (AICPA).

As a national firm with more than 60 years of experience, we are excited to propose our services to the City. We believe we are the most qualified firm to provide forensic audit services to the City because of:

- **Understanding Your Needs by Providing the Best of Both Worlds.** We expect to provide a completely unique approach from any of our competitors. Andrew Laflin provides deep municipal auditing and consulting experience and spends nearly 100% of his time working with Florida counties and municipalities just like yours. Andrew is a leader within in the firm on internal control reviews and process improvement studies and is a frequent speaker at the FGFOA (Florida Government Finance Officers Association) Annual Conference, School of Government Finance, and regional FGFOA chapter meetings on topics ranging from fraud and internal controls to regulatory compliance. Ryan Merryman leads our forensic practice at CLA and has worked on small forensic engagements and multimillion dollar investigations. Ryan is a frequent speaker on topic of fraud detection using computerized data analysis tools. Ryan is a **Certified in Financial Forensics, Certified Fraud Examiner, and Certified Public Accountant** in the state of California. Additionally, Ryan is a current member of the AICPA's Certified Financial Forensics Credential Committee. This combination of PHA industry experience and specialization in forensic auditing shortens our learning curve and allows us to provide impact starting on day one of this engagement.
- **Commitment to Timeliness.** Being recognized as a top-ten professional services firm with over 5,000 employees means we can meet deadlines. With 302 employees in our Florida offices, we are committed to timely delivery of services. We already have plans to clear the schedules of the professionals in this proposal to work on this highly specialized forensic engagement.
- **Experience Providing Forensic Services to Governments.** Our unique approach to providing forensic services for our clients is the result of more than 60 years of experience working closely with public agency organizations like yours. CLA has more than 600 professionals serving more than 2,100 local and state

government agencies across the United States. Our forensic services team is comprised of Certified Public Accountants, Certified Fraud Examiners, professionals Certified in Financial Forensics, Certified Information Technology Professionals, and former law enforcement (including the Federal Bureau of Investigation).

- **Extensive Experience Serving Municipalities.** We have an extensive depth of experience serving entities similar to the City. Our industry professionals provide financial audit, single audit, and consulting services to hundreds of cities and counties nationwide. This knowledge in the government industry will result in more efficient, effective services saving you time and money.
- **No Surprises.** We provide a “no surprises” approach to our services, based on frequent and timely communication. As potential issues arise during the course of the engagement, we will engage the right people in timely and frank discussions as a means of gaining resolution immediately.

We are confident that our technical approach, insight, and resources will result in unparalleled client service for the City. Andrew Laflin will be your main point of contact and Ryan Merryman will be primarily responsible for overseeing and performing the forensic and data analysis technical work. We believe this approach will allow all team members to be more effective by combining municipal auditing and consulting experience and deep forensic expertise.

We are eager to work with you and welcome the chance to present our proposal to the City of Belle Isle. If you have any questions about our offerings, please do not hesitate to contact either of us via our contact information below.

Sincerely,  
CliftonLarsonAllen LLP



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Audit Principal  
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Email: [andrew.laflin@CLAconnect.com](mailto:andrew.laflin@CLAconnect.com)



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Forensic Principal  
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## TAB 2 – STATEMENT OF THE SCOPE

We understand that the scope of services outlined within the RFP involve identifying the most responsive and most qualified auditing firm to perform a forensic financial audit involving a factual investigation deemed necessary to identify and quantify any abnormal financial activity, if any during the above identified years. CLA's forensic and data analytics team and approach are well suited to meet the requirements of this RFP. CLA's approach to executing forensic and data analytics engagements is summarized below:

### Forensic and Data Analytics Approach

CLA's forensic and data analytic services utilizes forensic investigative techniques in a proactive manner to focus procedures on identifying fraud and mitigating fraud risks. We draw on deep forensic experience and investigative skills to make meaningful interpretations. If we discover improprieties and wrong doing, we are experienced in assisting clients in matters involving litigation.

#### IDEA Data Analysis Software

IDEA is CLA's data analysis platform that enables users to quickly gather, summarize, and compare various forms of data. Data can be imported from almost any source or format including, but not limited to, spreadsheets, PDFs, and text files. Once the data is imported, the user can process the data in order to detect trends and anomalies indicative of potential fraud or error.

Common analyses performed using IDEA includes:

- Generating field statistics to search for anomalies
- Searching for duplicate entries to determine errors or potential fraudulent transaction
- Performing gap detection on numeric sequences to determine checks that out of sequence
- Performing Benford's law analysis
- Performing trend analysis
- Joining files to compare disparate sets of data

#### Analytics Platform

We will align our forensic data analysis testing with the City's requirements as it relates to Information and Evidence Gathering and identify patterns based on data points to create models to further any investigations. The following table shows our robust forensic data analysis methodology that provides efficiency and an innovative approach to analyzing voluminous amounts of data.

1. Extract Data	2. Analyze Data	3. Review & Refine Analysis	4. Reporting
1A. Planning the Electronic Data Extraction	2A. Normalize Electronic Data to Ensure Proper Import	3A. Identify Anomalies	4A. Provide Results to Client
1B. Conduct Meeting with Client, to determine what data is needed	2B. Completeness Testing	3B. Corroborate Results to Identified Risks	4B. Document Procedures and Results
1C. Obtain data from client and/or public and private sources as necessary	2C. Prepare Data for Analysis	3C. Assess Anomalies, provide visual representation of results	



1D. Assist/Monitor Client Data Extraction, if necessary

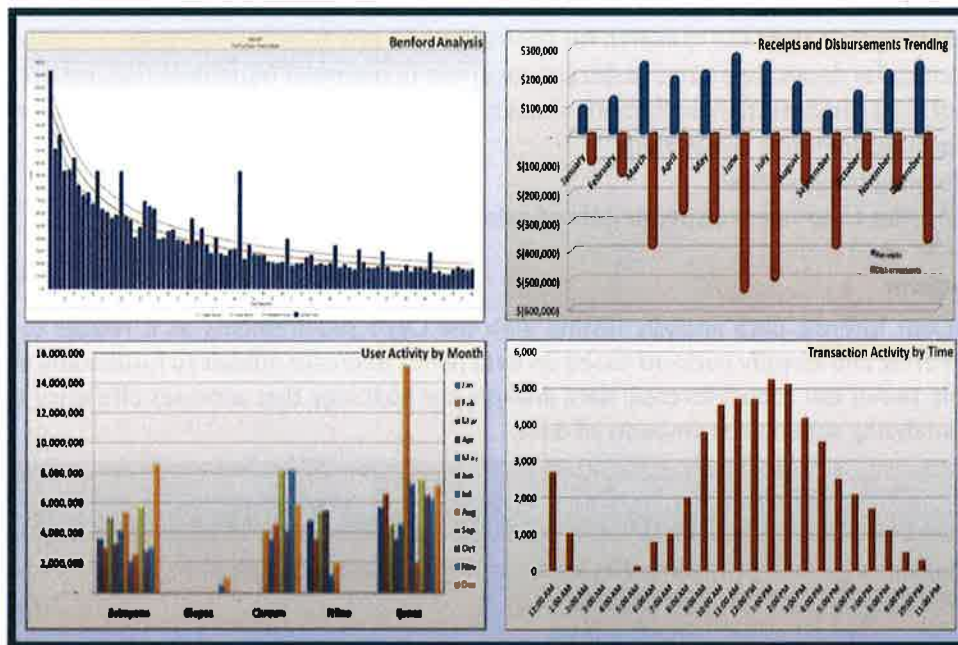
- 2D. Analytical Procedures
- Summarize
  - Trend
  - Extract
  - Join
  - Append

3D. Assess Need for Additional Analysis

With IDEA, our team is able to efficiently and effectively process voluminous sets of data. The methodology can then be incorporated to identify anomalies that are commonly indicative of fraud or misconduct.

We begin the process by acquiring and normalizing the data, many times extracted from multiple sources and systems. The next step is to run a series of pre-determined routines based on risk factors, the results of which will be used to identify anomalies that may be indicative of fraud or misconduct. We then graphically view trends over time and review and refine analyses where needed.

Typical tests our team uses include, but are not limited to, Benford's law, search for duplicate checks and invoices, generation of field statistics to identify irregularities, revenue trending, expense trending, round dollar testing, stratification of payments, and monthly entries made by users. We can then graphically display these results to identify anomalies that need to be further examined to decipher between false positives, errors, and misappropriations. Please see our example below.



We will then review what appears to be inappropriate activity and provide a listing of the higher risk items. CLA will to determine the source documentation we will review in order to further any investigations. Management will be able to review our findings in order to agree with any inappropriate and/or irregular activity so noted through our forensic data analytics.



### ***Deriving Insight Through the Use of Data Analytics***

Tremendous value and insight can be realized from the application of data analytics. Yet, realization only comes when the right groups of people collaborate throughout the process. Complimentary skills, knowledge and experience are required as business leaders and industry experts strategize, define needs, and identify risks. Data analysts skillfully design analytics, distill results and provide translation. The collective team then collaborates to interpret results.

Successful use of data analytics requires the process to be elastic and iterative whereby results are utilized to determine the need for confirmatory or supplementary testing. Findings are dynamic and continuously measured against expectations until insight is derived.

CLA has the highly skilled team necessary to derive insight from your data, we can help:

- Mitigate risk through analysis of entire populations of data with efficiency to
  - Identify high risk transactions indicative of potential errors or fraud
  - Make selections using risk and attribute based sampling methods
  - Derive better audit evidence in a more efficient manner
- Provide meaningful and more timely management reports such as,
  - Trends of business unit or product line results over time
  - Comparisons of teams from different geographic locations
  - Presentation of complex financial results into simple, more useful and impactful reports
  - Integration of disparate data to glean more meaningful business insights
- Provide insight into inappropriate activity such as,
  - Unauthorized physical access or use of organizational assets
  - Non-arms length relationships with third parties
  - Employee personal internet activity
  - Waste, misuse, and abuse of City assets
  - Non-compliance with applicable rules, laws and regulations
- Deliver more insightful and useful recommendations to management, including deeper insight into internal controls.

### ***About our data analytics tools***

One of CLA's advantages is our advanced audit tools and technology. CLA's personnel are experienced in using advanced data analytic and visualization software. These tools assist in enabling the team to quickly analyze account populations and select samples based on risk factors. CLA has developed a proprietary data analysis methodology that uses the most innovative technology and incorporates the knowledge and experience of trained technology professionals. With this technology, CLA is able to process and analyze substantial amounts of financial and nonfinancial data quickly and effectively. The technology can help identify anomalies and red flags, and can be tailored and customized to the City to help analyze an array of information.

This data analytics software and trained data analytics professionals will be utilized during the performance of this project. The size of the City, combined with its typical daily activities, likely results in hundreds to thousands of financial and nonfinancial transactions (and pieces of data) each day. The use of an advanced data analytics software tool is the only way to provide the City with an efficient and effective way to analyze and audit this population of data.





## TAB 3 – EXECUTIVE SUMMARY

### Forensic Services Practice

Today, more than ever before, the odds are high that some form of fraud or misconduct will surface in your organization. Although most frauds start out small, they grow over time and can lead to catastrophic consequences. CLA's forensic accounting practice focuses on solving fraud and mitigating fraud risks as well as assisting clients in matters involving litigation. The forensic accounting services we provide generally involve the application of specialized knowledge and investigative skills possessed by our CPAs and professionals. We collect, analyze and interpret data and then, as needed, communicate our findings in the boardroom, courtroom, or other venues.

Whether our clients' needs are reactive or proactive in nature, our teams of highly credentialed professionals report the results of our work objectively. Our team possesses extensive experience in forensic accounting, litigation services, regulatory compliance and the use of forensic technology.

*Our forensic investigators have extensive experience working directly with management, boards of directors, audit committees, counsel, regulatory agencies, and other stakeholders at every stage of an investigation. Providing a range of services from confidential internal inquiries to expert witness testimony, our forensic investigators act as advisors who uphold the highest standards of accuracy and confidentiality.*

Through our use of forensic data analysis, we are able to identify transactions related to potential inappropriate expenditures and activity. Once the relevant information and data is gathered and analyzed, the results aim to support the underlying efforts of the forensic investigation. Our forensic professionals will assist you in obtaining your objectives in the most efficient and effective approach possible.

### Forensic Data Analysis

CLA's proprietary methodology helps analyze data to find potential issues of fraud and other types of misconduct. Our data analytics methodology coupled with interrogation software can efficiently analyze large amounts of financial and non-financial data, and includes the following benefits:

- Can be used in the prevention, detection, or response to fraud or other misconduct
- Built-in investigative functionality including powerful, fraud-related specific queries and a self-documenting audit trail;
- 100 percent data coverage, which means that forensic data analysis can be performed on entire populations, and not just samples;
- Unparalleled data access allows us to access and analyze data from virtually any computing environment; and
- More precise conclusions that help reduce the need to extrapolate information from errors — a common issue when manually auditing data.



Our methodology helps us identify anomalies and red flags that are indicative of fraud and other types of misconduct. We will:

- Acquire and normalize relevant electronic data
- Run custom analytics and compare results against trends
- Graphically view trends in data to decipher between false positives, errors, or misappropriations;
- Test high-risk items to verify appropriate or inappropriate transactions;
- Review inappropriate activity and supporting documentation to prove the transactions; and
- Provide you with models and protocols to demonstrate indications of fraud and to prevent future fraud.

### ***Experience Conducting Investigations***

CLA offers the resources of a national firm with the responsiveness, access, and personal service of a local firm. Our depth of forensic accounting and Specialized Advisory Services experience is highly integrated, allowing engagement activities and information to be easily shared and coordinated.

