

**CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
AUDIT COMMITTEE**

Day: Wednesday
Date: February 21, 2018
Time: Beginning at 3:00 pm
Location: Community Center, Sierra Room, 851 East William Street, Carson City, Nevada
851 East William Street
Carson City, Nevada

AGENDA

1. Call to Order

2. Roll Call

3. Public Comments and Discussion:

The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of, the Carson City Audit Committee. In order for members of the public to participate in the Committee's consideration of an agenda item, the Committee strongly encourages members of the public to comment on an agenda item during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

4. For Possible Action: Approval of Minutes -

5. For Possible Action: Adoption of Agenda

6. Meeting Items

6.A For Possible Action: Discussion and direction to Staff regarding the current Audit Work Program Update. (Jason Link, jlink@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will be discussing and taking direction from the Audit Committee regarding the current work program.

6.B For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report and provide recommendations to the Board of Supervisors for closure of completed projects. (Jason Link, jlink@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will discuss the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report.

6.C For Possible Action: Approve the Finance Review and Selection Committee's recommendation for contract award to Piercy Bowler Taylor & Kern for the Carson City External Audit Function and authorize staff to prepare a Contract and Board Action Form for Board of Supervisors approval. (Jason Link, jlink@carson.org)

Staff Summary: NRS 354.624, requires Carson City to designate the auditor or audit firm no later than three months prior to the close of the fiscal year. Carson City must notify the Department of Taxation of the designation. Carson City received sealed Statement of Qualifications (SOQ) to perform the City's Audit function on February 1, 2018 at 2:00 p.m. The SOQ was e-mailed to Certified Public Accountants that performed Municipal Audits, published in the Nevada Appeal and posted on Carson City's website on January 11, 2018. The SOQ's were opened at approximately 2:00 p.m. on February 1, at 201 North Carson Street, Carson City, Nevada 89701, and sent for review by the Finance Review and Selection Committee. Final selection will be made by the Carson City Board of Supervisors and is tentatively set for Thursday, March 15, 2018.

7. Public Comment:

The public is invited at this time to comment on any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under this item of the agenda.

8. For Possible Action: To Adjourn

Agenda Management Notice - Items on the agenda may be taken out of order; the public body may combine two or more agenda items for consideration; and the public body may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Titles of agenda items are intended to identify specific matters. If you desire detailed information concerning any subject matter itemized within this agenda, you are encouraged to call the responsible agency or the City Manager's Office. You are encouraged to attend this meeting and participate by commenting on any agenda item.

Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the City Manager's Office in writing at 201 North Carson Street, Carson City, NV, 89701, or by calling (775) 887-2100 at least 24 hours in advance.

To request a copy of the supporting materials for this meeting contact Courtney Nicholas at cnicholas@carson.org or call (775) 887-2133.

This agenda and backup information are available on the City's website at www.carson.org, and at the Finance Office - City Hall, 201 N. Carson Street, Ste 3, Carson City, Nevada (775) 887-2133.

This notice has been posted at the following locations:

Community Center 851 East William Street

City Hall 201 North Carson Street

Carson City Library 900 North Roop Street

Community Development Permit Center 108 Proctor Street

<http://notice.nv.gov>



STAFF REPORT

Report To: Audit Committee

Meeting Date: 02/21/2018

Staff Contact: Jason Link, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and direction to Staff regarding the current Audit Work Program Update. (Jason Link, jlink@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will be discussing and taking direction from the Audit Committee regarding the current work program.

Agenda Action: Formal Action/Motion

Time Requested: 10 minutes

Proposed Motion

Will depend on discussion and possible recommendations.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



Date: February 21, 2018
To: Carson City Audit Committee
From: Mark Steranka
Subject: Internal Audit Status Report October 1, 2017 through
January 31, 2018

MEMORANDUM

Schedule Status:

- **Basic Internal Auditor Services: ongoing**
- **Audit Findings Validation: ongoing**
- **FWA Program Coordination: ongoing**
- **Large Public Works Project Review: initiation November 2017 and completion March 2018**
- **Grants Management Internal Controls Testing: initiation November 2017 and completion April 2018**
- **IT Security Review: initiation April 2018 and completion May 2018**
- **Performance Metrics Validation: initiation April 2018 and completion May 2018**
- **Public Guardian Follow Up: initiation May 2018 and completion June 2018**

Budget Status through January 31, 2018:

- **Basic Internal Auditor Services: expended \$7,700.00 of \$10,000 budget**
- **Audit Findings Validation: expended \$2,100.00 of \$15,000 budget**
- **FWA Program Coordination: expended \$2,100.00 of \$5,000 budget**
- **Information Technology Internal Controls Testing: expended \$14,962.50 of \$15,000 budget**
- **Large Public Works Project Review: expended \$17,850.00 of \$30,000 budget**
- **Grants Management Internal Controls Testing: expended \$4,025.00 of \$30,000 budget**
- **IT Security Review: expended \$0.00 of \$10,000 budget**
- **Performance Metrics Validation: expended \$0.00 of \$5,000 budget**
- **Public Guardian Follow Up: expended \$0.00 of \$5,000 budget**

Activities for this Reporting Period:

- **Basic Internal Auditor Services:** managed internal audit program, prepared Audit Committee and BOS meeting materials, and attended Audit Committee and BOS meetings
- **Audit Findings Validation:** continued to maintain Audit Findings Tracking Report
- **FWA Program Coordination:** administered FWA program (two new reports)
- **Large Public Works Project Review:** performed onsite work and analysis
- **Grants Management Internal Controls Testing:** selected sample and received documents
- **IT Security Review:** discussed potential areas of focus with IT Director and staff

Activities for the Next Reporting Period:

- **Basic Internal Auditor Services:** continue to manage internal audit program, prepare Audit Committee meeting materials, and attend Audit Committee meetings
- **Audit Findings Validation:** continue to maintain Audit Findings Tracking Report
- **FWA Program Coordination:** continue to administer FWA program
- **Large Public Works Project Review:** complete project
- **Grants Management Internal Controls Testing:** perform testing
- **IT Security Review:** finalize focus and initiate project
- **Performance Metrics Validation:** determine if the Audit Committee wants to validate metrics

Issues:

