

## **Scope of Work – Option #1**

The purpose of this solicitation is to select a firm to provide a forensic audit of the Procure-to-Pay Process, employee hiring process including performing a job analysis, employee on and off-boarding process, the Compensation Study implementation (applies to 1 Fiscal Year), Finance, Procurement, Human Resources, Public Works and the Utility Special District, including the review of existing controls, and compliance with these controls, identify areas of risk fraud and misconduct, and recommend improvements and best practices.

Findings and observations – the contractor shall provide all findings and observations in both a verbal presentation and in its written reports. The contractor may be required to attend City Council meeting(s) to report the progress of the audit or to report significant findings, or to obtain authorization for any expansion of the scope of services, if required. The auditors could be required to testify or provide documentation in proceedings.

### **AUDIT PERIODS**

The Respondent shall provide a price breakdown for each individual year, starting fiscal year ending September 30, 2008 through fiscal year ending September 30, 2017 for all requested Departments.

### **Reports to be issued**

Following the completion of the audit, the auditor shall issue the following:

1. A written report communicating the audit procedures performed and the results of those procedures. The report should address the results of the audit procedures in light of the objectives discussed above.
2. A written report listing any internal control conditions found during the course of the audit procedures that would be defined as material weaknesses or significant deficiencies in the design or operation of the internal control structure. The City receives a report of this nature during its annual financial statement audit, however, the scope of that audit is not sufficient to identify all problem areas. Therefore, the City desires that an additional report provide an evaluation of the City's internal accounting and operating controls, review compliance with the controls, evaluate risk of fraud and misconduct and recommend enhancements where necessary to strengthen the City's practices during this audit engagement. The City requests that the auditors communicate recommendations for correcting each noted material weakness or significant deficiency. If during the course of the audit procedures, the auditors discover internal control conditions that require the City's immediate attention, the City desires that the auditors brief the City Manager and Finance Director accordingly at that time.

## **Scope of Work – Option 2**

The purpose of this solicitations to select a firm to provide forensic audits of the Procure-to-Pay Process, employee hiring process including performing a job analysis, employee on and off-boarding process, the Compensation Study implementation, Finance, Procurement, Human Resources, Public Works and the Utility Special District, including the review existing controls, and compliance with these controls, identify areas of risk of fraud and misconduct, and recommend improvements and best practices. The Engagement should be planned and carried out with consideration towards not overburdening City staff.

### **AUDIT PERIODS**

The Respondent shall provide a price breakdown for each individual year, starting fiscal year ending September 30, 2008 through fiscal year ending September 30, 2017 for all requested Departments.

### **AUDIT REPORTS**

The final reports shall provide an evaluation of the City's

- Internal accounting and operating controls
- Review compliance with these controls
- Evaluate risk of fraud and misconduct
- Recommend enhancements where necessary to strengthen the City's practices.

The Contractor shall conduct the engagement with care and due diligence in accordance with the relevant industry guidance including but not limited to, Standards for Consulting Services, issued by the American Institute of Certified Public Accountants (AICPA).

The audit reports shall develop the findings, conclusions and recommendations; and shall prepare the proposed enhancements to internal controls as recommended and the additional recommended practices and resources (personnel, equipment, etc.) necessary to implement, carry out and monitor these recommendations.

### **Scope of Work – Option 3**

The forensic audit shall include a comprehensive review of the Procure-to-Pay Process, employee hiring process including performing a job analysis, employee on and off-boarding process, the Compensation Study implementation, Finance, Procurement, Human Resources, Public Works and the Utility Special District. The forensic audit shall include a thorough review of internal control systems. These findings and recommendations shall include cause and consequence of any instance, if any, of criminal activity, illegal acts, and potential fraudulent activity or civil liabilities.

During the course of the investigation, and prior to a final report being presented to Council, the selected audit firm will meet with an ad hoc committee formed by City Council called the “Forensic Audit Citizen Advisory Committee.” The Forensic Audit Citizen Advisory Committee will consist of six members:

- a) Each Council Member and the Mayor will appoint one individual to be part of the Committee. The citizen selected by each Council Member will have the experience and knowledge in sound business practices, financial management, and public sector financing to bring relevant issues to the attention of City Council.
- b) The selected Committee member does not have to be a resident of the ward or of the City.
- c) The citizen will not be financial reimbursed for participation on the committee.
- d) The City Clerk will record the minutes of the committee meetings. e) The Committee will receive the preliminary findings and prepare a written report within 30 days of their meeting. A spokesperson for the committee will present their recommendations to City Council for consideration and approval.