### ***Experience Assessing Risk and Operating Efficiency***

CLA is a leader in providing business risk and other consulting services including internal control reviews to governmental agencies, municipalities and other public sector entities. We are thoroughly capable of providing high-quality consulting services and technical expertise to you and we believe our proposed team will meet the needs and requirements you are seeking. In addition to identifying any abnormal or inappropriate activity, we believe that a comprehensive business function review will yield substantial information for management and is a valuable tool in identifying areas that can be strengthened. Effective services performed by our team can also provide:

- An objective look at your policies and procedures.
- Valuable suggestions for improvements in your financial, operational and compliance operations.
- Protection for current and future resources through improved internal controls.
- A deterrent to embezzlement and other fraudulent activities.

### ***Experience with Data Mining and Performing Investigative Analysis of Volumes of Data***

We use the most cutting edge data analysis technology and incorporate the knowledge and experience of trained and credentialed forensic accounting specialists to identify fraud red flags and anomalies across all types of financial and non-financial information. Through our use of forensic data analysis, we are able to identify transactions related to potential inappropriate expenditures and activity.

Our technological resources go beyond the analysis stage and into the presentation stage where we are able to distill massive amounts of data and complex tracing exercises into clear and concise demonstratives ready for inclusion in written or oral reports, in court, or for other audiences.



## Forensic Service Clients

The table included below provides a list of clients for which CLA has successfully completed investigative and forensic services.

Housing Authorities and Housing Finance Agencies	State, State Agencies and Specialized Government Entities	Large Municipalities	Colleges and Universities	School Systems
Richmond Redevelopment and Housing Authority, VA Fairfax County Redevelopment and Housing Authority, VA California Housing Finance Agency, CA New Jersey Housing and Mortgage Finance Agency, NJ	State of South Carolina State of Kansas State of Delaware Washington Metropolitan Area Transit Authority, DC Delaware River and Bay Authority, Delaware Maryland Transportation Authority, Maryland NeighborWorks America South Orange County Wastewater Authority The State Bar of California Guidepost Solutions - IEBC	Baltimore County, MD Montgomery County, MD Prince George's County, MD Anne Arundel County, MD Queen Anne's County, MD Carroll County, Maryland Arlington County, VA City of Long Beach, CA New Castle County, DE Town of Elkton, MD City of Inglewood, CA Kickapoo Tribe in Kansas Nisqually Indian Tribe	Chaffey Community College District, CA Citrus Community College District, CA Mount San Antonio Community College District, CA Coast Community College District, CA Santa Monica Community College District, CA Long Beach Community College District, CA Pasadena City College, CA South Orange County Community College District, CA San Diego State University, CA Colorado Community College System, CO Humboldt State University MiraCosta College PASSHE - West Chester University	Alexandria City Public Schools, VA Arlington County Public Schools, VA Anne Arundel County Public Schools, MD Baltimore City Public Schools, MD Burbank Unified School District, CA Long Beach Unified School District, CA Los Angeles Unified School District, CA Orange County Department of Education, CA Pasadena Unified School District, CA San Diego County Office of Education, CA Camino Nuevo Charter Academy, CA Coachella Valley Unified School, CA Dublin Unified School District Fort Zumwalt School District Glendale Unified School District Oxnard Union High School District Poway Unified School District Mary Queen of Peace Catholic School San Marino Unified School District West Contra Costa Unified School District Los Angeles County Office of Education Mississippi Department of Education



## TAB 4 – KEY PERSONNEL



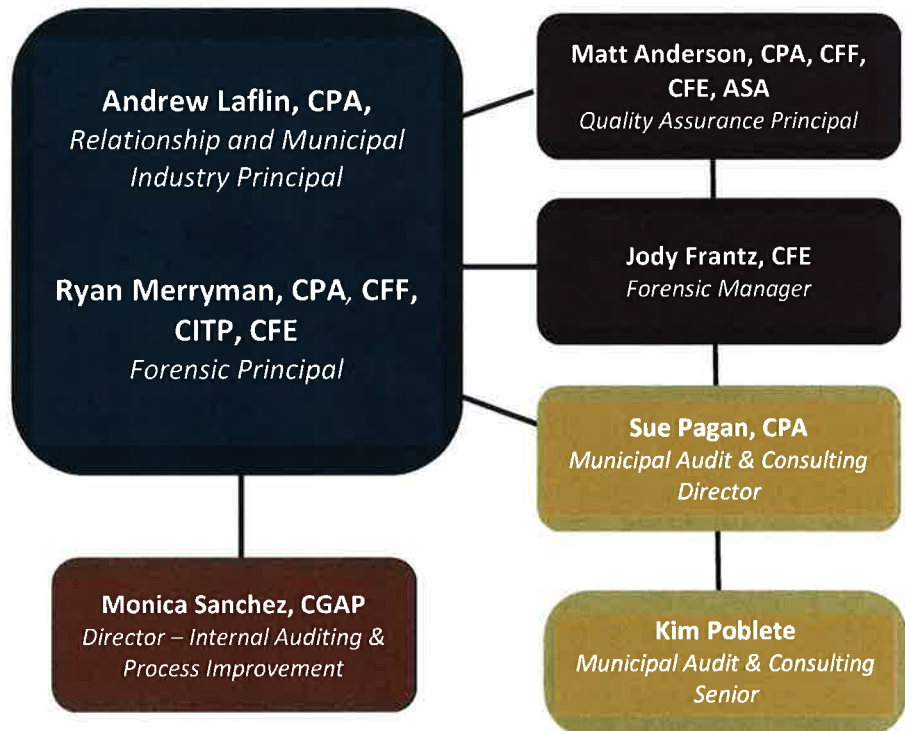
Our professionals are immersed in the industries they serve and have specialized knowledge of their operating and regulatory environments. With over 5,000 people, more than 100 U.S. locations, and a global affiliation, CLA brings a wide array of strategies to help clients in all markets, foreign and domestic.



### Engagement Organizational Chart

An experienced engagement team has been aligned to provide you with the most value for your organization. The team members have performed numerous engagements of this nature and will commit the resources necessary to provide top quality service throughout the engagement. The following are our proposed key team members:

**The most important resource any business has is people — the right people.**



Resumes highlighting the education, work experience, professional licenses/registrations that are relevant to the scope of work in this RFP are available under **Appendix A: Key Project Members Resumes** of this proposal.





## Key Members Job Functions and Titles

**Relationship and Municipal Industry Principal** – Andrew Laflin will have overall engagement responsibility including planning, supervising staff, and maintaining client contact throughout the engagement. Andrew is responsible for total client satisfaction through the deployment of all required resources and continuous communication with management and the engagement team.

**Forensic Principal** – Ryan Merryman will be the lead on the forensic analysis. He will be responsible for developing the forensic engagement approach. Ryan’s many years of providing forensic services to governmental entities will be an invaluable resource.

**Internal Auditing and Process Improvement Director** – Monica Sanchez will be a valuable resource for the engagement team as well as the City personnel relating to refining and improving existing processes in order to gain efficiencies and strengthen internal controls. Monica is a Certified Government Auditing Professional (CGAP) and has 18 years of experience serving the performance and management consulting needs of organizations, mainly in local and state government.

**Quality Assurance Principal** – Matt Anderson will complete the quality review of all work performed prior to issuance of final reporting deliverables. The focus of this review is to confirm adherence to industry and firm quality control guidelines and to make sure the work performed supports the engagement reports issued.

**Forensic Manager** – Jody Frantz will act as the lead manager on the engagement. In this role, Jody will assist both Andrew and Ryan with planning the engagement and performing complex engagement areas. Jody will be responsible for the day to day activities for this engagement, including the supervision of all staff assigned.

**Municipal Auditing and Consulting Director** – Sue Pagan is a member of Florida local government audit and consulting team and works exclusively with Florida local governments. Sue has over 20 years of experience serving Florida local governments, and her understanding of municipal operations and financial processes will prove valuable to this engagement. She will be using her Florida municipal experience to assist the team with understanding the daily functions of the City.

**Engagement Senior** – Kim Poblete has nearly 10 years of experience serving local governments in primarily auditing but also consulting and outsourcing capacities and will assist the team with the daily activities of engagement for the City.

**Firm-wide Forensic Resources** – Firm-wide we have a deep bench of resources performing fraud investigations. Firm-wide we have **65 Certified Fraud Examiners** and **18 individuals Certified in Financial Forensics**.





## TAB 5 – OFFEROR HISTORY

Established on January 2, 2012, the joint firm CliftonLarsonAllen (CLA) – the result of a union between Clifton Gunderson and LarsonAllen – is unique in the industry due to its deep industry specialization, seamless integrated capabilities, primary focus on governments and nonprofits as well as privately held businesses and their owners, and career-building strategy. We continue to hold true to the values and culture that have made individual practices successful in the past. Structured to provide clients with highly specialized industry insight, the firm delivers its audit, accounting, tax, consulting, and advisory capabilities from industry-specific perspectives

Our professionals are immersed in the industries they serve and have specialized knowledge of their operating and regulatory environments. With more than 5,000 people, over 100 U.S. locations, and a global affiliation, CLA brings a wide array of solutions to help clients in all markets, foreign and domestic.



CLA professionals bring valuable experience in helping our governmental clients meet the complexities of satisfying their financial and legal obligations. We specialize in serving government entities, with such services being among our firm’s largest practice segments. CLA’s government practice is part of the firm’s public sector practice and accounts for approximately 23% of our total revenue. **We serve over 2,100 governmental engagements nationwide**, including states and state agencies, public school systems, counties, cities, municipalities, public pension plans, and public institutions of higher education.



### Geographic Location of Offices and Support Staff

Our offices are organized geographically into regions. The City will be served by our state and local government professionals that have significant experience performing working with municipalities and providing forensic engagement services. The majority of our team will come from our local Florida-area offices with support from our national government practice leaders, who will be on-hand when necessary to provide added guidance and insight to our team. Our team will be utilizing the skills, abilities, and knowledge of our Florida offices’ state and local government professionals. The locations of these offices are as follows:



Florida Offices	
<p><b>Lakeland, Florida Office</b> 402 South Kentucky Avenue, Suite 600 Lakeland, FL 33801</p>	<p><b>Orlando, Florida Office</b> CNL Center II 420 South Orange Avenue, Suite 500 Orlando, FL 32801</p>
<p><b>Fort Myers, Florida Office</b> 12800 University Drive, Suite 210 Fort Myers, FL 33907</p>	<p><b>Tampa, Florida Office</b> 201 North Franklin Street, Suite 2500 Tampa, FL 33602</p>
<p><b>Winter Haven, Florida Office</b> 141 Avenue C SW, Suite 160 Winter Haven, FL 33880</p>	<p><b>Sebring, Florida Office</b> 435 South Commerce Avenue Sebring, FL 33870</p>
<p><b>Naples, Florida Office</b> 4099 Tamiami Trail North, Suite 300 Naples, FL 34103</p>	

Our Florida offices’ staff breakdown is as follows:

Staff Level	Headcount
Principal	44
Manager	29
Director	44
Senior	56
Associate	59
Intern	12
Support Staff	58
<b>Total Employees</b>	<b>302</b>

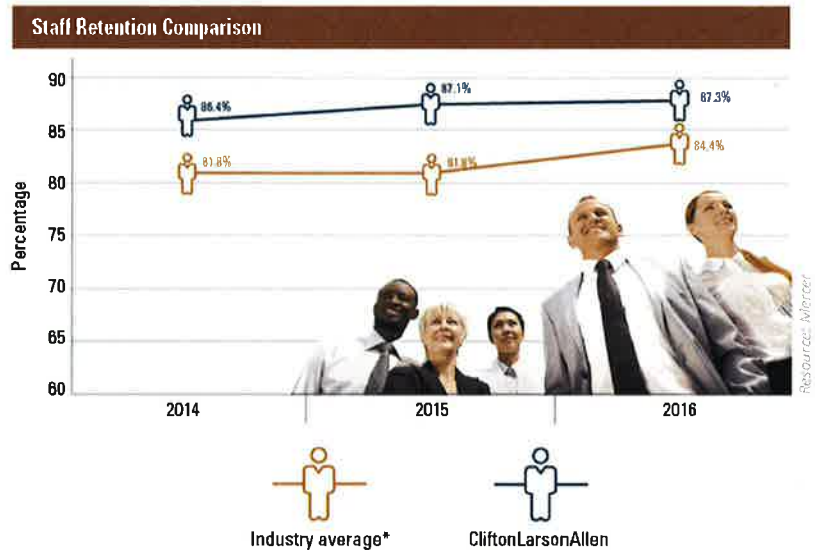


## Continuity of Staff

It is our policy to maintain the same staff on engagements throughout the entire contract to ensure continuity and efficient service to the client. For the City, this means a consistent flow of staff knowledge and services over the engagement. This commitment is made possible by CLA consistently maintaining high staff retention rates and by giving considerable attention to the career development and progression of our professional staff; all of which we contend is a strong predictor of service quality. The below **Figure** shows that CLA's staff retention rates compared to the industry average.

**Figure. Staff Retention Comparison.** Due to CLA's high staff retention rates, our firm can ensure the City excellent continuity and availability of personnel familiar with your organization at all times.

Furthermore, because we are such a large firm with a large state and local government practice, the majority of our assurance professionals work on government client engagements, either on a regional or local office basis. In addition, many of our professional staff chose to specialize in serving similar entities like the City. As a result, every member of your engagement team both now and in the future will have experience working with similar government entities, and the necessary drive to provide exemplary services.



\*Industry average for professional services firms exceeding \$100 million in revenue.