- none



STAFF REPORT

Report To: Audit Committee

Meeting Date: 02/21/2018

Staff Contact: Jason Link, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and possible action regarding the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report and provide recommendations to the Board of Supervisors for closure of completed projects. (Jason Link, jlink@carson.org)

Staff Summary: Representatives from Moss Adams and City staff will discuss the monitoring, review and closure of internal audit findings included in the Audit Findings Tracking Report.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Will depend on the discussion.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Carson City - Audit Findings Tracking Summary Report (revised 02-14-18)

Report Name	Report Submittal	BOS Report Approval	Reporting Entity	Report Findings	Completed Findings	AC Approval	BOS Approval	Notes
Internal Controls Review	3/31/2015	6/4/2015	Internal Auditor	42	42	4/21/2015		1 new finding completed
Payroll Internal Controls Testing	7/27/2016	12/21/2017	Internal Auditor	2	1	8/8/2016		
P-card Internal Controls Testing	7/27/2016	12/21/2017	Internal Auditor	2	0	8/8/2016		
Small Works Projects Review	2/17/2017	12/21/2017	Internal Auditor	4	4	2/14/2017		1 new finding completed
Public Guardian Review	5/1/2017	12/21/2017	Internal Auditor	13	12	5/9/2017		4 new findings completed
Purchasing and AP Internal Controls Testing	7/6/2017	12/21/2017	Internal Auditor	12	8	7/12/2017		2 new findings completed
HTE Access Controls Testing	9/26/2017	12/21/2017	Internal Auditor	7	0	10/3/2017		
Total (including archived reports)				180	165			

Legend:

Report Submittal = date report submitted to City

BOS Report Approval = date report adopted by BOS

Reporting Entity = organization that prepared the report

Report Findings = number of findings in the report

Completed Findings = number of findings completed by management

AC Approval = Audit Committee approval of completed findings

BOS Approval = Board of Supervisors approval of completed findings

Notes = notes about findings

Carson City
HTE Access Controls Testing
09-26-17

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
1			1	Complete documentation was not available for all individuals we sampled.	Improve the retention practices of system access documentation.									
2			2	Not all employees signed the network access request form prior to being granted access to the City's enterprise software system.	Increase monitoring of network access request forms for employee signature.									
3			3	Not all access requests and changes were appropriately authorized.	Implement a process that access is not granted or changed without written authorization by a supervisor.									
4			4	The City may not be assigning individuals the appropriate level of system access.	Continue ongoing efforts to improve controls around the assignment of system access and document practices in policies and procedures.									
5			5	Periodic reviews of user access are not being performed.	Perform regular user access reviews and document the process.									
6			6	The City's current policies do not adequately address the process for provisioning, deprovisioning, and changing IT access.	Update current policies and procedures to include additional guidance relating to IT access.									
7			7	Adequate controls may not exist around terminating access for IT staff following the termination of employment.	Develop and implement policies for terminating access for IT staff.									

Carson City
Purchasing AP Internal Controls Testing
07-06-17

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
1			1	The City's current policy does not adequately address the process for documenting when a good or service is received.	Update the current policy and procedures to include additional guidance relating to the process of documenting when goods and services are received and require documentation for receipt of good or services before payment is made.	Finance	CFO	The accounts payable invoice processing policy in policytech states "The department is responsible for verifying product has been received. After items have been verified, the accounts payable clerk processes the invoice utilizing the HTE system." The policy will be updated to add a procedure for the departments to document this procedure by initialing and dating the invoice or the packing slip to confirm receipt.			P	3/31/2018		Stamps have been purchased. Written policy needs to be updated and communication to departments on policy change will occur later this month or March.
2			2	The City's current policies and procedures do not adequately address all aspects relating to segregation of duties when receiving goods and approving payment for goods.	Update the current written policies and procedures relating to processing purchases and segregated duties to provide more comprehensive guidance.	Finance	CFO	There are always at 2 least individuals involved in an a/p transaction at the dept level and an approver would most likely never be involved in the receipt of the goods. We believe the added procedure in step 1 will address this.			P	3/31/2018		
3			3	The City's current policies and procedures do not adequately specify an appropriate process to ensure approval for payment was performed after the goods were received.	Update the current written policies and procedures to require that approval for payments should not be performed until after the documented received date.	Finance	CFO	This will be addressed with the added procedure in step 1.			P	3/31/2018		
5			5	The vendor name listed on two purchasing invoices did not match the vendor name identified on the edit list and checks.	Provide additional training to supervisors that are involved with reviewing and approving purchasing documents.	Finance	CFO	The Finance Department Accounting Technician and the Accounting Manager confirm that the vendor selected matches the vendor name on the invoice. The accounts payable policy will be updated to reflect this procedure.			P	3/31/2018		Written policy needs to be updated.
10			10	Required quotes or documentation of an exemption from the requirement were not provided for all relevant purchases.	Revise policies to provide additional clarification regarding the requirement for at least three quotes, and increase compliance through training and monitoring.	Finance	CFO	The purchasing & contracts policies and procedures will be updated to provide additional clarification regarding the requirement for quotes.			Y	12/31/2017	Feb-18	
11			11	The completeness of all vendor files could not be readily assessed.	Continue ongoing efforts to maintain complete vendor files.	Finance	CFO	This finding relates to W-9's for vendors. The City has numerous vendors that have been doing business with the City for many years. Prior to 2016, vendor W-9's were maintained in hard copy and depending on when the document was received may be stored at an offsite facility. Beginning in 2016, the Finance Department began maintaining these documents electronically so they can be easily accessed. In addition, the department is working to ensure that W-9's received in hard copy for all existing vendors are available electronically.			Y	3/31/2018	Feb-18	