Following Completion of the forensic audit, contracted firm shall issue:

- A. A written report communicating all discovered abnormal financial activity, past or present, its quantification, cause and consequence including instances of criminal activities, illegal acts, and potential fraudulent activity or civil liabilities that could support future legal action to the city.
- B. A written report communicating all discovered abnormal financial activity, past or present, its quantification, cause, and consequence including instances of criminal activities, illegal acts and potential fraudulent activity or civil liabilities that could support future legal action against the city.
- C. A letter to Mayor, members of City Council and City Manager indicating any reportable conditions found during the forensic audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization’s ability to record, process, summarize, and report financial data in the financial statements.

### **Periods to Be Audited**

The forensic financial audit shall be a comprehensive review and reconciliation of current and past fund practices in order to identify any abnormal financial activity, if any, during fiscal years 2009-2017.

## **Scope of Work – Option 4**

### **Scope of Work:**

The purpose of this solicitation is to select a firm to provide a forensic audit of the Procure-to-Pay Process, employee hiring process including performing a job analysis, employee on and off-boarding process, the Compensation Study implementation, Finance, Procurement, Human Resources/Risk Management, Public Works and the Utility Special District, including the review of existing controls, and compliance with these controls, identify areas of risk of fraud and misconduct, and recommend improvements and best practices. The engagement should be planned and carried out with sensitivity towards not overburdening City staff.

### **Audit Periods:**

The Respondent shall provide a price breakdown for each individual year, starting fiscal year ending September 30, 2013 through fiscal year ending September 30, 2017 and October 1, 2017 through July 31, 2018 for all requested processes and Departments.

### **City Responsibilities:**

The City will make personnel available for inquiries from respective City personnel, and make available accounting and other documents for review.

### **Systems:**

When evaluating City systems the Contractor shall take into consideration the impact of access controls. Software controls and network/data control.

### **Cash Testing:**

When evaluating City revenue sources the Contractor shall consider all types of payments and deposits, authorization controls, necessary documentation cash receipts controls and procedures for such transactions including segregation of duties and reconciliation controls,'

The engagement shall include the testing of the following cycles:

- Cash receipts
- Revenue cycle
- Accounts payable
- Treasury
- Budgetary compliance

### **Findings and observations:**

The contractor shall provide all findings and observations in both a verbal presentation and in its written reports. The contractor may be required to attend City Council meeting(s) to report the progress of the audit or to report significant findings, or to obtain authorization for any expansion

of the scope of services, if required. The auditors could be required to testify or provide documentation in proceedings.

#### Audit Reports:

Following the completion of the audit, the auditor shall issue the following:

1. A written report communicating the audit procedures performed and the results of those procedures. The report should address the results of the audit procedures in light of the objectives discussed above.
2. A written report listing any internal control conditions found during the course of the audit procedures that would be defined as material weaknesses or significant deficiencies in the design or operation of the internal control structure. The City receives a report of this nature during its annual financial statement audit, however, the scope of that audit is not sufficient to identify all problem areas. Therefore, the City desires that an additional report provide an evaluation of the City's internal accounting and operating controls, review compliance with the controls, evaluate risk of fraud and misconduct and recommend enhancements where necessary to strengthen the City's practices during this audit engagement. The City requests that the auditors communicate recommendations for correcting each noted material weakness or significant deficiency. If during the course of the audit procedures, the auditors discover internal control conditions that require the City's immediate attention, the City desires that the auditors brief the City Manager and Finance Director accordingly at that time.

The final reports shall include an evaluation of the City's

- Internal accounting and operating controls
  - Review compliance with these controls
  - Evaluate risk of fraud and misconduct • Recommend enhancements where necessary to strengthen the City's practices and the additional recommended practices and resources (personnel, equipment, etc.) necessary to implement, carry out and monitor these recommendations.
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- A. A written report communicating all discovered abnormal financial activity, past or present, its quantification, cause and consequence including instances of criminal activities, illegal acts, and potential fraudulent activity or civil liabilities that could support future legal action to the city.
  - B. A letter to Mayor, members of City Council and City Manager indicating any reportable conditions found during the forensic audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data in the financial statements