## TAB 6 - REFERENCES

We recognize that quality of service, relevant experience, and depth of resources will be key factors as you prepare to select a firm to serve your engagement needs. We encourage you to contact our references for a first-hand account of our ability to meet contract objectives, adhere to deliverable schedules, and provide added value. We are confident that our references will attest to the competence, professionalism, and client service provided by CLA. We are pleased to provide you with the following references, who can describe their experience in greater detail:

### Auditing References

City of Cape Coral, Florida	
<b>Client Contact &amp; Phone Number</b>	Andrea Butola, City Auditor P:239-242-3380, Email: LRobinson@wpbha.org
<b>Services Performed</b>	Financial statement auditing services; consulting services (detailed internal control assessments)
<b>Engagement Partners</b>	Andrew Laflin, CPA; Martin Redovan, CPA
City of New Port Richey, Florida	
<b>Client Contact &amp; Phone Number</b>	Crystal Feast, Finance Director, P: 727-853-1053, Email:feastc@cityofnewportrichey.org
<b>Services Performed</b>	Financial statement auditing services; HR assessment
<b>Engagement Partners</b>	Andrew Laflin, CPA
City of Safety Harbor, Florida	
<b>Client Contact &amp; Phone Number</b>	June Solanes, Director of Finance/ P: 727-724-1555 Ext. 1222, Email: jsolanes@cityofsafetyharbor.com
<b>Services Performed</b>	Financial statement auditing services; IT security services (external penetration testing and internal vulnerability assessment)
<b>Engagement Partners</b>	Andrew Laflin, CPA





## Forensic References

### Forensic Audit for a Multi-State and International Not for Profit organization

<b>Client Contact &amp; Phone Number</b>	Confidential Client – Retained Through Dray Kyekman Reed Healey PC (Legal Counsel), Nick Healey P:307-634-8831 E: Nick.Healey@draylaw.com
<b>Address</b>	204 East 22nd Street   Cheyenne, WY 82001-3729
<b>Engagement Partners</b>	Ryan Merryman, CPA/CFF/CITP, CFE Matt Anderson, CPA/CFF, CFE, ASA

### City of Portsmouth, Virginia

<b>Client Contact &amp; Phone Number</b>	Mrs. Alice M. Kelly, CPA, Chief Financial Officer / 757-393-8831 ext. 6210
<b>Address</b>	801 Crawford Street, 5th Floor, Portsmouth, Virginia 23704
<b>Engagement Partners</b>	Ryan Merryman, CPA/CFF/CITP Greg Bussink, CPA

### Dublin Unified School District, Dublin, California

<b>Client Contact &amp; Phone Number</b>	<a href="#">Dr. Leslie</a> Boozer Superintendent 925-828-2551; email BoozerLeslie@dublinusd.org
<b>Address</b>	7471 Larkdale Avenue, Dublin, CA 94568;
<b>Engagement Partners</b>	Ernie Cooper, CPA/CFF, CFE

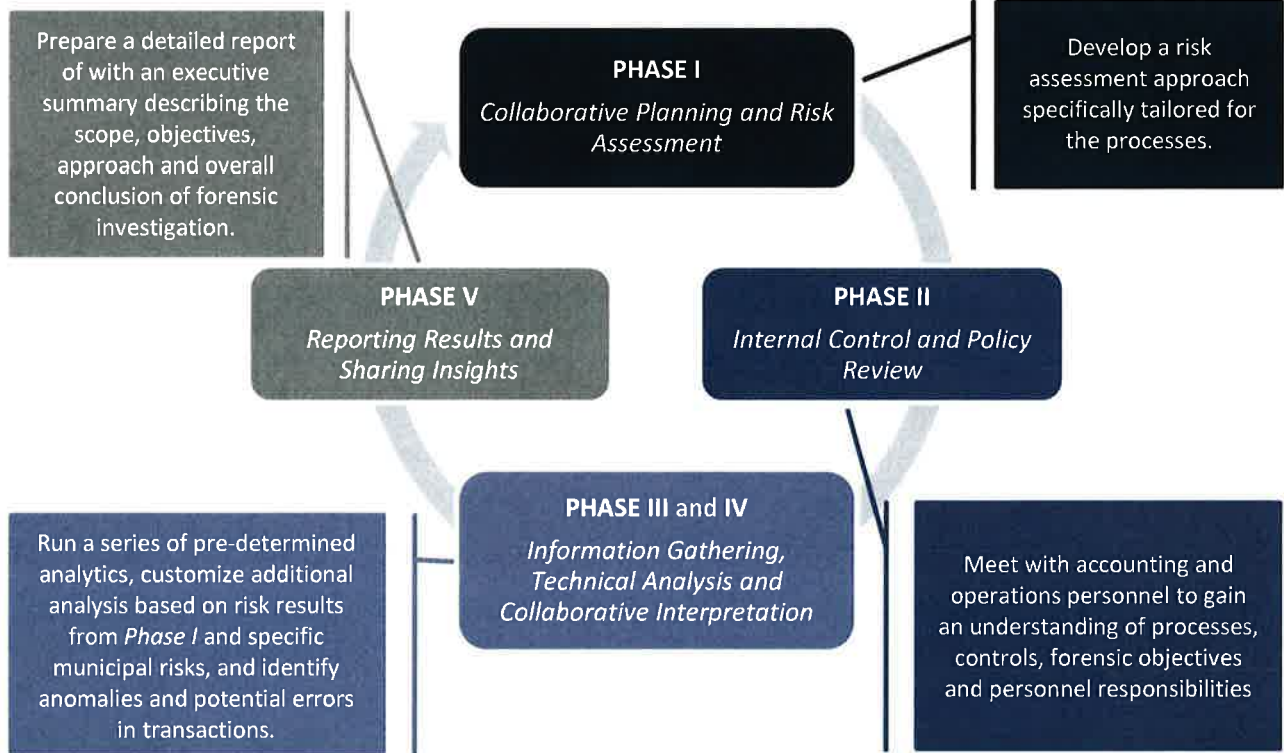




# TAB 7 – FORENSIC AUDIT APPROACH

## Forensic Approach

In order to deliver on the City’s expectations as well as our objectives to help improve the City’s overall operational efficiency and effectiveness we will follow the approach outlined below:



### PHASE I: Collaborative Planning and Risk Assessment

We will work with the City and its stakeholders to determine the most efficient approach to the procedures and analytics including the following:

- Define CLA roles and responsibilities
- Establish communication protocols to ensure the most respectful and efficient working relationship is created at the very beginning of the process
- Define project plan and establishing milestones
- Identify resources to be utilized and logistical arrangements

Our team will develop a risk assessment approach specifically tailored for the processes of the City. We will review existing policies and procedures and conduct interviews with key City staff members to understand the City’s organizational structure, risks, and control activities. We will work with a specific City liaison to schedule risk assessment interviews and we will hold onsite discussions whenever possible.

Our team will begin by understanding the City’s structure, risks, and control activities. We will also perform an assessment to determine the following:

- The City’s background – Locations/People/Operations
- Understand the City’s business processes



- Identify centralized/decentralized processes
- Identify and review the accuracy and adequacy of controls that mitigate risks

We will utilize the documented procedures the City provides to CLA as a starting point to facilitate discussions and to gain an understanding of the current operating structure, processes utilized, internal and external controls, personnel involved, and supporting technology, if any. In addition, we will compare risks and related controls to the benchmark standards to identify areas of improvements. Procedures will consist of the following:

- Conduct interviews with identified stakeholders
- Document and summarize interview results, risks identified and control weaknesses

### ***PHASE II: Internal Control and Policy Review***

In this phase of the project, we will meet with the City's accounting and operations personnel. The objective is to gain an understanding of the processes, controls, engagement objectives and personnel responsibilities related to the area to be reviewed.

We will schedule and complete specific walkthroughs of selected internal controls and policies. We will schedule the work during the least disruptive times for process owners so that the engagement can be completed as efficiently and effectively as possible.

We also require that our auditors prioritize their findings and discuss with the appropriate management and staff.

### ***PHASE III and IV: Information Gathering, Technical Analysis and Collaborative Interpretation***

Our team has developed a forensic data analysis methodology that uses the most cutting edge technology and incorporates the knowledge and experience of trained forensic technology professionals to help identify anomalies and red flags that are indicative of misconduct. With this technology, we are able to process and analyze substantial amounts of financial and non-financial data quickly and effectively.

Our data analysis process begins with acquiring and normalizing the relevant electronic data (often retrieved from multiple systems) for use in our methodology. We generally run a series of pre-determined analytics, and then will customize additional analysis based on risk results from Phase I and specific industry risks, in order to identify anomalies and potential errors in transactions (i.e., overpayments to vendors, payments that are not supported by the backup, etc.)

We will then review what appears to be inappropriate activity and provide the City with a listing of the higher risk items. The City will provide the source documentation we will review in order to verify whether the high risk payments or transactional patterns have been made appropriately or inappropriately. City personnel will then be able to review our findings in order to agree with any inappropriate and/or irregular activity so noted through our forensic data analytics.

In addition to our data analysis performed, our testing will include:

- Examining fund balances and providing an explanation and detailed documentation for the depletion of fund balances
- Examining the budget process to determine the last fiscal year the City had a balance budget and we will provide an explanation and detailed documentation supporting our findings
- Evaluating compliance with GAAP and providing findings and recommendations to improve nonstandard or irregular accounting procedures and practices.



### **Commitment to Communication with Management**

As you will see, we are committed to ongoing communication throughout the engagement. Continual communication starts when the contract is signed and continues until the completion or closeout of an engagement and throughout the remainder of the year. We believe effective communication is critical to a successful engagement. This communication includes the exchange of ideas and advice as changes are considered or implemented by the entity or the accounting profession.

During the engagement we will hold regular status meetings with the City to ensure day-to-day operations, results, and any issues are commonly understood and addressed. The objectives of tracking and formally reporting the engagement status are to:

- Provide a consistent technique for monitoring progress against plan
- Identify any issues quickly to allow for timely corrective action
- Provide an objective rather than subjective evaluation of status
- Provide timely information on a regular basis
- Assist with obtaining buy-in of any recommendations on a timely basis

Our proactive measures ensure communications, both written and oral, are ongoing, relevant and routine to our engagements. Our commitment to this practice ensures open lines of communication and often prevents and/or mitigates service delivery issues. Our professionals are trained in documenting observations, recommendations, business issues and new developments as part of their daily routine.

We will also plan to meet with the Belle Isle Forensic Audit Citizen Advisory Committee to ensure they are fully informed on the scope and progress of the engagement. We will disclose promptly any material weakness in internal controls, along with the suggestions for improvements.

We view frequent communication as a way to ensure the engagement stays on schedule and everyone's expectations are met.

### ***PHASE V: Reporting Results and Sharing Insights***

Once the City is in agreement with transactions considered as inappropriate, we will prepare a detailed report of our findings. Our team will draft a report with an executive summary describing the scope, objectives, approach and overall conclusion of forensic investigation, policy review and internal controls review project including the detail of any inappropriate transactions found. In addition, our report will describe in detail any identified control deficiencies and recommendations specific to each of the control deficiencies, and best practice recommendations for process improvements. We will also work collaboratively with the City to tailor the draft report to meet the needs of the City.

Our reports are issued timely after the completion of our fieldwork. CLA's communication framework is set up to ensure value-driven results. We require our team to prioritize their findings and discuss drafts of reports with the appropriate members of management and staff prior to issuance. We believe this approach accomplishes the following:

- Confirms the information contained in the report.
- Minimizes reaction to significant findings.
- Encourages buy-in from the process owners.
- Increases likelihood of implementation of recommendations.

Upon approval of the draft report, a final report will be issued to the City. Additionally, we will prepare a formal presentation for the Belle Isle Forensic Audit Citizen Advisory Committee and City Council, as necessary.



## Use of Computer Assisted Techniques

One of CLA's advantages is access to advanced engagement tools and technology. Throughout the engagement we may employ the use of Computer Assisted Techniques to increase efficiency and effectiveness. The key CAATs that we will use include:

- **Interactive Data Extraction and Analysis (IDEA)** – IDEA is a statistical data analysis tool that has the ability to import data from virtually any data source or file type, with no limitations on the size of the data files that can be examined. IDEA utilizes powerful, built-in tools designed for the performance of audits and fraud investigations, providing the ability to:
  - Statistically sample, summarize, stratify and/or perform an aging of large data sets
  - Compare, join, append or otherwise manipulate multiple, related populations of data
  - Identify gaps or duplicates in record sequences
  - Extract subsets of data using a variety of criteria or filters
  - Build reports and graphs to summarize testing results
- **FX Engagement** – FX Engagement is our “paperless” engagement product. This product allows us to file and save all of our audit workpapers in an electronic storage capacity; allowing our firm to save time and resources associated with maintaining and storing paper files. FX Engagement also boasts a trial balance software program, which is utilized to produce financial statements, lead schedules, and allows us to perform trend analysis utilizing our clients’ trial balances.
- **Client Portal** – In addition to secure file transfer, clients can take advantage of a secure document portal to easily share documents and store files. This tool provides anytime, anywhere access to uploaded tax returns, financial statements and more from anywhere you have an Internet connection. Clients and CLA professionals can share and store confidential files in a secure environment. The portal has capacity for both long-term and transient file storage and provides access to all your documents in one place.
- **LeapFILE and Secure File Transfer Protocol** – CLA is committed to keeping client and member data secure. We utilize LeapFILE, a secure file transfer protocol (SFTP) software program, to receive and send encrypted files. LeapFILE allows us to transfer files to and receive files from our clients in a secure manner and keeps files with sensitive data out of our email boxes and hard drives.