Carson City
Public Guardian Review
05-01-17

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date
3			3	The Public Guardian uses both electronic and paper files resulting in inefficiencies and potential difficulty locating important documents.	Develop an electronic document storage framework and process, and obtain adequate storage for paper files.	Public Guardian	Public Guardian	The Public Guardian's staff did meet with IT staff to ensure that a system is put into place to scan and store all documents going forward as well as existing files.			y		12/15/2017
4			4	Public Guardian policies and procedures do not provide comprehensive guidance for asset liquidation.	Develop policies and procedures describing the asset liquidation process and ensure proper internal controls are in place.	Public Guardian	Public Guardian	The Public Guardian is currently writing new policy to add to existing policy and procedures to address the disposition of liquid assets as recommended in the audit. There is new legislation pending that may effect this recommendation.			P	3/31/2018	
7			7	In accordance with Court orders for guardianship, appraisals were waived for all wards in the review period.	For wards under full administration, ensure sellable assets are appraised to determine their anticipated value.	Public Guardian	Public Guardian	The Public Guardian's office has compiled a list of appraisers, liquidators, antiques dealers, buyers of goods, etc in order to be consistent in obtaining fair market value and pricing for assets of protected persons. These vendors will be used to appraise items of value in the protected persons possession. This list may be added to in the future as unique items come up. There is new legislation pending that may effect this recommendation.			y		10/31/2017
8			8	With the exception of small items, the Public Guardian does not have a secure location to store assets pending sale.	Obtain a secure location to store ward assets pending sale, and ensure proper dual control entry requirements.	Public Guardian	Public Guardian	I have procured a small storage unit that is being charged to the Public Guardian's P card every month. For now that is the solution to our storage issue.			y		12/7/2017
11			11	Fair market value may not be consistent. The Public Guardian does not always ensure market value is received for the sale of ward assets, vehicles, and personal property.	Use appraisals or estimated values to support sale prices and ensure fair negotiations with potential buyers.	Public Guardian	Public Guardian	The Public Guardian's office is currently compiling a list of liquidators, antiques dealers, buyers of goods, etc in order to be consistent in obtaining fair market value and pricing for assets of protected persons. There is new legislation pending that may effect this recommendation.			y		10/31/2017

Carson City
Small Works Projects Review
02-17-17

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date
3			3	System limitations impact the City's ability to comprehensively document project results.	Utilize the new work order system to include narratives supporting work orders and interdivisional decisions.	Public Works	Public Works Director	Working with tech to verify system abilities. Update: The current work order system could not be updated to allow the various programs to talk to each other. Until the City's new ERP system is implemented, Public Works is using a manual process each month to check to see if inter-divisional reimbursements need to be made. This process is working with no errors noted.			Y	12/31/2017	12/31/2017

Carson City
Payroll Internal Controls Testing
07-27-16

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
1			1	Payroll procedures were not followed with regard to the timing of time card approval.	Implement a process whereby timecard approval should only take place after the pay period is over and the hours worked can be approved and calculated accurately.	Finance	CFO	The City's payroll procedures state: i) Supervisors in each department collect bi-weekly timesheets for each employee, verify hours worked, verify that the appropriate and authorized coding is indicated on the timesheet and review the accuracy of leave taken. When an employee is not available for signature indicate N/A on the employee signature line. (The employee will be required to come to the Finance Department to sign the timesheet upon his return to work.) ii) Supervisor signs bi-weekly timesheets indicating approval of time submitted, and submits the timesheets and departmental leave or overtime documentation as required by the department to the departmental payroll clerk Friday following the end of the pay period. These procedures will be updated to address the timing of timecard approval.			P	3/31/2018		Policy changes need to be written and communicated to departments.

Carson City
P-card Internal Controls Testing
07-27-16

Item No.	BOS Acceptance /Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
1			1	Carson City's P-Card Program Manual is unclear relative to certain P-Card processes.	Update the P-Card Program Manual to accurately reflect current allowable P-Card processes related to transaction limits and types of purchases.	Finance	CFO	The Procurement Card Program Manual will be updated to accurately reflect current allowable transaction limits and the types of purchases that can be made on a pcard.			P	3/31/2018		Policy changes need to be written and communicated to departments.
2			2	Some department use shared department or guardian P-Cards.	Update the P-Card manual to specifically address the processes and procedures for shared department and guardian P-Cards. Evaluate whether the City should continue using shared P-Cards or if each P-Card should be assigned directly to a user.	Finance	CFO	The Procurement Card Program Manual will be updated to specifically address the processes and procedures for shared department and guardian P-Cards.			P	3/31/2018		Policy changes need to be written and communicated to departments.

Carson City
Internal Controls Review
03-31-15

Item No.	BOS Acceptance/ Approval	BOS Direction to Implement	Finding No.	Finding	Recommendation	Dept.	Owner	Remediation Plan (Course of Action & Expected Benefits)	Est. Cost	Est. Savings	Finding corrected? (Y, N, Partial)	Expected Compl. Date	Actual Compl. Date	Status Comments
32	6/4/2015	Yes, specify direction	E2	The City lacks documented comprehensive and up-to-date processes and procedures.	Document key processes and procedures and make timely updates for changes.	City-wide	City-wide	Moss Adams is currently performing an inventory of all City policies / procedures as part of the policies / procedures update portion of the FY 15-16 Internal Audit Plan.			Y- Ongoing	6/30/2018		City Departments are in the process of updating existing and/or developing new policies and procedures to aid in the development of a citywide policy manual. Update: Policies are housed in the City's Policytech Program. This is an ongoing process as policies and procedures are constantly being updated.



STAFF REPORT

Report To: Audit Committee

Meeting Date: 02/21/2018

Staff Contact: Jason Link, Chief Financial Officer

Agenda Title: For Possible Action: Approve the Finance Review and Selection Committee's recommendation for contract award to Piercy Bowler Taylor & Kern for the Carson City External Audit Function and authorize staff to prepare a Contract and Board Action Form for Board of Supervisors approval. (Jason Link, jlink@carson.org)

Staff Summary: NRS 354.624, requires Carson City to designate the auditor or audit firm no later than three months prior to the close of the fiscal year. Carson City must notify the Department of Taxation of the designation. Carson City received sealed Statement of Qualifications (SOQ) to perform the City's Audit function on February 1, 2018 at 2:00 p.m. The SOQ was e-mailed to Certified Public Accountants that performed Municipal Audits, published in the Nevada Appeal and posted on Carson City's website on January 11, 2018. The SOQ's were opened at approximately 2:00 p.m. on February 1, at 201 North Carson Street, Carson City, Nevada 89701, and sent for review by the Finance Review and Selection Committee. Final selection will be made by the Carson City Board of Supervisors and is tentatively set for Thursday, March 15, 2018.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

Motion to approve the Finance Review and Selection Committee's recommendation for contract award to Piercy Bowler Taylor & Kern for the Carson City External Audit Function and authorize staff to prepare a Contract and Board Action Form for Board of Supervisors approval.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Statement of Qualifications from Piercy Bowler Taylor & Kern

Applicable Statute, Code, Policy, Rule or Regulation

NRS 354.624, Carson City Charter Sec. 3.075.

