

Carson City Audit Committee Agenda Report

Date Submitted: October 21, 2011

Agenda Date Requested: October 25, 2011

To: Chair and Members

From: Kim Belt, Purchasing and Contracts Manager

Subject Title: For Possible Action: To consider any written application for employment received and select none or one or more Internal Auditor candidate(s), as the Committee desires, for Committee interview at a future public meeting of either the Audit Committee or with the Carson City Board of Supervisors.

Summary: Carson City received sealed Statement of Qualifications (SOQ) to perform the City's Audit function on October 21, 2011 at 3:00 p.m. The SOQ was published in the Nevada Appeal and posted on Carson City's website on September 30, 2011. The SOQ's were opened at approximately 3:10 p.m. on October 21, 2011 at 201 North Carson Street, Carson City, Nevada 89701, and sent for review by the Audit Committee.

Type of Action Requested: (check one)

Resolution Ordinance
 Formal Action/Motion Other (Specify)

Does This Action Require A Business Impact Statement: () Yes (X) No

Recommended Committee Action: To be determined by the Committee.

Explanation for Recommended Committee Action: N/A

Applicable Statute, Code, Policy, Rule or Regulation: Carson City Charter Sec. 3.075.

Fiscal Impact: Up to \$110,000 for FY 2011-2012

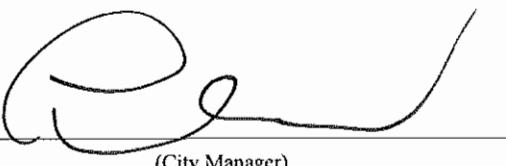
Explanation of Impact: N/A

Funding Source: Internal Audit Budget

Alternatives: None

Supporting Material: Applications

Prepared By: Kim Belt, Purchasing and Contracts

Reviewed By: 
(City Manager) Date: 10/20/11

Board Action Taken:

Motion: _____

| Member | Aye/Nay |
|--------|---------|
|--------|---------|

| | |
|----------|-------|
| 1) _____ | _____ |
| 2) _____ | _____ |
| 3) _____ | _____ |
| 4) _____ | _____ |
| 5) _____ | _____ |

(Vote Recorded By)

REQUEST FOR STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

THIS IS NOT AN ORDER

ADVERTISED SOQ 1112-102
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

RELEASE DATE: September 30, 2011

Carson City (City) invites interested individuals and firms to submit Statement of Qualifications (S.O.Q.) to perform the City's Internal Audit. The City is required to have an Internal Audit function to perform specific duties as described in Section 3.075(2) of the Carson City Charter. The selected individual or firm will perform auditing and support services as directed by the Audit Committee and the Board of Supervisors.

The auditing services needed include the areas of program effectiveness and efficiency, i.e. performance audits.

The Board of Supervisors may satisfy the requirements to appoint an Internal Auditor by entering into a contract with an independent contractor (**CONSULTANT**).

STATEMENT OF QUALIFICATIONS shall be submitted to **CARSON CITY FINANCE DEPARTMENT**, 201 N. Carson Street, Suite 3, Carson City, Nevada 89701, by no later than **3:00 p.m. on October 21, 2011**.

RECOMMENDATION FOR AWARD will be made by the Finance Department in coordination with the Audit Committee based on the evaluation results of the City Review and Selection Committee/Audit Committee. The City Review and Selection Committee/Audit Committee may narrow the field to three or four consultants for possible oral interviews. Interviews will allow for a 20 minute presentation, 20 minutes questions and answers and a 15 minute set-up and tear down. Once the committee has made a recommendation and a contract is negotiated, the results will be posted on www.carson.org and all respondents will be notified by fax of the Recommendation for Award to the successful respondent.

FINAL SELECTION will be made by Carson City Board of Supervisors, and is tentatively scheduled for Thursday, November 17, 2011. Recommendation will be made by the Audit Committee, with final approval being awarded by the Board of Supervisors at a regularly scheduled meeting. Should it become necessary to reschedule the date set for award, notice will be provided to those finalists selected. In all instances, a decision rendered by Carson City shall be deemed final.

1. INTRODUCTION (General Information)

- 1.1 Carson City (City) invites interested individuals and firms to submit Statement of Qualifications (S.O.Q.) to perform the City's Internal Audit function. The City is required to have an Internal Audit function to perform specific duties as described in Section 3.075(2) of the Carson City Charter. The selected individual or firm will perform auditing and support services as directed by the Audit Committee and the Board of Supervisors.

