

City of Lee's Summit

STATEMENT OF WORK

This Statement of Work ("SOW") is entered into as of September 12, 2016 by and between the City of Lee's Summit a municipal corporation of the State of Missouri ("City") and RubinBrown LLP ("RubinBrown").

1. Introduction

Under this SOW, RubinBrown will provide confidential consulting services. RubinBrown's work will be performed under AICPA Consulting Standards. Our services shall consider and reference industry best practices, applicable State of Missouri law, applicable Federal law and other benchmarks.

The parties hereby acknowledge that RubinBrown provides attestation services to the City of Lee's Summit. As such, RubinBrown employees cannot provide expert witness testimony before a trier of fact, assume management responsibilities or be identified as employees of the City of Lee's Summit.

2. Authority for SOW

This SOW is executed under the Engagement Letter between the City and RubinBrown dated September 12, 2016.

3. Term

The term of this SOW covers fieldwork which is scheduled to commence on or after August 29, 2016. It will remain in effect until the SOW is complete or until written notice is provided to modify or terminate the SOW.

4. Minimum Auditor Criteria

The engagement team for this SOW will not be comprised of team members who have previously worked for the City of Lee's Summit or team members who have been assigned to the external audit team for the City of Lee's Summit.

5. SOW Objectives and Scope

You have requested that RubinBrown assist you with confidential consulting services, analysis and consultation with regard to the City's procurement practices. Our services will address city-wide procurement practices.

City of Lee's Summit

STATEMENT OF WORK

The objectives of this SOW are to:

- Assess the City's internal controls over purchasing and accounts payable processes to determine controls are in place and operating effectively.
- Identify and assess existing purchase card policies and practices for effectiveness.
- Perform forensic data analyses on disbursements data, including purchase card activity, and provide results to the City's management.
- Provide a summary of our assessment of the existing internal controls, including recommendations to improve adherence to best practices.

Our scope will include the current fiscal year plus three previous fiscal years. We will perform the following:

- In person interviews) with various City personnel to gain an understanding of the purchase to pay process and key financial internal controls.
- Review of the applicable policies and procedures to gain an understanding of the current purchasing and accounts payable processes.
- Assessment of the City's purchasing and accounts payable process/methods for proper segregation of duties (SODs).
- Data analysis of the City's disbursements in an effort to identify errors or irregularities, including potentially duplicate, unauthorized, or improper transactions.
- Testing of individual transactions to obtain reasonable assurance that established procedures and guidelines are being followed.
- Review of the approval and termination of P-Card holders.
- Review of the training requirements for P-Card holders.
- Develop and administer a procurement practices anonymous City employee responder questionnaire ("Questionnaire") to gather information from all departments and employees relating to city procurement practices. The Questionnaire will be developed using our judgment and the questions submitted by the City Council (refer to the following section of SOW).
- Interview selected City employees, (approximately 8-10 one hour interviews, across the City's departments). The purposes of the interviews is to gain an understanding of the procurement practices, key related internal controls, and to gather information relating to the questions submitted by the City Council (refer to the following section of the SOW).
- Prepare a final report, which shall include a full description of the scope, activities, findings and recommended improvements, if any.
- Present the final report to the City Council.

City of Lee's Summit

STATEMENT OF WORK

6. Questions and Requests Submitted by City Council

The City Council has submitted following questions and requests to be included in this SOW. These items will be used to create the Questionnaire, used to conduct our employee interviews, fieldwork and data analysis, and will be included within the final report.

1. Are the City written procurement practices in line with the State of Missouri, Federal or other laws and industry best practices?
2. Does the City have and use a "template" for drafting RFP's, RFQ's and similar documents used in the procurement process?
3. How does the City advertise for bids and have City procurement procedures been adhered?
4. What actions, if any, has the City taken to increase the number of bidders?
5. Does the City have a policy and program in place for minority participation in the bidding process?
6. How effectively does the City use the internet, print, mail, tv, radio, or other media and communication means to advertise procurement opportunities?
7. What actions, if any has the City taken to increase the number of bidders?
8. Do the City procurement practices contain provisions for penalties for nonperformance?
9. Does the City have debaring procedures within the procurement practices?
10. Does the City keep a roster of debarred vendors?
11. Provide a list of all transactions over \$500, which involve elected officials and whether proper lawful bidding practices were adhered to. Should include transactions using all procurement means.
12. Provide a list of all transactions over \$1,000, and whether required City procurement practices were followed. Should include transactions using all other procurement means.
13. Does the City have early discount procedures and what was the value and number of realized early discounts?
14. Provide details relating to signature authority procedures and whether or not they have been followed.
15. Provide details relating to susceptible item pilfer control procedures and whether or not they have been followed.
16. Provide details relating to justification control procedures and whether or not they have been followed.
17. Provide a list of sole source contracts and whether the City procurement procedures were adhered to.
18. Provide details relating to regular departmental procurement reporting requirements, if any, as well as the quality and usefulness of the reports.