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: External Audit Budget in various Funds up to \$99,000

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

N/A

Board Action Taken:

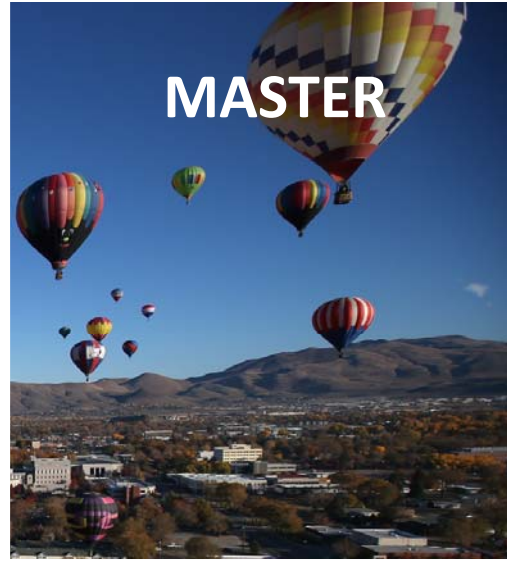
Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



MASTER



P B T K
**PIERCY BOWLER
TAYLOR & KERN**
Certified Public Accountants
Business Advisors



PROPOSAL PREPARED FOR:
The City of Carson City

SOQ 1718-136

EXTERNAL AUDIT SERVICES
FOR THE YEARS ENDING June 30
2018-2020

PBTK CONTACT:
L. Ralph Piercy

(702) 384-1120
rbowler@pbtck.com

6100 Elton Avenue
Suite 1000
Las Vegas, Nevada 89107

Due Feb 1, 2018



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**SOQ 1718-136
INTRODUCTORY COVER LETTER**

February 1, 2018

Laura Rader, CPPB
Purchasing and Contracts Administrator
Purchasing and Contracts
201 N. Carson Street, Suite 2
Carson City, NV 89701

Dear Ms. Rader:

Thank you for the opportunity to submit our proposal to provide annual financial statement and single audit and agreed-upon procedures services as described in your request for statement of qualifications for the City of Carson City, Nevada (the City) for the years ending June 30, 2018 through June 30, 2020. We believe we are the City's best choice for these services because we are the only Nevada-based firm that truly maintains technical resources and excellence at least on the level of the large national firms while providing superior professional service with a personal touch that only a less bureaucratic firm can achieve. In addition, we would consider the City to be among our top-tier clients, and accordingly, the City would receive priority in scheduling, staffing and other resource requirements to meet timely its objectives. We would strive every day to exceed management's service quality expectations. In addition, the undersigned, Reno-based shareholder would be onsite for the majority of fieldwork.

As you may know, we currently have several government audit engagements in northern Nevada serviced from a combination of our Reno, Las Vegas, and Salt Lake City offices.

We believe that our detailed response to the request for proposal demonstrates that:

- We have extensive experience in local government accounting and auditing in Nevada and Utah.
- We are the largest Nevada-owned firm performing audits and advisory services for local governments and governmental agencies in Nevada;
- We understand the service requirements evidences by currently being the independent auditors for the Cities of Reno, Las Vegas, North Las Vegas, Henderson, and Boulder City, and also Douglas County;
- We are committed to provide the City with technical excellence and superior service. Our principals and managers will be onsite throughout the engagement, not just a day or two at the beginning and end.

As you read our proposal, you will see that we have the necessary experience, technical expertise and other resources required for an engagement of this magnitude. Also, please ask us about our ability to prepare your CAFR and ease the substantial burden from your staff by using our automated, proprietary practice aid like many of our clients.

Thank you in advance for your consideration.



L. Ralph Piercy, Audit Shareholder

B. Relevant Experience

PBTK – THE RIGHT CHOICE FOR TECHNICAL EXCELLENCE AND SUPERIOR SERVICE

“Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of several alternatives ...” - Will A. Foster

This is not only our motto, but also the objective of everything we do. We have the experience, technical expertise and other resources typically only found in large national firms, and provide superior service with a personal touch that only a less bureaucratic firm can achieve.

Piercy Bowler Taylor & Kern (referred to herein as “PBTK” or “the Firm”) has offices in Reno, Las Vegas, and Salt Lake City and is the largest Nevada-owned accounting firm in Nevada. Our Las Vegas office is the second largest office of any firm in the Las Vegas area. Currently, we have a staff of approximately 75, including approximately 30 CPAs and approximately 30 auditors trained in performing single audits for government and not-for-profit entities. We currently have eight audit principals, some with over 40 years of experience in government audit engagements. As a result, we have extensive experience in virtually every aspect of governmental accounting and auditing engagements.

Our proposed carefully selected engagement team possesses the necessary technical skills, governmental and single audit experience to provide the City with superior service. The proposed engagement team includes six licensed Nevada CPAs, including four shareholding audit principals.

FIRM QUALIFICATIONS AND EXPERIENCE

Talent, Experience and Technical Resources. Technical excellence and superior service is the objective of everything we do and we back these ideals with talented and experienced professionals. Our goal is to put more knowledge and experience on each assignment than our competitors, unlike most national firms that plan to push tasks to the lowest staff level or smaller firms that have not made adequate investment in resources.

In other words, our business strategy is to be the best with quality assurance processes designed to achieve that result. As opposed to the typical “pyramid” personnel structure of the large national firms, ours looks more like a cylinder. Instead of having a large number of inexperienced staff per principal, we have a similar number of personnel in three level categories, principals (our highest technical designation) and managers, mid-managers (referred to as “senior associates”) and less experienced staff (referred to as “associates”).

