

June 29, 2023

Katherine Tapscott
Finance Director
City of Tomball
501 James Street
Tomball, TX 77375

Dear Ms. Tapscott:

Weaver and Tidwell, L.L.P. (“Weaver”, “our”, “us”, and “we”) looks forward to the opportunity to assist City of Tomball (the “Company”, “you”, and “your”) by performing Digital Transformation and Automation consulting services to support you in achieving your business objectives.

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

Scope of Services

We will assist management in performing those activities as outlined in the following scope of work:

The proposed approach for the Payroll Reconciliation will be performed in four key phases:



Project planning will consist of conducting a planning meeting with the Payroll Department and key City Management to establish timelines, discuss concerns, deliverables and project expectations. Planning will also include developing and confirming an evaluation approach, along with establishing key milestones and deadlines with the Payroll Department and City Management that aligns with expectations.

The exploration phase will include requesting and reviewing current payroll data and supporting records to gain an understanding of the current environment. Weaver will convene a kick-off meeting with the Payroll Department and key City Management to discuss the payroll data and reconciliation process along with any questions, challenges, and concerns that should be considered as part of the reconciliation. Additional follow-up meetings will occur as needed to ensure a complete understanding of the payroll data and supporting documentation.

The fieldwork phase of the evaluation will include three key segments, including the following:



- **Obtain Data** – We would request the data for a slightly longer period than the specific time of the ransomware so that we are able to validate our results against payroll runs that had known “integrity”. Key data sets we will need will include:
 - o HR Profile Data including unique identifier (employee ID), payroll rate, status type (Exempt/Non-exempt), and department for the period
 - o HR Profile Data Changes including new hires, terminations, and any changes to the fields referenced in the bullet above

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- Payroll Deductions files for both voluntary and nonvoluntary deductions with unique identifier, amount, cadence, and type
- Changes to deductions
- Any off-cycle payrolls, bonus runs, etc.
- Employee timesheets including date, hours, hour type (PTO, Sick, etc.), premium pay type, unique identifier
- All manual recalculation files with source data to final register
- **Design and Develop** –
 - Based on a subset of the data like a single department and a period prior to the ransomware, we will architect the recalculation process from the source data provided.
 - We will then work with management to validate that the data we recalculated aligns with their actual generation of payroll for that period and ensure their comfort with the methodology of calculation
 - We will then expand the calculation across the scope of the post ransomware period to create a population of expected payroll transactions.
 - We will create an artificial primary key for the transactions expected to be made of payroll transaction period and the unique identifier to relate to the manually calculated files.
 - We will then generate a file of any variances to be investigated by management.
- **Resolve** –
 - Based on the results generated, we can support management in the investigation and identification of the source of the differentials.
 - We will update the analysis tool on a go forward basis for any “rule based” errors that can be programmatically applied. This will be a one time update activity prior to hand off of the analysis tool
 - We will provide the final analysis tool with supporting instructional guidance to the City and include a walkthrough of the tool functionality.

In the project reporting phase we will conduct an exit meeting with the Payroll Department and key City Management, where we will formally share the results of our reconciliation and discuss next steps for implementing the changes. The deliverables will include a recommended data set with the proposed changes that should be implemented. Following input on the draft results and deliverables from the Payroll Department and City Management, we will finalize and redistribute the deliverables for future use.

Project Deliverables

We will provide the following upon the completion of our payroll evaluation procedures:

- Reconciliation file detailing the evaluation process conducted along with the results.
- Python or PowerQuery script to use to calculate the draft payroll to be reviewed by management.

We will not audit or review any financial statements as part of this engagement and will not express an opinion or any other form of assurances on them.

Your Digital Transformation and Automation Engagement Partner will be Morgan Page and is responsible for supervising the engagement on behalf of Weaver. The Company is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee our services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring on-going activities.

No Warranties

Any and all implied warranties arising out of Services or the relationship between Weaver and the Company are hereby expressly disclaimed and negated, in particular, but not by way of limitation, we make no implied warranty of merchantability or fitness for a particular purpose.

Timing and Delivery of Services

These services will begin July 5, 2023 and will conclude upon completion of the services. We will conduct our work at the time and location most supportive to the effective performance of the scope of services whether virtual or at your location. We will, at all times, coordinate our work with you to provide the least disruption of the Company's day-to-day operations.

Fees and Invoicing

The fee for this engagement will be \$50,000. The total fee for our services will be determined by the complexity of the work performed and the tasks required. It is understood that neither our fees nor the payment thereof will be contingent upon the results of this engagement.