City of Lee's Summit

STATEMENT OF WORK

7. Initial Information Request

Our initial information requested is outlined below. As our work progresses, additional information may be requested.

General (covering the current fiscal year plus three previous fiscal years, the "Testing Period")

- Organizational charts in effect.
- Schedule of elected officials (including addresses and names/addresses of affiliated business).
- Email addresses for all City employees, to administer the Questionnaire.
- Procurement policies and procedures, including any specific department-level policies or practices.
- Purchase card policy.
- Travel expense reimbursement policy.
- Conflict of interest policy (Including copies of any signed conflict of interest statements or disclosures by City employees or elected officials).
- Chart of accounts (to sample account reconciliation documentation).
- A listing of P-Card holders.
- P-Card holder training materials.
- Training records for P-Card holders.
- One example of a purchase card monthly packet, to include the statement, any management approvals (on the hardcopy or screen shots of electronic approvals), and supporting receipts.
- One example of the payment packet for the payment of the purchase cards to the purchase card vendor from the City.

Electronic Records in native or Excel format (covering the current fiscal year plus three previous fiscal years, the "Testing Period"):

- **Cash Disbursements Register (including checks, ACH, Wires, Voids).** Fields to include, if possible: Payee/Vendor name, vendor number, Check number, check date, invoice number, check amount, invoice amount, notes/memo, P.O. number, prepared date, prepared by/username, approved by (if automated).
- **P-Card Transactions.** P-Card transaction detail.
- **Vendor Master File.** Fields to include, if possible: Vendor company name, vendor address, vendor contact name, EIN Number, phone number.
- **Employee Master File.** Fields to include, if possible: Employee number, name, address, date of hire, date of termination, phone number.
- **Payroll File.** Fields to include, if possible: Pay date, check date check number, wages, deductions and withholdings (federal/state/local taxes, withholdings, garnishments, voluntary deductions), ACH routing/account numbers.
- **Journal Entries.** Fields to include, if possible: Account, notes/memo, journal entry number, date, created date, modified date, created by, approved by (if automated), classification of JE (Manual, Reversing, Recurring, System generated).

City of Lee's Summit

STATEMENT OF WORK

8. Primary Contacts

RubinBrown

Christina Solomon
christina.solomon@rubinbrown.com
314.290.3497

Kara Clement-Bayard
kara.clement-bayard@rubinbrown.com
314.678.3512

City of Lee's Summit

Stephen Arbo, City Manager
stephen.arbo@cityofls.net

Conrad Lamb, Finance Director
conrad.lamb@cityofls.net
816.969.1101

Darlene Pickett, Controller
darlene.pickett@cityofls.net
816.969.1102

Brian Head, City Attorney
brian.head@cityofls.net
816.969.1400

City of Lee's Summit

STATEMENT OF WORK

9. Schedule

Planning Meeting	Week of September 26, 2016
City to Provide Initial Information Request	October 7, 2016
Submit Questionnaire	Week of October 3, 2016
Perform Data Analysis	Weeks of October 17 and 24, 2016
Re-Submit Questionnaire to non-responders	Week of October 17, 2016
Conduct Fieldwork and Interviews	Week of October 31, 2016
Distribution of draft report	November 10, 2016

10. Fees

Fees for services will be based on the actual time expended at our billing rates in effect at the time the services are provided. The project, as outlined above, is estimated to cost approximately \$30,000-\$35,000, plus any necessary and properly documented out of pocket expenses. The fees set forth above are based upon anticipated cooperation from City personnel and the assumption that unexpected circumstances will not be encountered during the engagement. Additional fees may be required based on our findings and the analysis the City requests. If additional fees are necessary, RubinBrown will discuss them with the City and agree to a new fee estimate before additional fees are incurred. RubinBrown will keep the City informed of progress and work closely with the City to structure RubinBrown work to ensure that it is completed in a cost-effective manner. Below is a summary of the estimated hours, based on our understanding of the scope of this SOW:

TASKS	ESTIMATED HOURS		
Interviews (20, 1 hr)	45	-	55
Data Analysis	45	-	55
Surveys	20	-	40
Other Fieldwork, Planning, and Analysis	55	-	65
Reporting/Wrap	20	-	20
Meetings	15	-	15
Total	200	-	250

City of Lee's Summit

STATEMENT OF WORK

11. Signatures

By signing below, the signatory further represents and warrants that she/he is authorized to approve this SOW.

RubinBrown LLP

City of Lee's Summit

By: Christina Solomon

By: [Signature]

Name: Christina Solomon

Name: Stephen A. Arbo

Title: Partner

Title: City Manager