Howard B. Levy, our Director of Technical Services, is one example of our investment in technical resources. Mr. Levy co-authored a risk-based audit manual commercially marketed to and used by many firms throughout the United States and elsewhere in the world. He has also served on standard-setting committees of the AICPA and provided technical consulting services to the United States Government Accountability Office (GAO), among others.

Our human resources policies are designed find, hire, and retain the best and the brightest. Periodic performance evaluations of associates through principals, competitive compensation, accelerated advancement for high achievers, matching technical talents and personal characteristics to engagement requirements, and timely continuing professional education and on-the-job training are key elements of these policies.

The primary focuses of our accounting and auditing practice for more than 20 years has been government, not-for-profit, construction, and gaming industries in Nevada and Utah. Prospective clients are screened to ensure that the principals meet our high standards of integrity and business ethics. We believe that the image of our Firm is reflected in the image of our individual clients.

Government Audit Staff. The Firm currently has 19 principals, many established and practicing in Nevada for periods up to 45 years and are listed as follows:



L. Ralph Piercy	Angela Go	Michael W. Kern	Thomas Green
Scott W. Taylor	James Andrus	James W. Wilcox	Ryan Whitman
Thomas M. Donohue	Richard H. Bowler	Jeffrey B. Edwards	Troy Crowther
Martha Ford	William M. Nelson	Howard B. Levy	David Porter
Mark Hashimoto	Lisa Cross	Michael L. Rosten	

The Firm and/or its individual principals have the following affiliations, among others:

American Institute of Certified Public Accountants (AICPA)	The Center for Public Company Audit Firms
The Public Company Accounting Oversight Board (PCAOB)	The AICPA Center for Audit Quality (CAQ)
The Government Finance Officers Association (GFOA)	The Nevada Society of Certified Public Accountants (NSCPA)
The Government Audit Quality Center (GAQC)	

Members of the Firm have conducted seminars, undertaken speaking engagements for numerous organizations, and have served on committees concerned with governmental accounting and auditing for the AICPA, the NSCPA and the GFOA.

Number and Nature of Professional Staff (full time and part time). Each principal and member of our professional staff is required to participate in a minimum of 40 hours of continuing professional education each year. As required by government auditing standards, those individuals directly involved with planning and supervising government audits are required to receive specialized training (24 hours every 2 years) relating to the government environment and government auditing.

Our current audit personnel complement and those who participate in government audits are as follows:

<u>Current personnel complement</u>		<u>Governmental audit staff</u>	
Principals	19	Principals	11
Managers	6	Managers	5
Associates	40	Associates	<u>23</u>
Administrative / IT staff	<u>10</u>		
	<u><u>75</u></u>		<u><u>39</u></u>

Quality control policies and procedures. Our quality control policies and procedures were thoroughly reevaluated in 2009 to ensure conformance with the then recently issued Statement on Quality Control Standards No. 7, *A Firm's System of Quality Control (SQCS 7)* of the American Institute of Certified Public Accountants. SQCS 7 defines six separate elements of quality control that must be addressed in a firm's quality control policies and procedures, which we have addressed, including:

Leadership responsibilities for quality	Relevant ethical requirements
Acceptance and continuance of client relationships	Human resources
Engagement performance	Policies and procedures monitoring

To assure the ongoing effectiveness of our quality control policies and procedures, we have implemented monitoring processes under the direction of our Director of Technical Services (DTS).

An engagement quality review (EQR) is completed when mandated by law (eg. SEC issuers) and other audits that are conducted under PCAOB auditing standards, or is otherwise required by our other internal policies. For instance, audits of municipalities that have plans to raise new capital and have outstanding bonds typically require an EQR, performed by a qualified principal having no other significant responsibility for the engagement. The EQR provides an objective evaluation of the significant judgments the engagement team made and the conclusions they reached in formulating our report.

As required under SQCS 7, the Firm maintains and complies with practice monitoring policies and procedures to reasonably assurance th



our other quality control policies and procedures are relevant, adequate, suitably designed and effectively complied with whenever applicable in our practice.

External quality control review. PBTk is a member of both the Governmental Audit Quality Center and the Center for Public Company Audit Firms of the AICPA, and a registered firm with the Public Companies Accounting Oversight Board. Accordingly, the Firm is subject to the most intensive practice monitoring (peer review and inspection) programs. The Firm’s latest triannual peer review was completed in June 2016. We are proud to report that for the entire history of the Firm we received reports that our quality control system over our accounting and auditing practice provided us with reasonable assurance of compliance with all applicable professional standards. In addition, our latest PCAOB inspection completed during 2016, did not identify any audit performance issues or other adverse findings in its report. Copies of both the latest peer review report and the PCAOB inspection report are posted on our website (www.pbt.com.) The peer review included several government engagements as required by our membership in the Government Audit Quality Center.

Qualifying experience. Our Firm has had considerable experience in providing services to state and local government organizations throughout Nevada and Utah. Six of our more significant government audit clients (ranked by total hours) that are similar to the City or have similar operating characteristics, to varying degrees, for which we currently perform audit services and related references follow:

<u>Client / Relative Size</u>	<u>Scope of Work</u>	<u>Date</u>	<u>Engagement Principal</u>	<u>Total Hours</u>	<u>Client Reference</u>
City of Las Vegas, Nevada	FS Audit/Federal Compliance audit	FY 6/30/17 and prior 5 years	Thomas Donohue	1,400	Gary Ameling 702-229-6280
City of Henderson, Nevada	FS Audit/Federal Compliance audit	Y/E 6/30/17 and prior 7 years	Thomas Donohue	1,250	Richard Derrick (702) 267-1708
City of North Las Vegas, Nevada	FS Audit/Federal Compliance audit	Y/E 6/30/17 and prior 18 years	Angela Go	1,100	Jon Lee 702-633-1007
City of Reno, Nevada	FS Audit/Federal Compliance Audit	Y/E 6/30/11 and prior six years	L. Ralph Piercy	1,000	Lynette Hamilton 775-334-2142
Boulder City, Nevada	FS Audit/Federal Compliance Audit	Y/E 6/30/17 and 5 prior years	Richard Bowler	800	Doug Honey 702-293-9252
Sandy City, Utah	FS Audit/Federal Compliance audit	Y/E 6/30/17 and prior 8 years	James Andrus	600	Helen Kurtz (801) 568-7142

The foregoing, among others, are all recipients of the GFOA certificate of achievement for excellence in financial reporting, and we have been involved in reviewing and certifying information in official statements for their bond issues as well as assisting them with the conversion to GASB 34 and adoption of GASB 54 and GASB 68.