### ***CLA's Innovative Data Analysis Approach Used on Municipal Engagements***

CLA's deep industry experience has paved the road for highly-specialized analysis that address the specific risks of municipal government. We have combined our industry experience with the latest data extraction and analysis software to assist in our testing and in the development of innovative procedures to benefit cities like yours, which will be outlined below.



### ***Procurement and Vendor Payments***

By using our data analysis software IDEA, we are able to perform several procedures to identify improper procurement and irregularities related to vendor payments. The following are procedures we have used on previous engagements:

- By importing all payments made to vendors into our system, we are able to aggregate all vendor payments and review any that exceed the City's procurement policy.
- We review payments made to vendors that fall just under the City's procurement thresholds. We perform this test to identify employees attempting to bypass the normal City procurement process by splitting larger purchases into smaller purchases.
- We compare the City's purchases to Benford's Law to check for possible irregularities. Benford's Law suggests in data sets of naturally occurring numbers, the number 1 occurs as the leading digit most frequently and then number 2 and so on, down to the number 9 being the least occurring first digit. By analyzing the City's payments using this law, we are able to identify possible instances of fraud.
- We are able to review for duplicate check numbers and review vendors that typically receive 12 payments a year, but received more than 12 payments in a year.

We analyze expenses by vendor and by type to review for unusually high vendor activity when compared to other similarly sized and structured properties.

### ***General Ledger and Financial Recommendations***

We strive to provide value and process improvement to our municipal clients. Some of the process improvements we note as a result of our testing include:

If we note an excessive amount of journal entries in areas that typically should not be posted via a journal entry, we will provide a list of modules we recommend the City to utilize for improved accuracy and efficiency.

- Reduction in the number of users that can post adjustments or journal entries to various modules.
- Recommendations on timing of reconciliations. This often noted we see accounts that are only reconciled one a year, when monthly reconciliations would be more efficient.
- User rights review to improve internal control environment.





## TAB 8 – WORK PLAN AND TIMELINE

### Quantities and Duration of Time Commitment

The table below provides an outline of each proposed major task required to complete the engagement and clearly describes quantities and duration of time commitment for members of the team. Also included are the approximate dates for beginning and ending each of the major tasks.

Tasks	Time Required	Personnel Assigned	Approximate Dates (start – finish)
PHASE I: Collaborative Planning and Risk Assessment	20-30 hours	<ul style="list-style-type: none"> <li>• Andrew Laflin, Principal</li> <li>• Ryan Merryman, Principal</li> <li>• Monica Sanchez, Manager</li> </ul>	<ul style="list-style-type: none"> <li>• February 2018 (or later if preferred by the City)</li> </ul>
PHASE II: Internal Control and Policy Review	30-40 hours	<ul style="list-style-type: none"> <li>• Andrew Laflin, Principal</li> <li>• Ryan Merryman, Principal</li> <li>• Sue Pagan, Director</li> <li>• Monica Sanchez, Director</li> </ul>	<ul style="list-style-type: none"> <li>• February and March 2018</li> </ul>
PHASE III and IV: Information Gathering, Technical Analysis and Collaborative Interpretation	120-200 hours	<ul style="list-style-type: none"> <li>• Andrew Laflin, Principal</li> <li>• Ryan Merryman, Principal</li> <li>• Jody Frantz, Manager</li> <li>• Sue Pagan, Director</li> <li>• Kim Poblete, Senior</li> </ul>	<ul style="list-style-type: none"> <li>• February, March, and April 2018</li> </ul>
PHASE V: Reporting Results, Sharing Insights and Quality Review	35-55 hours	<ul style="list-style-type: none"> <li>• Andrew Laflin, Principal</li> <li>• Ryan Merryman, Principal</li> <li>• Matt Anderson, Principal</li> <li>• Monica Sanchez, Director</li> </ul>	<ul style="list-style-type: none"> <li>• April and May 2018</li> </ul>
<b>Total Hours</b>			<b>205 - 325</b>

Above is our proposed time commitment and involvement of team members. We know from experience working on similar forensic engagements, you may want to expand the scope of the engagement. We will consult you regarding any foreseen changes in scope or difficulties encountered during our investigation that would affect our fees.

For a detailed breakout of our proposed work plan by individual segment and hours by segment for Phase I, III, and IV, refer to **Appendix B – Detailed Work Plan**.



# TAB 9 – MANDATORY CRITERIA

## Proper Licensing to Perform Services

CliftonLarsonAllen LLP and the principals and managers assigned to this engagement are properly licensed to perform the scope of services requested. Below is a sample of professional licenses for key members of the engagement team.

### Andrew Laflin - CPA License for the State of Florida

Licensee Details	
<b>Licensee Information</b>	
Name:	LAFLIN, ANDREW PATRICK (Primary Name)
Main Address:	4240 W MORRISON AVE TAMPA Florida 33629
County:	HILLSBOROUGH
License Mailing:	
LicenseLocation:	
<b>License Information</b>	
License Type:	Certified Public Accountant
Rank:	CPA
License Number:	AC37570
Status:	Current, Active
Licensure Date:	02/23/2005
Expires:	12/31/2017

### Monica Sanchez – Certified Government Auditing Professional

### Sue Pagan - CPA License for the State of Florida

Licensee Details	
<b>Licensee Information</b>	
Name:	PESSANO, SUZANNE KATHRYN (Primary Name)
Main Address:	3450 BEECH TRAIL CLEARWATER Florida 33761
County:	PINELLAS
License Mailing:	
LicenseLocation:	
<b>License Information</b>	
License Type:	Certified Public Accountant
Rank:	CPA
License Number:	AC0025346
Status:	Current, Active
Licensure Date:	05/07/1993
Expires:	12/31/2017



## Independence Affirmation

CliftonLarsonAllen LLP and member of the City's engagement team are independent of the City of Belle Isle.

CliftonLarsonAllen's A&A Services Handbook includes detailed procedures designed to ensure compliance with independence requirements and to avoid conflicts of interest. Our policies are extensive and designed to meet the requirements of the American Institute of Certified Public Accountants (AICPA), the U.S. Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), state licensing agencies, and the U.S. Government Accounting Office's *Government Auditing Standards*. Some of the key elements of our policies are:

- Independence training for all professionals
- Annual written representations of independence from all personnel who perform client services
- Extensive client and engagement acceptance and continuance policies
- Separate sections in our policies specific to independence over SEC engagements and engagements subject to *Government Auditing Standards*
- Requirements for confirming independence of outside accounting firms and independent contractors
- Maintenance of a firm-wide client list and a restricted entities list

## Peer Review Standards

In the most recent peer review report, we received a rating of *pass*, which is the most positive report a firm can receive. We are proud of this accomplishment and its strong evidence of our commitment to technical excellence and quality service. The full report is provided in the Appendix of this proposal.

The Public Company Accounting Oversight Board (PCAOB) conducts inspections of CliftonLarsonAllen's quality control procedures relating to audits of public companies, while the remainder of our assurance practice is peer reviewed under American Institute of Certified Public Accountants (AICPA) standards. PCAOB inspection reports are available on the PCAOB website.

In addition to an external peer review, we have implemented an intensive internal quality control system to provide reasonable assurance that the firm and our personnel comply with professional standards and applicable legal and regulatory requirements. Our quality control system includes the following:

- A quality control document that dictates the quality control policies of our firm. In many cases, these policies exceed the requirements of standard setters and regulatory bodies. Firm leadership promotes and demonstrates a culture of quality that is pervasive throughout the firm's operations. To monitor our adherence to our policies and procedures, and to foster quality and accuracy in our services, internal inspections are performed annually.
- Quality control standards as prescribed by the AICPA. The engagement principal is involved in the planning, fieldwork, and post-fieldwork review. In addition, an appropriately experienced professional performs a risk-based second review of the engagement prior to issuance of the reports.
- Hiring decisions and professional development programs designed so personnel possess the competence, capabilities, and commitment to ethical principles, including independence, integrity, and objectivity, to perform our services with due professional care.
- An annual internal inspection program to monitor compliance with CliftonLarsonAllen's quality control policies. Workpapers from a representative sample of engagements are reviewed and improvements to our practices and processes are made, if necessary, based on the results of the internal inspection.



- Strict adherence to the AICPA's rules of professional conduct, which specifically require maintaining the confidentiality of client records and information. Privacy and trust are implicit in the accounting profession, and CliftonLarsonAllen strives to act in a way that will honor the public trust.

A requirement that all single audit engagements be reviewed by a designated single audit reviewer, thereby confirming we are in compliance with the standards set forth in the Uniform Guidance and OMB Circular A-133.



### System Review Report

To the Principals of CliftonLarsonAllen LLP  
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP (the "firm") applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended July 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations [Service Organizations Control (SOC) 1 and SOC 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended July 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. CliftonLarsonAllen LLP has received a peer review rating of pass.

*Cherry Bekaert LLP*

Cherry Bekaert LLP  
November 21, 2016



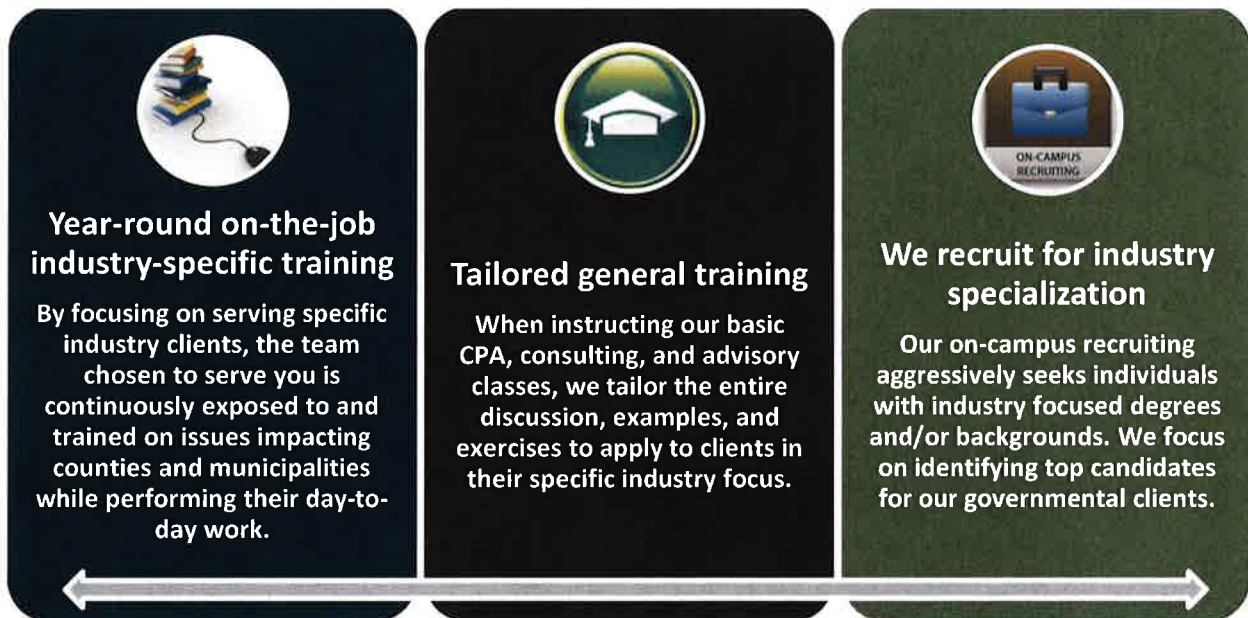


## Staff Training and Education

CLA invests in our government practice by hiring high caliber professionals and providing additional training to develop and enhance our expertise. With seasoned experts, we provide valuable insight into your day-to-day operations and your accounting systems and controls.

CLA consistently offers our clients the most current information—continuing education for our professionals helps us stay current. Each member of our professional team, including partners, attends at least 40 hours of technical training annually. When team members work extensively in one of our industry segments, they also attend specific training for that field. They are highly trained in government accounting and auditing matters and have substantially exceeded all of the Continuing Professional Education (CPE) requirements imposed by the “Yellow Book” issued by the Comptroller General of the United States.

As described in *Figure 1* below, CLA professionals are specifically trained in the industry at a level beyond our competitors:



**Figure 1. Effective Continuing Professional Education.** *Our greatest strength is the time and talent of our staff. Our professionals are more efficient and effective due to the new ideas they implement from our in-depth training and continuing professional education.*





## TAB 10 – USE OF SUBCONTRACTORS

While we are not a small or minority-owned business, we are committed to utilizing the services of such firms whenever possible. This includes using small and/or minority-owned businesses as subcontractors, as well as vendors. For this engagement, however, we do not foresee using any subcontractors.



## TAB 11 - COMPENSATION

Our fees for the services to be provided within this proposal are as follows:

Professional Services	Estimated Hours to Complete	Blended Hourly Rate	Maximum Not-To-Exceed Fee for Services
Forensic Financial Auditing Services	205 – 325 hrs	\$185/hr	\$60,125
Other Services	See hourly rate table below	See hourly rate table below	See hourly rate table below

Schedule of Hourly Rates by Level		
Level	Standard Hourly Rates	Quoted Hourly Rates
Principal	\$315	\$225
Manager/Director	\$265	\$185
Senior	\$170	\$110
Associate	\$120	\$90

Our fees are based on the timely delivery of services provided, the experience of personnel assigned to the engagement, and our commitment to meeting your deadlines.

We have found over the years that our clients don't like fee surprises. Neither do we. We commit to you, as we do all of our clients, that:

- We will be available for brief routine questions at no additional charge, a welcome investment in an ongoing relationship.
- Any additional charges not discussed in this proposal will be mutually agreed upon up front.
- We will always be candid and fair in our fee discussions, and we will avoid surprises.