Our fee estimate is based on anticipated cooperation from all involved and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss the reasons with you and arrive at a new fee estimate before we incur the additional costs.

In addition to the fee for our services, reasonable and necessary out-of-pocket expenses we incur (such as parking, reproduction and printing, postage and delivery, and out-of-market travel, meals, and accommodations) will be invoiced at cost. At this time, we do not anticipate incurring substantial expenses. The total amount stated on each invoice will also include a separate administrative and technology charge. The charge represents an estimated allocation of our support personnel, telecommunication, and technology infrastructure expenses.

We will also invoice for reasonable and necessary time and out-of-pocket expenses we incur to respond to any request (such as a subpoena, summons, court order, or administrative investigative demand) pertaining to this engagement in a legal matter to which we are not a party. Our time to facilitate the response will be charged at our then-current standard hourly rates, and our expenses (including attorney's fees) will be invoiced at cost, and our administrative and technology charge will be applied. If we agree to perform additional substantive services related to or arising out of the request, such matters may be the subject of a new engagement letter.

Our invoices are payable on presentation and will be rendered according to the following schedule: fifty percent (50%) of our fee estimate upon receipt of this signed engagement letter and the remainder upon completion of our services. You will have thirty (30) days from the invoice date to review the invoice and communicate to us in writing any disagreement with the charges, after which you will waive the right to contest them. For invoices not paid within sixty (60) days of the invoice date, a late charge will be added to any uncontested outstanding balance. The late charge will be assessed at a rate of half a percent (0.5%) of the unpaid balance per month. If invoices are not paid within one hundred twenty (120) days of the invoice date, this engagement will be placed on hold and we will stop work until the balance is brought current, or we may withdraw from this engagement (and any other engagements for the same client), and we will not be liable for any damages you may incur as a result.

This engagement shall conclude upon the completion of our services. Either party may earlier terminate this engagement at any time with ten (10) days written notice to the other party. If the engagement is terminated, our engagement will be deemed to have been completed upon written notification of termination even if we have not performed all the above-described services, and we will be paid for our time expended and expenses incurred through the date of termination.

Ethical Conflict Resolution

In the unlikely event that circumstances occur which we in our sole discretion believe could create a conflict with either the ethical standards of our firm or the ethical standards of our profession in continuing our engagement, we may suspend our services until a satisfactory resolution can be achieved or we may resign from the engagement. We will notify you of such conflict as soon as practicable, and we will discuss with you any possible means of resolving the conflict prior to suspending our services.

Non-Solicitation of Our Staff

We value each and every one of our partners and employees and have spent a great deal of time and resources to locate, train and retain those individuals. Accordingly, during the term of this engagement letter and for two (2) years after the later of the termination of this engagement letter or conclusion of the performance of all of our services performed hereunder, you, along with your affiliates will not, whether voluntarily or involuntarily, directly or indirectly, solicit to employ or engage, on a partner, employee, contractor, or other basis, any of the loaned staff, without obtaining the prior written consent of our Chief Executive Officer.

Documentation and Confidentiality

The documentation we prepare pertaining to and in support of this engagement is our property and constitutes confidential information. If we are requested to make the documentation available to outside parties not involved in the performance of these services, except when prohibited by law or direction of law enforcement, any such requests will be discussed with you and we will obtain your written consent before we make the documentation available to the requesting parties.

Depending on the requirements of this engagement, we may use third-party service providers to assist us. Before sharing your confidential information with those service providers, we will (i) secure agreements to maintain the confidentiality of confidential information and ensure the confidential information is only used for the purposes assisting us with the performance of this engagement and (ii) take commercially reasonable precautions to determine the service providers have appropriate procedures in place to prevent the unauthorized disclosure of confidential information. If we use such service providers, we will remain responsible for all work performed and any breach of our confidentiality arrangements by those service providers.

We may be requested to make certain documentation (working papers) available to regulators and other government agencies, pursuant to authority given by law or regulation. You should understand that responding to many such requests is mandatory. In those cases, access to such working papers will be provided under our supervision and we may, upon their request, provide the regulator or agency with copies of all or selected working papers. The requesting party may intend or decide to distribute the copies or information contained therein to others, including other regulators or agencies. You will be billed for additional fees as a result of the aforementioned work.

We will retain our documentation supporting any deliverable for a period of at least seven (7) years from the date thereof. You agree that following such period, we may destroy the documentation without notice to you.

Limitations on Liability and Indemnifications

Except as may be noted herein, the parties do not intend this engagement or engagement letter to be for the benefit of any third-party. Unless you inform us in writing, we are not aware of the identity of any third-parties to which any of our work product will be supplied and we do not anticipate any such third-parties' reliance upon our professional services unless expressly stated herein.