C. Resumes of Key Audit Team Leaders

Staffing philosophy and affirmative active. It is PBTk’s philosophy to provide our clients with technical excellence and superior service. To accomplish this objective, we carefully assign personnel to audit engagements based on relevant experience and skills, and our engagement principals are extensively involved during all phases of the engagement. As a reflection of our Firm’s commitment to affirmative action, please note that the engagement manager (a principal planned to function as the engagement manager) is a female of Asian descent. In addition, two other key members of the engagement team are women, one of Asian and one of Mexican descent.

Key engagement personnel. The following personnel will be assigned on a full-time basis to your engagement. Each assigned professional is familiar with the requirements of Nevada Revised Statute (NRS) 350, *Municipal Obligations* and NRS 354, *Local Financial Administration* and was carefully selected based upon our analysis of that individual’s qualifications to meet the City’s needs:

Level

Principal-in-Charge
 Consulting Principal
 Engagement Quality Reviewer
 Principal functioning as Senior Manager
 Senior Associates

Name(s)

L. Ralph Piercy, CPA
 Thomas M Donohue, CPA
 Richard H. Bowler, CPA
 Angela Go, CPA
 Ariane Tesdal, CPA and Tingting Wong, CPA

Summaries of the qualifications and experience of the supervisory personnel listed above are as follows:



L. Ralph Piercy, CPA, CGMA (Consulting Principal). Mr. Piercy, one of the Firm’s founders, has been with the Firm since its inception and has been extensively involved in all areas of the Firm’s accounting and auditing practice, specializing in government and gaming audit engagements.

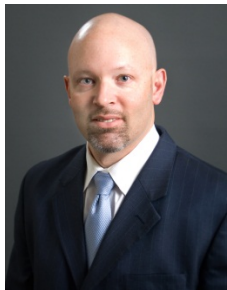
Mr. Piercy’s experience includes single audits in accordance with *Government Auditing Standards* and compliance with standards relative to federal awards. His experience also includes preparation of the Comprehensive Annual Financial Report (CAFR) for a variety of governmental organizations, including compiling data for the statistical section.

Mr. Piercy serves on the Nevada State Board of Accountancy, is a member of the American Institute of Certified Public Accountants (AICPA) and the Nevada Society of CPAs, and is licensed to practice in the states of Nevada, California, and other states. Mr. Piercy graduated from the University of Nevada, Las Vegas, with a BS in Business Administration (accounting emphasis).

Mr. Piercy has been involved with following government entities (partial listing):

- | | |
|------------------------------|--|
| City of North Las Vegas, NV* | Park City Municipal Corporation, UT* |
| City of Reno, NV* | Las Vegas Convention and Visitors Authority* |
| Sandy City, UT* | City of Las Vegas, NV* |

*Recipient of the GFOA’s Certificate of Achievement for Excellence in Financial Reporting.



Thomas M. Donohue, CPA, CIA (Consulting Principal). Mr. Donohue has been with the Firm for 19 years and has been extensively involved in all areas of the Firm’s accounting and auditing practice, specializing in government and gaming audit engagements.

Mr. Donohue’s experience includes single audits in accordance with *Government Auditing Standards* and compliance with standards relative to federal awards. His experience also includes preparation of the Comprehensive Annual Financial Report (CAFR) for a variety of governmental organizations, including compiling data for the statistical section.

Mr. Donohue is a member of the American Institute of Certified Public Accountants (AICPA), the Nevada and California Societies of Certified Public Accountants and the Institute of Internal Auditors (IIA) and is a certified public accountant licensed to practice in the states of Nevada, California and Minnesota.

Mr. Donohue graduated from the University of Nevada, Las Vegas, with a BS in Business Administration (accounting emphasis). He has also been a guest lecturer on accounting and auditing topics for Crowe Horwath International. Mr. Donohue has been involved with following governmental and not-for-profit entities, among others:

- | | |
|----------------------------------|----------------------------------|
| City of Henderson, NV* | Las Vegas Valley Water District* |
| City of North Las Vegas, NV* | Southern Nevada Water Authority* |
| Southern Nevada Health District* | City of Las Vegas, NV* |
| City of Boulder City, NV* | |

*Recipient of the GFOA’s Certificate of Achievement for Excellence in Financial Reporting.



Richard H. Bowler, CPA (Engagement Quality Reviewer). Mr. Bowler is one of the Firm's founding Principals. Richard is a Certified Public Accountant in Nevada, Utah and Arizona with over 45 years of experience, and is the Firm's practice leader for serving government and not-for-profit clients. Mr. Bowler will serve as the quality review principal for the proposed engagements.

Mr. Bowler was one of the founding members of the board of directors of the Las Vegas chapter of Big Brothers and Big Sisters of Southern Nevada. In this capacity, he assisted with hiring the first executive director, establishing fiscal policies, and establishing procedures for interviewing of big brother/sister candidates.

His extensive volunteer service over many years has included membership on the board of directors and the executive board of Citizens for Responsible Government and the Nevada Opera Theatre. Mr. Bowler is on the Advisory Board of the Boulder Dam Area Council, Boy Scouts of America, has served as its treasurer and is currently a member of the investment committee.

Professionally, Mr. Bowler is a member of the Government Finance Officers Association, the Association of Government Accountants, and the American Institute of Certified Public Accountants. He is a member, and former President, of the Nevada Society of Certified Public Accountants, has served as a member of the Local Government Advisory Committee to the Nevada State Department of Taxation and taught "Governmental Accounting" at the University of Nevada, Las Vegas. He is a graduate of Brigham Young University and holds an MBA from the University of Nevada, Las Vegas.