### Ongoing Consultation

We have a 24-48 hour response policy to return calls/emails from your supervisory committee, board, or management to provide effective and timely communication. CLA's personnel are always available to provide assistance by telephone without additional cost to you. If the person you need to talk to is not available at the time you call, we will contact him/her and have him/her get back to you. We have a number of qualified principals on our staff that can provide you with timely and competent assistance.

Additionally, in order to provide the most direct access to your team, we will provide the cell phone numbers of your engagement principal and engagement manager upon acceptance of our proposal.



## ADDITIONAL INFORMATION

### Industry Participation

CLA actively supports industry education as a thought leader and industry speaker. Our firm focuses on supporting the educational needs of the industry through nationally sponsored trade events. Our team of governmental professionals is sought after, both as educators and as experienced speakers who are invited to speak and teach at major professional events by leading trade associations.



### Additional Resources and Services for the City

CLA goes beyond the numbers and offers value-added strategies. You will hear from us throughout the year. We send periodic email publications and host webcasts to keep clients and friends of the firm informed of relevant industry updates. Below are just a few of the resources we offer:

- **State and Local Government Perspectives** — A periodic e-newsletter providing news, tips, strategies, insights, and updates on regulatory and industry issues as well as subjects relevant to government entities.
- **National industry webcasts** — Web-based seminars designed to provide information on upcoming industry trends, accounting, tax, risk, and other issues in either the accounting or public sector industry. Many of webcasts are complimentary and some provide attendees with an opportunity to obtain CPE credit.
- **Speaking engagements and workshops** — We share our industry knowledge and experience by presenting at national, regional, and local events, as well as hosting our own industry events in various markets. We provide quality insight and education in the areas of improving profitability, reducing risk, building business value, and planning for succession.
- **Recent industry articles** — In addition to our direct participation with national organizations, CLA has had numerous articles published by our public sector industry professionals.
- **In-person events** — Annual economic, capital markets, and tax outlook seminars are presented by local professionals and CliftonLarsonAllen Wealth Advisors, LLC investment committee members.



*Investment Advisory Services offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.*

You can register for our webcasts and find our extensive resource library on our website, [CLAconnect.com](http://CLAconnect.com).

### Additional Services

In addition to the services outlined in the Scope of Services for this proposal, CLA collectively offers a wide breadth of highly-customized services and capabilities to meet our clients' wants and needs, including a sampling of the following:

- Financial statement and forensic engagements
- Fraud risk assessment and investigations
- Internal audit, risk assessments, and evaluations



- Strategic, financial, and operational consulting
- Implementation assistance for complex accounting standards
- Outsourced accounting and public administration
- ACA Reporting
- Strategic, business, and capital planning
- Operational and financial systems consulting
- Organizational and financial health assessment
- Operations and performance improvement
- Training and educational seminars
- Self-insured medical and PBM claim audits
- Telecom cost savings assessments
- IT security and network vulnerability assessments

We pride ourselves on taking the initiative to meet each and every need of our clients, and therefore are always prepared to take on additional projects. However, independence is our first concern when providing additional services. Independence can easily become impaired when providing consulting services; therefore, we do not provide any services to our clients beyond those allowed.

If additional work is requested by the City outside of the scope of the engagement, we will discuss with you our proposed fee for additional services prior to beginning the new services.





# APPENDIX A: KEY PROJECT MEMBER RESUMES



**Andrew P. Laflin, CPA**

**CliftonLarsonAllen LLP**

Principal  
Tampa, Florida

813-384-2711  
andrew.laflin@CLAconnect.com



**Profile**

Andrew is a principal within the State and Local Government Practice with CliftonLarsonAllen in the state of Florida. Andrew has 14 years of public accounting experience.

**Experience serving clients and conducting similar audits**

Andrew’s practice is entirely devoted to serving Florida local governments, including counties, cities, transportation authorities, and numerous other special districts. He is a frequent speaker at various local and state-wide conferences throughout Florida, primarily affiliated with the Florida Institute of Certified Public Accountants (FICPA) and Florida Government Finance Officers Association (FGFOA). He also has approximately five years of teaching experience as an adjunct professor in the fields of financial and cost accounting at the University of Tampa and Hillsborough Community College in Tampa, Florida.

**Experience in the building industry**

Andrew has an understanding of the activities within development services and building activities, specifically the key processes and related controls over building and permitting operations, accumulated over many years auditing counties and municipalities. The in-depth knowledge in these business areas is provided by our subcontractor, Calvin, Giordano & Associates, Inc.

**Education/Professional Certifications**

- Bachelor’s of arts in accounting from the University of Notre Dame, Notre Dame, Indiana
- Master’s of accountancy from the University of South Florida, Tampa, Florida
- Certified Public Accountant in the state of Florida

**Professional involvement**

- American Institute of Certified Public Accountants
- Florida Institute of Certified Public Accountants (FICPA)
- Government Finance Officers Association (GFOA)
- Florida Government Finance Officers Association (FGFOA)
- Association of Government Accountants (AGA)
- Adjunct professor in financial accounting and cost/managerial accounting at the University of Tampa and Hillsborough Community College-Tampa, Florida.



## Ryan Merryman, CPA, CFF, CITP, CFE

CliftonLarsonAllen LLP

Forensic Principal



### **Profile**

Ryan is a Principal in CliftonLarsonAllen LLP's forensic and valuation services practice and is based in California. He is an experienced financial consultant specializing in fraud and misconduct investigations, forensic data analysis, litigation consulting, and fraud risk management.

He is a Certified Public Accountant, Certified in Financial Forensics, Certified Information Technology Professional and a Certified Fraud Examiner. Prior to CliftonLarsonAllen LLP, Ryan was a Manager with KPMG LLP's forensic group and also served in their audit practice.

### **Technical Experience**

- Fraud and Misconduct Investigations
- Forensic Data Analysis
- Litigation Consulting
- Fraud Risk Management
- Mitigating Audit Risk by Conducting Data analytics

### **Education/Professional Involvement**

- Bachelor of Arts in Business Economics with Emphasis in Accounting, University of California, Santa Barbara, California
- American Institute of Certified Public Accountants, Member
- Association of Certified Fraud Examiners, Member
- California Society of Certified Public Accountants, Member

### **Certifications**

- Certified Public Accountant in the state of California
- Certified Fraud Examiner
- Certified in Financial Forensics
- Private Investigator
- FBI Academy

### **Experience Serving Clients**

#### **Investigative**

- Designed and performed data analytics that successfully addressed an over \$10 million difference in cash balances between the accounting records and the bank balances for a healthcare client. The process included importing activity from approximately 30 bank accounts and more than 20 million transactions from the accounting system.
- Investigated a company's co-founder for abuse of executive and fiduciary duty concerning an investment fund that managed billions in assets. Performed forensic data analysis in the areas of: journal entries, cash disbursements and receipts, company credit cards, building access logs and web activity.
- Analyzed a public corporation's foreign cash disbursements and performed procedures to detect bribery, kickbacks, and other non-compliance with the Foreign Corrupt Practices Act.



- Performed forensic audit at the direction of a district judge, which included a dispute between two international toy manufacturers.
- Investigated fraudulent financial reporting of a multinational corporation. Designed custom data analytics to ascertain the pervasiveness and value of fraud.
- Provided investigative services in a scheme where investors contended that seventy million dollars of real estate investments were squandered due to fraud.
- Examined a real estate Ponzi scheme where test work required forensic data analysis of multiple accounting systems. Quantified cash investments and amounts potentially lost due to fraud.
- Conducted an asset misappropriation investigation of a precious metal manufacturer. Designed and conducted forensic data analysis of the company's proprietary inventory management system.
- Directed email review of a public corporation and coordinated findings with the company's auditors. Successfully completed work within an extremely tight deadline resulting in a timely filing of financial statements.

#### **Fraud risk management and assurance**

- Assisted a manufacturing company to implement its anti-fraud policy and design internal controls in compliance with domestic and international rules and regulations including the Foreign Corrupt Practices Act. Helped to author code of conduct and internal policies.
- Analyzed the annual disbursed payments for a state pension fund that consisted of over three million checks which totaled over six billion dollars. This complex analysis identified evidence of duplicate payments, unfounded payments, ghost payees, and addresses receiving multiple payments.
- Provided proactive fraud risk management services to audit teams by helping to identify high risk journal entries.
- Performed accounting analysis over specific set of accounts used by the company to book unsupported journal entries. Assisted the company to correct the account balances and correct financial statements.
- Assisted audit teams to comply with SAS 99/AU 316 "Consideration of Fraud in a Financial Statement Audit" requirements by helping to identify risk factors, conduct interviews and performed fieldwork.
- Experienced auditor including the preparation of 10-K and 10-Q filings. Performed consolidations of corporations with several international subsidiaries.

#### **Other**

- Prior member of the AICPA's Certified in Financial Forensics examination writing committee, was an ongoing participant since 2010.
- Current member of the AICPA's Certified in Financial Forensics credential committee, been serving in this leadership role since 2015.
- Have instructed three forensic classes with the California Society of CPAs, including:
  - The Audit of the Future, Today – Forensic Auditing
  - Fighting Fraud Using Data Analysis
  - Financial Fraud Investigation Methodology



## Mathew W. Anderson, CPA, CFF, CFE, ASA

CliftonLarsonAllen LLP

Quality Assurance Principal



### Profile

Mathew Anderson, CPA/CFF, CFE, ASA is a Principal in CliftonLarsonAllen's Greenwood Village office. Mr. Anderson has 19 years of experience in complex financial and accounting analysis, accounting reconstruction, forensic accounting, valuation, financial consulting and financial statement assurance. Matt has provided financial and accounting advisory services to attorneys, corporations, non-profits and government entities. Matt's primary industry focus is health care with clients including large and small health systems, hospitals, and physician groups.

Matt has been involved with forensic accounting assignments including, financial statement fraud, embezzlement, misappropriation of assets, and various types of funds tracing. Matt has also provided commercial litigation dispute analysis and litigation support, including calculation of economic damages, complex electronic data analysis, royalty audit, and earnout dispute analysis. Matt has testified as an expert witness.

Prior to joining CliftonLarsonAllen LLP (fka Clifton Gunderson LLP), Matt was a forensic accountant with Ernst & Young LLP performing complex forensic accounting consulting across the country and internationally involving clients in a broad range of industries, including telecommunications, financial services, healthcare, manufacturing and distribution, construction, and logistics.

### Technical Experience

- Valuation and financial consulting.
- Data analytics and fraud investigation.
- Complex financial and accounting analysis.
- Complex commercial litigation experience in financial and accounting investigations and analysis related to securities and shareholder class action issues, *alter ego*, intellectual property disputes, accounting malpractice issues, and lost profits/breach of contract disputes.

### Certifications

- Certified Public Accountant in the state of California
- Certified Fraud Examiner
- Certified in Financial Forensics
- Accredited Senior Appraiser

### Education/Professional Involvement

- Bachelor of Arts in Business/Economics with an Accounting Emphasis, University of California at Santa Barbara
- American Institute of Certified Public Accountants, Member
- Colorado Society of Certified Public Accountants, Member
- Association of Certified Fraud Examiners, Member
- American Society of Appraisers, Member,
- The Leukemia & Lymphoma Society – Rocky Mountain Chapter, Board of Trustees, 2010 to 2017





## ***Experience Serving Clients***

### **Valuation and Financial Consulting**

- Health Care consulting – Business appraisals, compensation analyses, financial analyses, data analytics, and Stark Law and Anti-Kickback Statute analysis and consulting.
- Financial and tax compliance valuation – ASC 805 Business Combinations, ASC 350 Intangibles, Goodwill and Other, ASC 718 Stock Compensation, IRC Section 409A. Performed purchase price allocation valuation analysis for numerous clients in the following industries: healthcare, software, data center/colocation, agrochemical, manufacturing, transportation logistics, financial services, oil & gas.
- Valuation – Performed business valuations of various operating business entities for purposes including: potential sale, gift & estate tax, executive compensation arrangements.
- Due Diligence – Assisted various clients in financial and accounting due diligence with a focus on data analytics applied to Target company financial data.
- Royalty Consulting – Led royalty consulting engagements to assess the completeness, accuracy and comprehensibility of royalty reporting for various entities in industries including health sciences, consumer electronics, gaming, software, and web categorization.

### **Fraud Prevention and Investigation**

- Proactive Fraud Prevention – Assisted various clients with fraud risk assessment, internal audit functions, internal control assessment, and data analytics in the context of fraud prevention and mitigation.
- Reactive Fraud Investigation – Assisted various clients and individuals with fraud investigations including alleged asset misappropriation, financial fraud, and white collar crime.
- Data Analytics – Provided data analytics using risk based and attribute sampling techniques applied to analysis of 100% of the population of financial and non-financial data sets.
- Audit Assistance – Assisted our assurance practice with data analytics and fraud risk assessment for high risk audit clients in the following industries: health care, automotive, manufacturing and distribution, organic dairy, trust services, online marketing, and insurance.



**M. Monica Sanchez, ME, CGAP**

**CliftonLarsonAllen LLP**

Engagement Director  
Tampa, Florida

813-384-2722  
monica.sanchez@CLAconnect.com



### **Profile**

Monica is an engagement director in the specialty advisory services group who focuses on evaluating efficiency and effectiveness of business functions, programs, operations, processes, services, and making recommendations for improvement. She applies her experience to any organizational latitude, from production to transactional systems, from field to business functions, or from a single process to the entity as a whole. She has 18 years of experience serving the performance and management consulting needs of organizations, mainly in local and state government.