In order to facilitate this engagement, we may transmit and store data via email, the cloud, or other electronic and Internet-based mechanisms. Please be aware that those mediums inherently pose a risk of misdirection or interception of confidential information. Any request you have to limit such transmissions or use a different means of transmission or storage must be made in writing and you will be responsible for any resulting compromise in data security.

You hereby release, indemnify, and hold us and our partners, employees, and contractors, and each of their heirs, executors, personal representatives, successors and assigns ("Our Representatives") harmless from and against any liability and costs, including related liabilities, losses, damages, costs, expenses, and attorneys' fees, resulting from: (i) knowing misrepresentations to us by any party or the officers, employees, or others acting or purporting to act on their behalf, (ii) disclosure of our work product to anyone not a party to this engagement letter for which we did not give prior written consent, and (iii) interception, unintentional disclosure, unauthorized use, or failed delivery of electronic communications transmitted or received by us in connection with this engagement.

Our and Our Representatives' total aggregate liability pertaining to this engagement and engagement letter to you (or any successors or permitted assigns) shall be limited to one (1) times the amount of our fees (excluding any reimbursable

expenses) that party paid to us for the services in question. In no event shall we or Our Representatives be liable for indirect, incidental, consequential, special, multiple, exemplary, or punitive losses or damages—even if advised of their possible existence.

You agree to only look to the limited liability partnership, Weaver and Tidwell, L.L.P., for satisfaction of any claim or cause of action arising from this engagement or engagement letter. In no event will our partners, directors, employees, or agents be liable to you for any liability, damages, expenses, or losses of any nature, caused by or resulting from the engagement, engagement letter, or use of our work product. While we are entering into this engagement letter on our own behalf, this paragraph is also intended for the benefit of Our Representatives.

All limitations on liability and indemnifications contained herein shall apply to the fullest extent permissible by applicable laws and professional standards (including, without limitation, any applicable rules and interpretations of the AICPA, PCAOB, and SEC), regardless of the cause of action (whether contract, negligence, or otherwise), except as finally determined to have resulted solely from our fraud, gross negligence, or willful misconduct.

Dispute Resolution Procedure including Jury Waiver

The parties agree that no claim arising out of or relating to this engagement or engagement letter shall be filed more than two years after the earlier of the termination of this engagement or the date of the delivery of our work product in question, if any. This limitation applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

If a dispute arises out of or relates to this engagement or engagement letter, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation before resorting to litigation. In such event, the parties will attempt to agree upon a location, mediator, and mediation procedures, but absent such agreement any party may require mediation in Houston, Texas, administered by the AAA under its Commercial Mediation Procedures.

This engagement letter and all disputes between the parties shall be governed by, resolved, and construed in accordance with the laws of the State of Texas, without regard to conflict-of-law principles. Any action arising out of or relating to this engagement or engagement letter shall only be brought in, and each party agrees to submit and consent to the exclusive jurisdiction of the federal or state courts in the State of Texas and convenience of those situated in Harris County, Texas.

Each party hereby irrevocably waives any right it may have to trial by jury in any proceeding arising out of or relating to this engagement or this engagement letter.

Whenever possible, this engagement letter shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretation, but if any term of this engagement letter is declared illegal, unenforceable, or unconscionable, that term shall be severed or modified and the remaining terms of the engagement letter shall remain in force. The parties agree that the court should modify any term declared to be illegal, unenforceable, or unconscionable in a manner that will retain the intended term as closely as possible.

Miscellaneous

We may at times provide documents marked as drafts. Those documents are for review purposes only and should not be distributed or relied upon in any way. They should be destroyed as soon as possible.

We inform you that we have non-CPA licensees who may provide services pertaining to this engagement.

This engagement letter sets forth all of the agreed upon terms and conditions of our engagement with respect to the matters covered herein and supersedes any that may have come before. This engagement letter may not be amended or modified except by further writing signed by all the parties. Any provisions of this engagement letter which expressly or by implication are intended to survive its termination or expiration will survive and continue to bind the parties. The use of electronic signatures or multiple counterparts to execute this engagement letter shall have the same force and effect as a manually or physically signed original instrument.

[Signatures on Next Page]

City of Tomball
June 29, 2023

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We appreciate the opportunity to assist you and look forward to working with you and your team.

Sincerely,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement as described herein, including each party's respective responsibilities. By signing below, the signatory also represents that they have been authorized to execute this agreement.

City of Tomball

By: _____

Printed Name: _____

Title: _____

Date: _____