Mr. Bowler has been involved with the following government and not-for-profit entities, among others:

- | | |
|---|--|
| Clark County Department of Aviation* | City of Boulder City, Nevada* |
| Colorado River Commission* | Nevada Society of Certified Public Accountants |
| Las Vegas – Clark County Library District* | Nevada Legal Services |
| City of North Las Vegas, Nevada* | Meadows School |
| City of Henderson, Nevada* | City of Reno, Nevada |
| Las Vegas Convention and Visitors Authority | Nevada State Education Association |

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Angela Go (Manager). Angela Go is a Principal in the Firm (but will be functioning as a Senior Manager on the Carson City engagement) in the audit department and has been with Piercy Bowler Taylor & Kern since September 2006. Ms. Go is involved in audit, review, compilation, and other attest services for a wide-range of clients in the government, not-for-profit and casino resort industries.

Ms. Go graduated from the University of Phoenix, Las Vegas, with a BS in Business Administration (accounting emphasis) – Cum Laude.

Her experience includes single audits in accordance with *Government Auditing Standards* and compliance with OMB Circulars relative to federal awards, and includes the following governmental and not-for-profit clients:

- | | |
|---|----------------------------------|
| City of North Las Vegas, Nevada* | Southern Nevada Water Authority* |
| Las Vegas Convention & Visitor's Authority* | University Medical Center |
| Las Vegas Valley Water District* | |

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Ariane Tesdal, CPA, MBA (Senior Associate), is a Senior Associate in the audit department and has been with Piercy Bowler Taylor & Kern since June 2015. Ms. Tesdal is involved in audit, review, compilation, and other attest services for a wide-range of clients in the government, not-for-profit and casino resort industries.

Ms. Tesdal graduated from the University of Montana, with a Masters of Accountancy and Business Administration. Her experience includes single audits in accordance with *Government Auditing Standards* and compliance with federal award requirements, and includes the following governmental and not-for-profit clients:

Douglas County, Nevada*

Community Counseling of Southern Nevada

Las Vegas Convention & Visitor's Authority*

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Tingting Wong, CPA has been with Piercy Bowler Taylor & Kern since September 2016 as part of the audit department. She completes audit, review, compilation, and other attest services for a wide range of government and private clients. She is also involved in the internal audit function regarding compliance with the Minimum Internal Control Standards instituted by the Nevada Gaming Control Board.

Her experience includes single audits in accordance with *Government Auditing Standards* and compliance with federal award requirements, and includes the following governmental and not-for-profit clients:

City of North Las Vegas *

Las Vegas Convention & Visitor's Authority*

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

D. Certifications of Team Members

All audit team members designated as assigned to your engagement (not including the associate level) are Certified Public Accountants licensed to practice in the state of Nevada.

E. References

Please see table on page 4.

F. Audit Methodology, Computer Assisted Audit Techniques and Communication Methods

Effective communication. The most important factor in a successful audit is the interaction between the audit team and the client. Effective communication among management, our engagement team and those charged with governance and financial oversight through all stages of the engagement is critical to performing a risk-based audit effectively and efficiently. To be effective, communication must be open, non-adversarial, and timely. There should be no surprises, especially near a deadline.

Throughout the audits, we would hold progress conferences with key finance department personnel to discuss the progress of the audit and any matters that might require additional audit procedures. Once our fieldwork is complete, however, we would arrange a formal conference at which we would review with your personnel draft financial statements, notes thereto and our accountants' report. In addition, we would have available a draft of our required communications letter, which would discuss suggested improvements to your internal control, recommendations to help improve operational efficiency and other comments. We would review the letter with your personnel and seek their input prior to finalizing our comments.

We would also be present to answer any questions during the presentation of the CAFR or the Single Audit Report to any City oversight bodies.

Unlike many of our competitors that attempt to push most work to lower level staff, we believe that our clients pay for the expertise of our principals and managers. Accordingly, our principals and managers are actively involved throughout the engagement and frequently onsite. We have found that engagement performance decisions, including necessary adjustments to the nature and scope of procedures, are made timely, efficiently, and effectively when our principals and managers are onsite with our senior associates during critical stages of the assignment.

Risk-based Audit Approach. For the entire 26-year history of the Firm (decades ahead of the pack), we have utilized a rather sophisticated, risk-based auditing methodology grounded in statistical sampling theory. Howard B. Levy, our Director of Technical Services, is one of the original co-authors of the related commercially-marketed audit manuals used by the Firm and others domestically and internationally. Our highly customized proprietary practice aids incorporate this methodology. We have always integrated control testing when efficiencies could be achieved or effectiveness could be improved, while most other firms were simply "beating up" the balance sheet.

Engagement Planning. In the planning phase of the engagement, we gain a comprehensive understanding of the client's organization, management style and abilities, business activities, and industry influences. Inquires of management and financial statement variance analysis are used to assess risks and to identify areas requiring attention in developing audit scope details, including the determination of the right combination of tests of controls and primary and corroborative substantive procedures needed to gather sufficient evidence to enable us to express positive assurance that the financial statements are not materially misstated.

In the planning phase, we also evaluate significant management estimates that are identified in the client's financial statements and "deconstruct" the financial statements generally into eight operating cycles (revenue, conversion, expenditure, payroll, accruals / prepaid expenses, financial management (both treasury and fund balance / net asset functions), productive assets, and presentation and disclosure).

For cycles that we deem to be significant (as defined by the professional literature), we develop a client specific audit plan outline organized into six testing categories: (1) control tests, (2) tests of non-industry or client-specific matters, (3) tests involving the use of statistical sampling, (4) tests using third party confirmations, (5) other custom designed tests of details, and (6) substantive analytics. We also develop a list of "focus" procedures for cycles we deem to be less significant.

Our planning process also includes an entity-level control evaluation, including identification and documentation of "tone at the top," t129

financial reporting process, information system general controls, and related risks associated with the control environment, management activities and segregation of duties, information processes, and monitoring processes.

We also evaluate overall inherent risk factors, including fraud risks. A critical aspect of the planning phase of an audit is determining quantitative materiality thresholds based on the perceived needs of the expected financial statements users.

Financial Statement Line-item Testing. For each opinion unit, every financial statement line item and related disclosures are tested, including in relation to other cycle accounts, based on perceived risk of material misstatement (the combination of Inherent Risk (IR) and Control Risk (CR)) and materiality by assertion. This phase of our audit process can be described simply as (1) determine what assertions are implicit in the financial statement amounts and disclosures and (2) gather sufficient evidence to conclude whether or not the assertions taken as a whole are fairly stated in all material respects.