### **Experience serving clients and conducting similar audits**

Monica has vast experience leading managing consultative projects of various types, including:

- Performance audits following Government Auditing Standards. Monica has conducted many performance audits, several of which have been for Hillsborough County. Performance Audits include:
  - Health and Human Services
  - Transportation
  - Facilities Maintenance
  - Sheriff Department
  - Jail Operations
  - Homelessness and Affordable Housing
  - Industrial Control Systems
  - Public Works
  - Vehicle Fleet
  - Budget and Management
  - Minority and Business Enterprise programs
  - Airport Operations
  - General Services
  - Motor Vehicle
  - Parks and Recreation
  - Public Libraries
  - Attorney and Litigation
  - Network Security and IT Assessments
- Development and implementation of performance measurement systems. Measurement and testing of performance measures/indicators.
- Application of best practices in the areas of organizational structure and staffing, policies and procedures, financial information systems and their use, including reporting, monitoring and controlling activities, and determining the extent to which the organization implements such practices.
- Monica is a firm-wide technical resource on performance audits

### **Experience in the building industry**

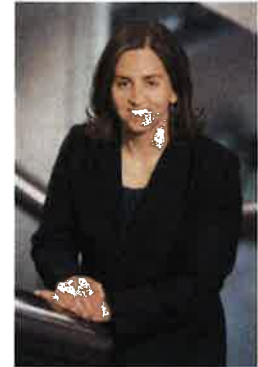
As part of a Public Works Department and a Code Enforcement Department performance audits, Monica became familiar with some building operation activities. The in-depth knowledge in these business areas is provided by our subcontractor, Calvin, Giordano & Associates, Inc.

### **Education/Professional Certifications**

- Masters degree in engineering systems management from the University of South Florida
- Bachelor of Arts in industrial engineering from Universidad Nacional Experimental del Tachira, Venezuela.
- Institute of Internal Auditors (IIA), Certified Government Auditing Professional (CGAP)
- Florida Government Finance Officers Association (FGFOA)



**Jody Frantz, MBA, CFE**  
*CliftonLarsonAllen LLP*  
Forensic Manager



**Profile**

As Manager in the Forensic Services and Valuation group, Jody performs analysis related to forensic accounting, fraud investigation, and fraud prevention including fraud detection, risk assessment, internal control assessment, financial record reconstruction, asset searches, data extraction, validation and analysis. She also provide analysis for litigation support and apply analytical skills, accounting and finance knowledge to design and perform large-scale and complex data analytics.

**Technical Experience**

Experience with large health service providers by electronically reconstructing years of provider payroll from hard copy records and comparing provider records to the State’s billing documentation to classify legitimate versus fraudulent billing. Findings were relied upon by the Department of Justice and the State of Minnesota in developing their prosecution cases.

For a County Budget and Accounting Office, reviewed and assessed the cash handling procedures of the property revenue collection office by interviewing personnel and observing the processes in place at that time. Using an easy-to-follow flowchart format, documented existing processes and controls and noted the areas and instances where the County could minimize the handling of cash, reduce the risk of theft and cash loss, decrease the time taken for the cash receipt to deposit cycles and improve overall processing efficiency. The tools provided to the County serve as living documents that can be used both as process documentation for audit purposes and also as devices for training new employees and establishing expectations.

In response to an anonymous letter sent to the auditors of a Maryland municipality alleging asset misappropriation and misuse by City employees, performed a comprehensive examination of the City’s financial policies and procedures and applied data analytics to financial data to assess the claims within the letter and provide suggestions for internal control improvements.

For a County Treasurer, investigated the operation of a County unit involved in extracting and selling County-owned natural resources. Investigation included the analysis of theft of the County’s natural resources, equipment and financial assets by County personnel. In addition to providing the information that identified the perpetrators of the fraud, provided an operational assessment suggesting ways the County could change their practices in order to prevent fraud in the future.

For a large metropolitan school district, performed a complete risk assessment of the District’s grants management policies, procedures and practices through interviews with staff, reviews of manuals and consideration of industry best practices. Produced a comprehensive risk matrix identifying the District’s most critical and high risk areas. Created a comprehensive grants management policy and procedure manual addressing the risks identified and linking policies and procedures to the current laws and regulations governing grant-funded programs.

**Genmar Holdings, Inc.:** Captured data from bankruptcy filings including creditor information and claim amounts. Used captured data to create electronic database enabling summarization across entities and creditors and



created more efficient method of extracting data given a variety of criteria. For example, creditors associated with specific types of claims could be quickly extracted and analyzed in greater detail.

**John Joseph Hewett, MD v. Tri-State Radiology, P.C., et al.:** Used IDEA® to electronically capture and verify provider and patient data from approximately 40,000 hard copy medical transcripts to create electronic database. Analyzed data and presented comparison of days worked in simple calendar format to demonstrate the effort levels of each doctor in order to refute the physician's claims of entitlement to additional compensation from overtime.

**Dr. Aristo Vojdani and Immunosciences Lab, Inc. v. Gottfried Kellerman, et al.:** Extracted two companies' customer sales records from hard copy and created databases. Performed cross comparison of databases to ascertain if customer list theft had occurred. Quantified and summarized sales by customer and by product type.

**Shakopee Chevrolet & Pontiac, Inc. v. General Motors Corporation:** Compiled and analyzed dealership order information by model to develop demand estimation. Created database using historic vehicle service records then analyzed the types of services performed and the revenue per visit to determine, the average parts and service revenue generated per the life of the vehicle.

**API, INC. Asbestos Settlement Trust v. Atlantic Mutual Insurance Company:** Compiled claimant information from approximately 2,400 asbestos-related claims. Used data to reconstruct opposing expert's claims. Performed claim categorization analysis by evaluating claim information relative to insurance carrier's coverage period. Estimated carrier's risk exposure based on insurance industry measure of "time on risk".

#### ***Education/Professional Involvement***

- Master of Business Administration from the University of Chicago, Chicago, Illinois
- Bachelor of Science in Ecology, Evolution and Behavioral Biology, Beloit College, Beloit, Wisconsin
- Association of Certified Fraud Examiners, Member
- Institute of Internal Auditors, Member

#### ***Certifications***

- Certified Forensic Examiner





## Sue Pagan, CPA

CliftonLarsonAllen LLP

Engagement Manager

Tampa, Florida



CliftonLarsonAllen

813-384-2713

[Sue.Pagan@CLAconnect.com](mailto:Sue.Pagan@CLAconnect.com)



### Profile

Sue is an audit engagement director with CLA. Sue joined CLA in 2015 and has more than 20 years of auditing experience in the public sector serving Florida government clients. During this time she has served 5 Florida counties, nearly a dozen cities, 3 school districts, and several special districts. Sue is a member of AICPA and FICPA. Sue is a licensed CPA in the State of Florida.

### Technical/Client Experience

Sue has over 20 years of experience in public accounting servicing local governments, many of which require federal and/or state single audits. Sue has client experience using the following accounting software products: Oracle, SunGard Public Sector (NaviLine), Great Plains, Peoplesoft, Integrated Financial Accounting System (iFAS), and others. During her career, she has provided audit and accounting services to:

- City of Cape Coral \*
- City of Clearwater \*
- City of Largo \*
- City of Madeira Beach \*
- City of New Port Richey \*
- City of Pinellas Park \*
- City of Safety Harbor \*
- City of Saint Petersburg \*
- City of Tarpon Springs \*
- Clearwater Downtown Development Board
- Collier County (Including Constitutionals)\*
- Hernando County (Including Constitutionals)\*
- Hillsborough County School District \*
- Juvenile Welfare Board
- Pasco County \*
- Pinellas County (Including Constitutionals)\*
- Pinellas County Construction Licensing Board
- Pinellas County School District \*
- Pinellas County Planning Council
- Pinellas Suncoast Transit Authority (PSTA)
- Sarasota County\*
- Sarasota County School District
- Tampa Bay Estuary Program
- Tampa Bay Regional Planning Council
- Virgin Islands Water and Power Authority

*\*Receives the GFOA Certificate of Achievement for Excellence in Financial Reporting.*

### Education/Professional Involvement

- Bachelor of Science in Accounting from University of South Florida
- Certified Public Accountant in the State of Florida since 5/7/1993
- American Institute of Certified Public Accountants (AICPA)
- Florida Institute of Certified Public Accountants (FICPA)
- Florida Government Finance Officers Association (FGFOA)



## Kimberly Poblete

CliftonLarsonAllen LLP

Financial Audit Senior

Tampa, Florida



CliftonLarsonAllen

813-384-2700

[Kim.Poblete@CLAconnect.com](mailto:Kim.Poblete@CLAconnect.com)



### Profile

Kimberly (Kim) is an audit senior with CLA. Kim joined CLA in 2015 and has more than 9 years of auditing experience (formerly with Deloitte) in the public sector serving governmental entities and nonprofit organizations, which includes federal and state single audit experience.

### Technical/Client Experience

Kim's experience is very heavily concentrated on providing service to governmental entities, including municipalities, counties, and component units. She has served on the audit engagements listed below:

- City of Clearwater\*
- Clearwater Downtown Development Board
- City of New Port Richey\*
- Government of Guam
- Guam Power Authority
- Guam Waterworks Authority
- Guam Visitors Bureau
- Sarasota County\*
- Hillsborough Transit Authority (HART)\*
- Guam Community College
- University of Guam
- Diocese of Southwest Florida
- Ruth Eckerd Hall
- St. Pete Free Clinic
- The Salvation Army of Guam
- Pinellas Suncoast Transit Authority\*
- CareerSource Pinellas

*\*Receives the GFOA Certificate of Achievement for Excellence in Financial Reporting.*

### Education/Professional Involvement

- Bachelor of Business Administration in accounting from University of Guam
- Florida Government Finance Officers Association (FGFOA)



# APPENDIX B: DETAILED WORK PLAN





**City of Belle Isle**  
**Forensic Accounting Consulting**  
**for the period of Fiscal Year 2009 - 2016**  
**Draft Work Plan & Estimated Budget as of January 18, 2018**

**Collaborative Planning and Risk Assessment**

Phase		Procedure	Status and Notes	Est. Hrs. Low	Est. Hrs. High	Est. % Hrs.
Phase 1	1.1	Conduct ongoing planning meetings with City of Belle Isle. Continuous assessment of procedures, ensuring work is focused and addresses risk, maintain work plan.		3.4	5.5	2%
Phase 1	1.2	Gain a background understanding of the City of Belle Isle, specifically the key players and the various issues at hand. Review key memos, schedules, the past work performed by the client, and other work done and pertinent background information provided by City of Belle Isle. Collaborate with City of Belle Isle and understand the work already conducted and information already reviewed.		9.1	14.9	2%
Phase 1	1.3	Collaborate and brainstorm with City of Belle Isle, and as a team, identify areas of risk, understand past results and areas of abuse. Begin designing analytics and procedures that will accomplish engagement objectives while addressing risks. Ensure analysis benefit from industry expertise.		6.7	11.0	4%
<b>Subtotal:</b>				<b>19.2</b>	<b>31.3</b>	<b>8%</b>

**Information and Evidence Gathering**

Phase		Procedure	Status and Notes	Est. Hrs. Low	Est. Hrs. High	Est. % Hrs.
Phase 3	3.1	Obtain necessary General Ledger data from the accounting systems. Additionally, obtain supplemental information such as, a chart of accounts, data dictionary and accounting procedure memorandum. Additionally, beginning and ending trial balances.		3.4	5.5	2%
Phase 3	3.2	Obtain necessary Accounts Payable and Cash Disbursements data from the accounting system. Additionally, obtain supplemental information such as, vendor master and employee master files, change logs, etc. and accounting procedure memorandum.		3.4	5.5	2%
Phase 3	3.3	Obtain Payroll and other compensation data. Additionally, obtain supplemental information such as, employee master files, change logs, etc. and accounting procedure memorandum.		5.0	8.2	3%
Phase 3	3.4	Obtain necessary Employee Reimbursement and Credit Card data. Additionally, obtain supplemental information such as, employee master files, change logs, etc. and accounting procedure memorandum. Obtain statements and electronic transaction download from the credit card company.		5.0	8.2	3%
Phase 3	3.5	Obtain City of Belle Isle bank data for the period, including statements and electronic download directly from the bank.		5.0	8.2	3%
Phase 3	3.6	Obtain necessary Accounts Receivable and Cash Receipt data from the accounting system and from manual procedures. Additionally, obtain relevant hard copy documentation including hand written and physical receipts.		5.0	8.2	3%
Phase 3	3.7	Preserve electronic evidence that may serve as valuable investigative evidence. Consider the need to preserve with forensic imaging procedures of: Email, Instant Messages, Phone Records, Building access logs, Personal Computer, Server, Smartphone, backup locations. It is our understanding that many such electronic evidence sources may not have ever existed or may not be available due to the passing of time.	May be considered at a later date.	-	-	0%
<b>Subtotal:</b>				<b>26.9</b>	<b>43.9</b>	<b>16%</b>

**Technical Analysis and Collaborative Interpretation**

Phase		Procedure	Status and Notes	Est. Hrs. Low	Est. Hrs. High	Est. % Hrs.
Phase 3	3.8	Perform General Ledger data analytics. Develop analytics to understand transactions entered and/or approved by the alleged perpetrator and understand whether the entries match expectations and job function.		21.8	35.6	13%
Phase 3	3.9	Perform Accounts Payable and Cash Disbursement data analytics. Develop analytics specific to City of Belle Isle; example analytics may include: -Payments to unauthorized Vendors -Payment trending by Vendor by Month -Suspicious payment streams to Vendors -Payments in excess of approved limits -Payments to fake Vendors		16.8	27.4	10%
Phase 3	3.10	Perform Payroll and compensation data analytics. Develop analytics specific to City of Belle Isle; example analytics may include: -Identify payments before and after authorized time of employment -Improper supplemental payroll payments within Accounts Payable and/or Employee Expense reimbursement -Improper bonus, or incentive compensation payments -Inflated salaries and/or inflated hours		8.4	13.7	5%
Phase 3	3.11	Perform Credit Card and Employee Reimbursement analytics. Develop analytics specific to City of Belle Isle; example analytics may include: -Identification of inappropriate and/or personal use -Duplicate and reimbursement schemes -Analysis of Standard Industry Codes (SIC) -Comparisons of use across business units -Analysis of travel spending		13.4	21.9	8%



Phase		Procedure	Status and Notes	Est. Hrs. Low	Est. Hrs. High	Est. % Hrs.
Phase 3	3.12	Review City of Belle Isle bank activity to assess whether deposits/disbursement transactions recorded in the bank data were materially reflecting in the cash disbursement and cash receipt detail in the G/L. Identify expenditures outside the scope of business, including expenditure that appears to be personal in nature.		20.2	32.9	12%
Phase 3	3.13	Review City of Belle Isle cash receipt information and assess whether transactions recorded in the accounting system reflect what is evidenced in the bank data. Assess whether there is evidence that cash receipts were not deposited in the bank.		13.4	21.9	8%
Phase 3	3.14	Perform strategic review of relevant employee(s) email and documents, corroborate facts learned from email review and data analytics to gain insight. Perform forensic procedures to identify electronic information for relevant individual's business computer(s). Perform procedures to potentially recover deleted electronic information. Analyze electronic log data.	Estimated time will be a function of the volume of the received information.	-	-	0%
<b>Subtotal:</b>				<b>94.1</b>	<b>153.5</b>	<b>56%</b>

### Reporting

Phase		Procedure	Status and Notes	Est. Hrs. Low	Est. Hrs. High	Est. % Hrs.
Phase 4	4.1	Periodically update City of Belle Isle of ongoing findings.		8.4	13.7	5%
Phase 4	4.2	Prepare report and accompanying schedules. <i>*This work plan does not contemplate expert witness services.</i>		25.2	41.1	15%
<b>Subtotal:</b>				<b>33.6</b>	<b>54.8</b>	<b>20%</b>
<b>Total:</b>				<b>173.8</b>	<b>283.5</b>	<b>100%</b>



CPAs & ADVISORS



*Proposal for Forensic  
Financial Auditing Services*

**The City of Belle Isle**



**PROPOSER**

Moore Stephens Lovelace, P.A.  
255 South Orange Ave., Suite 600  
Orlando, FL 32801

**SUBMITTED BY**

William Blend, CPA, CFE  
Shareholder  
wblend@mslcpa.com  
800.683.5401



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## Executive Summary / Transmittal Letter

February 1, 2018

City Council  
City of Belle Isle  
1600 Nela Ave.  
Belle Isle, FL 32809

*Re: Request for Proposal to Provide Forensic Auditing Services*

Dear City Council:

Moore, Stephen Lovelace, P.A. (MSL) would like to thank the City of Belle Isle's (City) Council for this opportunity to provide you with our qualifications to serve as the Council's forensic auditing firm. Our complete response provides greater detail of how we intend to provide the services requested, as well as the qualifications of our team members. It also addresses the requirements in the *City of Belle Isle Request for Proposal Forensic Financial Auditing Services* (RFP). Ultimately, our goal will be to exceed the City's expectations.

When our engagement is completed, we believe the following Council goals will be achieved:

- ❖ **Restore the public's confidence related to accounting and reporting at the City,**
- ❖ **Provide a comprehensive review of all types of payments for the period specified by the City's Council,**
- ❖ **Thorough review of internal control systems,**
- ❖ **Provide an explanation and detailed documentation for the depletion of the City's five major governmental funds balances,**
- ❖ **Ensure citywide compliance with the Generally Accepted Accounting Principles (GAAP) and provide findings and recommendations to correct identified accounting procedures or practices that are nonstandard or irregular, if any, and**
- ❖ **Provide guidance and recommendations aimed at enhancing and strengthening the City's internal control policies and procedures to minimize the possibility of errors or irregularities occurring in the future.**

In accomplishing these goals, our team will evaluate the cause of all errors uncovered and evaluate the breakdown or lack of internal controls to prevent the errors. This evaluation will determine if the cause was human error, fraud, waste or abuse. We will assume nothing.

Our responsibility will be to the **Citizens of Belle Isle** and the **City Council**. We will report only to the City Council, unless directed otherwise by the Council.



City Council  
City of Belle Isle  
February 1, 2018  
Page 2

We fully understand the scope of work the City Council is requesting, as outlined in the RFP. We will formulate the information and data gathered during our engagement and report our findings to the Council. As identified in the RFP, our Firm meets the independence and the peer review standards of the AICPA and *Government Auditing Standards*. We will report the status of our work to the Council, at a minimum, on a monthly basis. When matters arise that require more frequent communication, we will notify the Council immediately and request a meeting with the Mayor and all Council Members. In addition, we recommend that weekly status reports be provided to the Council via e-mail or other chosen form of communication.

As mentioned above, we are committed to exceeding the City's expectations. We will deliver the requested services efficiently and effectively utilizing all of our resources.

Our response sets out our detailed plan to accomplish the engagement scope of services within the timeframe requested, as well as the experience of our Firm and team members. We believe that once you have had an opportunity to review our response and the quality of the engagement team, you will agree that we are the right team for the job. As Engagement Shareholder, I am authorized to make representations for the engagement team and for MSL. I can be contacted at my office at (800) 683-5401, extension 1174, or on my cell phone at (407) 920-2158.

Sincerely,

A handwritten signature in cursive script that reads "Wm. Blend". The signature is written in black ink and is positioned above a thin horizontal line.

William Blend, CPA, CFE  
Shareholder  
[wblend@mslcpa.com](mailto:wblend@mslcpa.com)



## Statement of the Scope

Outline the firm's approach to the City's project including scope of services to be performed.

We fully understand the scope of work the City Council is requesting, as outlined in the RFP. We will formulate the information and data gathered during our engagement and report our findings to the Council.

We will use a systematic and objective approach in performing this forensic engagement. We will perform the following general forensic and investigative activities related to all five major governmental funds (General Fund, Transportation Impact Fee Funds, Stormwater Funds, Law Enforcement Education Fund and Charter Fund) during the project:

- Review documentation related to each fund's organizational structure and operations, including policies, contractual agreements, and other management reports and documents, as applicable.
- Analyze the books and records, financial activities, detailed general ledger and account activities.
- Perform interviews of funds' staff to obtain a full understanding of the daily activities of staff, as well as obtain an understanding of funds' activities.
- Perform on-site observation of key work processes and workflows to confirm document review and interview findings.
- Perform statistically valid sampling utilizing IDEA software.
- Perform other sampling methodologies when, based upon our professional judgment and that facts and circumstances of the population to be tested, we deem they would be more effective.
- Perform testing of all types of payments on a sample basis under each fund, as requested in Section 3-A of the City's RFP.
- Perform a review of internal control systems under each fund, as requested in Section 3-B of the City's RFP.
- Prepare summary of findings that will also include the results of our forensic procedures, including the identification of improprieties and findings of noncompliance with policies and procedures. In addition, we will make recommendations for improvement to the City's internal controls and policies and procedures. All recommendations will be made for the purpose of enhancing and strengthening of the City's practices.

Ability of the firm and staff to meet the requirements and schedule.

To accomplish the goals and complete the engagement, we can commit a team large enough and with the knowledge, skills and experience to do so. To that end, our team is comprised of governmental specialists with over 40 years of combined governmental experience, **including ten years as Certified Fraud Examiners**. Our specialists have developed and implemented corporate integrity programs, performed antifraud training, prepared corrective action plans, and conducted investigations for public, private, governmental and not-for-profit enterprises. Should it be required, we have the experience to provide expert witness testimony regarding the specifics of this forensic engagement.





CPAs & ADVISORS

Evidence of appropriate license or certification necessary to perform the services in the State of Florida.

Our Firm and the team assigned to the engagement are properly licensed to perform the scope of services requested and has complied with the general standards of qualifications, including continuing education requirements of *Government Auditing Standards*. Copies of licenses are provided in the *Mandatory Criteria* section of this document.





## Key Personnel

### William Blend, CPA, CFE

Engagement Shareholder

#### Education and Certifications

- B.S. Degree in Accounting, Long Island University
- C.P.A., Certified Public Accountant - Florida
- C.F.E., Certified Fraud Examiner

#### Professional Memberships and Affiliations

- AICPA
- FICPA
- Florida Government Finance Officers Association (FGFOA)
- FGFOA Conference Committee
- FGFOA Technical Committee
- Instructor for the FGFOA and develops and teaches Firm auditing classes
- FICPA Instructor - Ethics for Governmental CPAs in Florida
- FICPA Technical Committee
- Association of Certified Fraud Examiners (ACFE)
- FICPA State and Local Government Section
- FICPA Compliance Practice Aid Team Member
- FICPA High School Coordinator for Seminole County
- Seminole County Chamber of Commerce Government Affairs Committee

**Background** - Bill Blend is a member of the Firm's Governmental Practice Group. Bill has over 25 years of public accounting, governmental and not-for-profit experience. He has provided services to numerous municipalities, counties, and other governmental entities.

**Professional Experience** - Bill has extensive experience in auditing the governmental financial operations of municipalities, counties, special districts, and authorities. He also provides consulting services in the areas of internal control assessments, litigation support, fraud remediation, and performance reviews.

He has authored numerous CPE courses on governmental accounting and auditing and has instructed CPE sponsored by the FGFOA and the FICPA. Bill is one of only a few CPAs in the state qualified by the FICPA to teach their government ethics class, and he is often sought out as a speaker around the state. He is a two-time recipient of the FICPA Outstanding Discussion Leader Award.

Bill is a Certified Fraud Examiner and is trained in the use of IDEA data-mining software.





**William Blend, CPA, CFE (Continued)**  
Engagement Shareholder

**Governmental, educational, and other entities served include the following:**

**Counties**

- Broward\*
- Citrus\*
- Indian River\*
- Lake\*
- Osceola\*
- Seminole\*
- Volusia\*

**Municipalities**

- Altamonte Springs
- Apopka\*
- Casselberry\*
- Cocoa Beach\*
- Coral Springs\*
- Davie
- Daytona Beach\*
- DeBary\*
- Deltona\*
- Dunedin\*
- Gulfport\*
- Indian River Shores
- Indian Rocks Beach

**Municipalities (Continued)**

- Kissimmee\*
- Lake Helen
- Leesburg\*
- Maitland\*
- Mt. Dora\*
- New Smyrna Beach\*
- Oak Hill
- Orlando\*
- Palm Bay\*
- Palm Beach Gardens\*
- Pembroke Pines\*
- Port Orange\*
- Sanford\*
- St. Cloud\*
- Tampa\*
- Tarpon Springs\*
- Temple Terrace
- Venice\*
- Vero Beach\*
- Winter Park\*

**Special Districts and Authorities**

- Barefoot Bay Recreation District
- Central Florida Expressway Authority
- East Central Florida Regional Planning Council\*
- Florida Intergovernmental Finance Commission
- Greater Orlando Aviation Authority (GOAA)\*
- Hobe Sound Water Management District
- Memphis-Shelby County Airport Authority
- MetroPlan Orlando\*
- Miami-Dade Expressway Authority\*
- New Smyrna Beach Utility Authority\*
- Sanford Airport Authority\*
- TOHO Water Authority\*
- West Volusia Hospital Authority

**Educational**

- Academie DaVinci Charter School
- The Reading Edge Academy
- Florida A&M University\*
- Florida Virtual School \*
- School District of Manatee County\*
- School District of Broward County\*
- School District of Escambia County\*
- School District of Osceola County\*
- School District of Pasco County\*
- School District of Seminole County\*
- School District of Volusia County\*

**\*Indicates Single Audit included**







CPAs & ADVISORS

**Joel Knopp, CPA**  
Managing Shareholder

**Education and Certifications**

- B.S. Degree in Accounting - Eastern University
- C.P.A., Certified Public Accountant - Florida and Virginia

**Professional Memberships and Affiliations**

- American Institute of Certified Public Accountants (AICPA)
- Florida Institute of Certified Public Accountants (FICPA)
- Florida Government Finance Officers Association (FGFOA)
- FGFOA Conference Planning Committee

**Background** - Joel Knopp is a member of the Firm's Governmental Practice Group. Joel has over 18 years of experience in accounting and auditing and works primarily with governmental clients.

**Professional Experience** - Joel has performed audits on over 40 governmental entities. He has substantial experience in planning, performing, supervising, reviewing and preparing financial statements related to the audits of governmental entities and not-for-profit organizations subject to *Government Auditing Standards* and federal and state Single Audit requirements.

Joel's previous experience includes work as an audit director for a CPA firm in Virginia, where he managed numerous audits of Virginia local governmental agencies and municipalities. Joel also has extensive experience providing tax consulting and preparation services at the federal and state levels for businesses, not-for-profit organizations, and individuals.