We classify assertions into four major categories: (1) Existence, (2) Completeness, (3) Valuation, and (4) Disclosure and Presentation. There may be more than one assertion associated with any particularly financial statement line item that might warrant detailed testing. For example, implicit in the accounts receivable line item is that the amount represents valid claims against customers (Existence) and that the amount, net of allowances, is collectible (Valuation).

We use several different types of tests to gather evidence about the assertions, but first we make an overall inherent risk assessment by line item and assertion. In other words, based on the nature of the line item, its balance, volume and type of transactions, we evaluate the likelihood of material misstatement. For those where the inherent risk of misstatement is significant, we design and perform control testing, except if the controls are known to be unreliable or when we elect for efficiency purposes to take an all substantive approach. Our control tests first identify the key controls that are in place and, if operating effectively, would detect or prevent the misstatements. Then through document testing, inquiry of the client's personnel, and direct observation of the functioning controls, we test the operating effectiveness of such key controls. The nature and extent of additional tests of details are influenced by the outcome of the control tests. We never rely entirely on control tests alone when perceived inherent risk is significant. Some testing of details and / or primary predictive analytics will be performed and the particulars of each may vary from year to year so that our audit procedures are "non-predictive" by the client's personnel.

Extent of use of IT software in the engagement. Within the last decade, a considerable number of institutions, both large and small, have come to rely on advanced computer technology as a means for processing large volumes of accounting transactions on a daily basis. Because of this impact and the need to comply with applicable auditing standards, which require that the data processing system must be considered in the course of an audit whenever accounting applications are significant, an analysis of the City's automated accounting systems will be integrated into our audit plan and programs.

We use technology to make our audit process more effective and efficient and to protect the confidentiality of our clients' information. Some of the ways we use technology follows:

- **Remote access.** The Firm utilizes remote access technology (Citrix) to maximize efficiency during fieldwork. This technology affords us the opportunity to access the full resources of the Firm's servers (including email) while conducting on-site audit work. To fully utilize our remote access system, we require at least one high-speed internet connection in the area designated as the "audit room."
- **"Paperless" audit software.** The Firm has been using highly customized CaseWare audit documentation software for approximately 18 years. Because of our "paperless" audit approach, we request that all audit documentation be provided in an electronic format to the extent possible. Although the on-site engagement team is equipped with portable scanners, it is generally more efficient to receive documents electronically.
- **Computer assisted audit techniques / statistical sampling software.** The Firm currently utilizes IDEA Data Analysis Software, which allows us to receive, process and manipulate for audit purposes (data mining) extremely large amounts of data efficiently. The same software suite has a powerful statistical sampling module that allows us to easily pull samples as circumstances may dictate.
- **Online accounting / auditing research tools.** The Firm subscribes to various online accounting and auditing research tools, mc30

notably *PwC's Inform* and *CCH's Accounting Research Manager*®. These online research tools afford access to our engagement teams on-site during audit work so that potentially complex accounting issues are contemporaneously researched.

- **Information protection.** PBTK is committed to protecting your information systems and the related confidential and proprietary information.

Continuous operating effectiveness of IT security controls is assured through monitoring by our IT department. Our director of IT has been with the Firm since 1997, and has been heavily involved in the design and implementation of our current audit software (CaseWare), as well as our remote access system (Citrix). He attends continuing education courses and security conferences to maintain current knowledge of new computer threats and increased security measures. He also has completed and maintains the following certifications:

Certified Novell Administration (CNA)
Microsoft Certified Systems Engineer (MCSE)

Certified Novell Engineer (CNE)
Certified Comp TIA A+ Technician

G. Current Rates and Charges

Please see section H to follow.

H. Estimated Manpower and Expense Matrix

The work will be divided between two audit teams, one for the financial statement audit and the other for the federal grant compliance audit and the agreed-upon procedures, although all audit work and results will be coordinated to prevent duplication and assure consistency, where applicable. Consequently, both teams will be able to complete their procedures concurrently.

To complete the engagement, personnel will be assigned as follows:

Financial Statement Audit	<u>Principals</u>	<u>Manager</u>	<u>Seniors</u>	<u>Associates</u>	<u>Total</u>
Required hours					
Planning	20	30	40	20	110
Interim fieldwork	20	20	100	100	240
Final fieldwork	30	60	120	200	410
Report and financial statement preparation	30	50	40	35	150
	<u>100</u>	<u>160</u>	<u>470</u>	<u>355</u>	<u>915</u>
Hourly billing rates					
At standard	\$400	\$250	\$175	\$125	\$213
Courtesy discount	(200)	(125)	(85)	(75)	(120)
	<u>\$200</u>	<u>\$125</u>	<u>\$90</u>	<u>\$50</u>	<u>\$93</u>
Fee for Financial Statement Audit	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$27,000</u>	<u>\$17,750</u>	<u>\$84,750</u>
Federal Grant Compliance Audit					
Required hours					
Planning	1	3	5	4	13
Interim fieldwork	1	2	11	20	34
Final fieldwork	2	7	14	41	64
Report preparation	1	6	5	7	19
	<u>5</u>	<u>18</u>	<u>35</u>	<u>72</u>	<u>130</u>
Fee for Federal Grant Compliance Audit	<u>\$1,000</u>	<u>\$2,250</u>	<u>\$3,150</u>	<u>\$3,600</u>	<u>\$10,000</u>
Agreed-upon Procedures					
Required hours	<u>2</u>	<u>8</u>	<u>15</u>	<u>25</u>	<u>50</u>
Fee for Agreed-upon Procedures	<u>\$400</u>	<u>\$1,000</u>	<u>\$1,350</u>	<u>\$1,250</u>	<u>\$4,000</u>
Total Annual fees	<u>\$21,400</u>	<u>\$23,250</u>	<u>\$31,500</u>	<u>\$22,600</u>	<u>\$98,750</u>

We do not charge for travel and subsistence within the State of Nevada or other out-of-pocket costs.

Hours budgeted for the federal grant compliance audit are based on the assumption, as represented in your request for statement of qualifications, that only two major programs would require compliance testing.