**Joel Knopp, CPA (Continued)**

Managing Shareholder

**Governmental, educational, and other entities served include the following:**

<b>Counties</b>	<b>Municipalities</b>	<b>Special Districts and Authorities</b>
Broward*	Altamonte Springs	Barefoot Bay Recreation District
Citrus*	Casselberry*	Central Florida Expressway Authority
Lake*	Coral Springs*	Early Learning Coalition of Flagler/Volusia Counties, Inc.*
Osceola*	Dunedin*	East Central Florida Regional Planning Council*
Seminole*	Gulfport*	Greater Orlando Aviation Authority*
Northampton (VA)*	Indian Rocks Beach	Lake-Sumter Metropolitan Planning Organization*
	Kissimmee*	MetroPlan Orlando*
	Leesburg*	Miami-Dade Expressway Authority*
	Orlando*	Sanford Airport Authority*
	Sanford*	Eastern Shore Community Services Board (VA) *
	Tampa*	Northwestern Regional Juvenile Detention Ctr. Comm.(VA)
	Tarpon Springs*	Staunton Industrial Development Authority (VA)
	Temple Terrace	Valley Community Services Board (VA) *
	Venice*	Waynesboro Industrial Development Authority (VA)
	Staunton (VA)*	Winchester Industrial Development Authority (VA)
	Town of Iron Gate (VA)	
	Waynesboro (VA) *	
	Winchester (VA) *	

**Educational**

- School District of Brevard County\*
- School District of Escambia County\*
- School District of Lee County\*
- School District of Manatee County\*
- School District of Osceola County\*
- School District of Pasco County\*
- School District of Seminole County\*
- School District of Volusia County\*
- Genesis Alternative Education Program (VA)
- Northampton County School Board (VA)
- Staunton City School Board (VA)
- Waynesboro City School Board (VA)
- Winchester City School Board (VA)

**\*Indicates Single Audit included**



**Michal Gurgacz, ACCA**

Senior Auditor

**Education and Certifications**

- M.A. in Financial Management – Nowy Sacz School of Business in Poland
- B.A. in Marketing and Management – Nowy Sacz School of Business in Poland

**Professional Memberships and Affiliations**

- ACCA, Association of Chartered Certified Accountants
- Central Florida Chapter of ISACA

**Skills and Knowledge**

- COBIT
- ISO 27001
- NIST Cybersecurity Framework
- IFRS
- US GAAP
- Sarbanes-Oxley Act
- Basel III
- IDEA
- Visio, VBA, advanced Excel
- SQL, SAP and Oracle

**Governmental, educational, and other entities served include the following:**

**Counties**

- Citrus\*
- Lake\*
- Osceola\*

**Municipalities**

- Leesburg\*
- Orlando\*
- Stuart
- Winter Park\*

**Special Districts and Authorities**

- Greater Orlando Aviation Authority\*
- Sanford Airport Authority\*
- SLM Corporation
- TOHO Water Authority\*

**\*Indicates Single Audit included**

**Background** – Michal Gurgacz is a KPMG-trained auditor with over 9 years of accounting, IT and finance experience. He performs all IT assessments and security reviews on MSL’s clients.

**Professional Experience** – Michal has spent his accounting and IT career providing assurance and consulting services to various clients, including Fortune 500 companies. He currently leads all risk assessments and information system audits at MSL. He has planned, coordinated and executed audits of information security, information technology and business continuity in the financial, governmental and healthcare industries, investigating and developing audit solutions for unique and complex situations.

Michal also has experience with process transformation, system implementation and data migration.





## Offeror History

MSL is a Florida corporation that has been in business for over **40 years** and has grown to be one of the largest independently owned and operated certified public accounting firms in the Southeast. We are a nationally recognized CPA firm, serving clients in more than 20 states and 8 countries. **MSL is owned by a group of 17 shareholders, many of whom are nationally recognized specialists in their field of practice.** The Firm and all of its CPAs are actively involved with the FICPA and AICPA. Members of our Governmental Practice Group are involved with the AICPA Governmental Audit Quality Center. We have offices in Orlando (Headquarters), Miami, the Tampa area, and Tallahassee.

Many firms have a difficult time finding qualified staff who want to work in the governmental sector and have difficulty keeping up with the training. Our reputation allows for professionals who want to serve the governmental sector to seek us out. Our top-quality, in-house governmental training courses allow us to address specific areas that impact our clients. We also believe our staff is the best trained in the state. Our CPE program is structured and our instructors are some of the best.

***Key Factors for Consideration*** - MSL was recently selected as one of the 2017 Orlando Sentinel Top 100 Companies. The list was created by the Orlando Sentinel and Best Companies Group.

Our statewide presence gives us an enormous advantage over other firms as far as recruiting. Whether it is campus recruiting or seasoned veterans, potential recruits can pick and choose where they want to locate. Recruiting has been a real challenge for CPA firms across the country.

MSL provides client service through management consulting, tax and business advisory services, and financial, accounting and assurance services. We have provided a variety of services to governmental entities related to risk assessment for internal controls, fraud litigation, efficiency and cost studies, and policy reviews and monitoring.





## References

Below is a listing of MSL’s clients that we have worked with during the last five years, including the requested contact information for each client:

Clients	Contact Name Contact Telephone Website	Services Provided	Length of Service
City of Orlando	Bill Spinelli (407) 246-2165 <a href="http://www.cityoforlando.net">www.cityoforlando.net</a>	Annual Audit	2013 - present
City of Sanford	Cynthia Lindsay (407) 688-5022 <a href="http://www.sanfordfl.gov">www.sanfordfl.gov</a>	Annual Audit	2008 - present
TOHO Water Authority	Rodney Henderson (407) 944-5130 <a href="http://www.tohowater.com">www.tohowater.com</a>	Annual Audit	2005 - present
The Grove Counseling Center (not-for-profit provided as a forensic engagement reference)	Ken Enlow (407) 247-0790 <a href="http://www.thegrove.org">www.thegrove.org</a>	Forensic Audit	2015 - present

MSL grants its consent for the City to contact the above references for purposes of evaluating MSL for this contract and acknowledges that any information obtained from the references will not be disclosed to MSL.







## Forensic Audit Approach

We will perform an analysis of the funds' activities and operations to assure Citywide compliance with Generally Accepted Accounting Principles, as well as provide findings and recommendations, if any, to correct any identified accounting procedures or practices that are nonstandard or irregular. Procedures described below will help us to identify, analyze and document reasons for the depletion of the funds' balances.

Our initial procedures will include review of the City's books and records, policies and procedures, detailed general ledger, and the City's Comprehensive Annual Financial Report. We will also conduct walkthroughs and interviews of funds' management and staff, as necessary, and evaluate controls in place to prevent and detect fraud, waste and abuse. These general procedures are essential to ensuring the best and most efficient results of our engagement. Therefore, we will place significant emphasis on this phase to ensure that all of the appropriate data and facts are identified.

Once these general procedures are completed, a more in-depth analysis is performed in areas identified. Controls or operational activities will be assessed, including the following areas:

- Cash
- Personal checks (including payroll)
- Credit cards
- Online payments
- Deposits
- Automatic payments
- Other payment transactions.

In addition to the review of internal control systems, we will test a sample of transactions from each area identified above. The focus of our sampling will be to maximize the opportunity for our team to identify errors, fraud or noncompliance with policies operations and controls. For each item selected for testing, we will request and review supporting evidence, including relevant authorizations.

We will also perform data analysis using IDEA software. IDEA is a data-mining software that enables virtually every form of electronic data, including reports, to be converted into a systematic format, which can then be analyzed by our forensic team. The data analysis will be focused on identifying suspicious activity and any red flags relating to payment transactions, including, but not limited to:

- Round sum payments
- Payments just below authorization level
- Payments made on weekends or holidays
- Payments made to a supplier not on the authorized supplier list
- Gap detection (missing checks or invoices)





Our forensic team has the prerequisite skill set to use this tool in an efficient and effective manner to ensure that the results of our work can be relied upon by the City to project errors over sample populations based upon statistically valid methodologies. Finally, we will incorporate the use of our information technology (IT) specialist to evaluate the related City IT functions supporting the areas under review. This will include a security analysis over these functions.

During the course of the investigation, and prior to a final report being presented to the Council, we will meet with an ad-hoc committee formed by City Council called the *Belle Isle Forensic Audit Citizen Advisory Committee* (BIFACAC). The goal of this meeting is to ensure that all possible information has been identified and evaluated before we issue our final report. The final report would then be presented to the City Council.

After completion of the testing phase, we will issue a written report communicating all discovered abnormal financial activity, past or present, its quantification, cause and consequence, including instances of criminal activity, illegal acts, and potential fraudulent activity, or civil liabilities that could support future legal action to the City. We will also issue a letter to the Mayor, members of the City Council and City Manager indicating any reportable conditions found during the forensic audit.

We understand that the scope of work may be further expanded or altered at the recommendation and approval by the City Council and the City Manager, with written changes approved in writing by the City Manager. It is possible that the initial forensic audit may uncover new facts, unknown data or relevant queries that could change the scope of the audit.





## Work Plan and Timeline

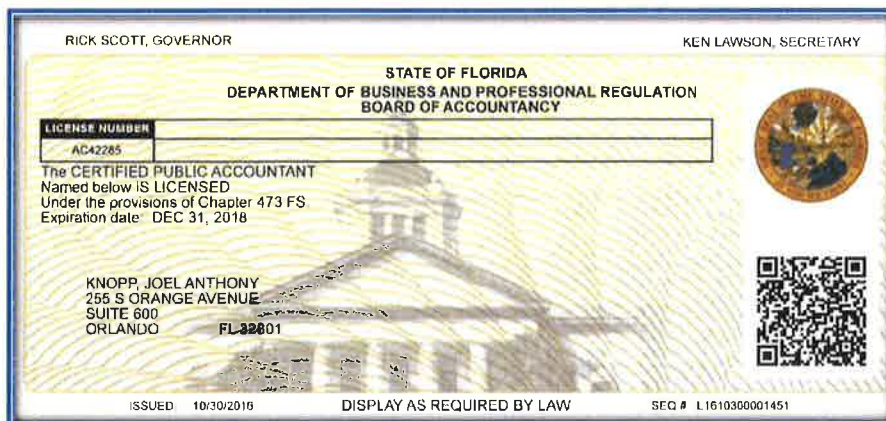
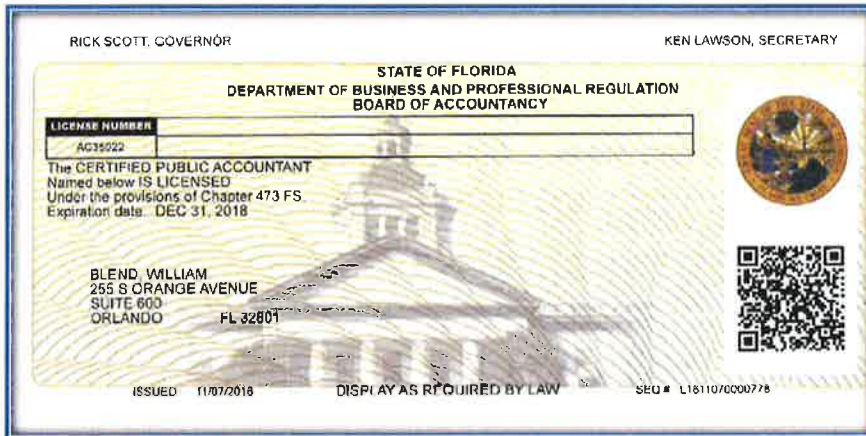
Below is a proposed engagement timeline. The actual periods in which procedures will be performed by departments will be dependent upon staffing availability and information obtained during the planning phase of the engagement. We believe that the timeline below, along with the resources discussed above, demonstrates our ability to meet the desired timelines and deadlines.

February/March 2018	Meetings with City Council, funds management and staff.
March 2018	Perform departmental walkthroughs and verification of information obtained during the planning phase of the engagement.
March/April 2018	Perform detailed testing of transactions and other forensic procedures of the final engagement plan.
April 2018	Document findings and perform follow-up procedures, as necessary, based on testing results performed. Meeting with BIFACAC.
May 2018	Wrap-up and issue the final report.



## Mandatory Criteria

Our Firm meets the independence and the peer review standards of the AICPA and *Government Auditing Standards*. Our Firm and the team assigned to the engagement are properly licensed to perform the scope of services requested and have complied with the general standards of qualifications, including continuing education requirements of the *Government Auditing Standards*. Copies of relevant licenses are provided below.





## **Subcontracting**

MSL does not intend to subcontract any of the required services.







## Compensation

Our compensation schedule below is prepared to provide the City with options on what forensic services you would want to be performed and the related costs. We understand the desire to have all of these services provided, however, doing so may be cost prohibitive. Therefore, we are providing a menu of services from which the Council can select some or all. At a minimum, we would anticipate that the Council would want the Base Services described below performed and then determine how many years of prior transactions are necessary to be evaluated.

### Base Services

Service Provided	Estimated Hours		Total Base Services Fee
	Shareholder	Senior Auditor	
Internal Controls Walkthroughs	-	30	
Interviews – Elected Officials, City Manager, Finance Director and Others	26	26	
Analysis of Funds Balances Depletion	-	30	
Reporting	20	20	
<b>Total Hours</b>	<b>46</b>	<b>106</b>	
Hourly Rate	\$300	\$160	
<b>Total</b>	<b>\$13,800</b>	<b>\$16,960</b>	<b>\$30,760</b>

The Base Services fee provided above was developed based upon our general expectations of the staffing requirements we will have for this engagement and the rates and hours noted above.

### Fiscal Year Transaction Testing Cost

The Base Services fee does not include substantive testing procedures for which certain assumptions relating to scope, population size and sampling input had to be made in order to provide the best estimate of the final, all-inclusive fee.

### Estimated cost of transactions testing

The table below demonstrates what the cost of testing one and ten FY would be:

No. of transactions to be tested	Hours	Hourly Rate	Total
100 (1 year)	10	\$160	\$1,600
1,000 (10 years)	100	\$160	\$16,000

We will charge the City based upon work performed to date at the end of each month that services are provided. Additional information would be detailed in our engagement letter.