REQUEST FOR STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

The auditing services needed include the areas of program effectiveness and efficiency, i.e. performance audits.

The Board of Supervisors may satisfy the requirements to appoint an Internal Auditor by entering into a contract with an independent contractor (**CONSULTANT**).

- 1.2 A City Review and Selection Committee/Audit Committee will evaluate the S.O.Q. submittals.
- 1.3 During evaluation, the City Review and Selection Committee/Audit Committee reserves the right, where it may serve the City's best interest, to request additional information or clarification from the Consulting Firm, or to allow corrections of errors or omissions. Oral interviews may be conducted by the City Review and Selection Committee/Audit Committee for the Consultants who submit an S.O.Q. and were short listed.
- 1.4 Submission of an S.O.Q. indicates acceptance by the Consulting Firm of the conditions contained in this Statement of Qualification, unless clearly and specifically noted in the S.O.Q. submitted and confirmed in the resultant contract between Carson City and the Firm selected.
- 1.5 The use of the term "firm" refers to Consultant Firms with certified personnel, doing business in the United States and duly registered in the state of Nevada with business license paid to Carson City after selection of the firm. With this type of project, the City may accept one or more firms teaming up for joint venture with a Nevada-based firm to prepare the required services, but the City will recognize such a consortium as a single entity only with one juridical personality.
- 1.6 There is no expressed or implied intent or obligation for Carson City to reimburse responding firms for any expenses incurred in preparing S.O.Q. submittals as well as travel expenses during interviews in response to this Statement of Qualifications.
- 1.7 Carson City shall reserve the right to terminate any agreement resultant from this solicitation and subsequent action for cause but not limited to inadequacy of performance.

2 CARSON CITY CONTACT PERSON:

- 2.2 Until the receipt and opening of S.O.Q. submittals, the consultants' principal contact with Carson City will be as listed below. All questions are to be submitted in writing and potential consultant will receive copies of all questions and answers except for the questions that are considered proprietary. Questions that are considered proprietary by Finance will only be answered to the consultant who asked the question. Questions will only be received through 12:00 p.m. on October 19, 2011.

REQUEST FOR STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

Kim Belt
Carson Finance Department – Purchasing and Contracts
201 N. Carson Street, Suite 3
Carson City, NV 89701
775-283-7137
e-mail: KBelt@carson.org
FAX: 775-887-2107

2.2 All contacts regarding the S.O.Q. should be with the above-named individual only. Consultants contacting other City staff or City officials may be disqualified for doing so.

3 BACKGROUND INFORMATION:

3.1 Carson City is required to have an Internal Audit Function to perform specific duties as described in Section 3.075(2) of the Carson City Charter. Section 3.075(2) provides that:

The internal audit function shall:

- Investigate each office and department of Carson City to determine compliance with the accounting procedures manual,
- Recommend changes in accounting procedures which would on the opinion of the internal auditor, improve efficiency of internal controls.
- Conduct special investigations at the direction of the Audit Committee and Board into any financial matter of any office or department of Carson City.
- Perform other duties as directed by the Audit Committee and the Board

In addition as a primary focus for the fiscal year 2011/2012, the audit function will undertake performance audits to evaluate the efficiency and effectiveness of departments and/or programs under audit as recommended by the framework outlined by the Government Accounting Standards Board Concept #5 for reporting on performance.

Performance audits will focus on the examination of programs, functions, operations, management systems and procedures to determine whether an agency/department is achieving the objectives established by the Board of Supervisors and managing its resources in an effective, economical and efficient manner.

The Board of Supervisors may satisfy the requirement to appoint an Internal Auditor by entering into a contract with an independent individual or firm (**CONSULTANT**) for 12 months.

4 SCOPE OF WORK:

REQUEST FOR STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

4.1 The **CONSULTANT** will provide requested auditing and administrative support services predicated on direction from the Audit Committee and approved by the Board of Supervisors. The auditing services performed will be primarily in the area of "performance audits". As such the "performance audits" will focus on the examination of programs, functions, operations, management systems and procedures to determine whether an agency/department is achieving the objectives established by the governing body of the City and managing its resources in an effective, economical and efficient manner. The "performance audits" will focus on programs and issues that are of particular interest to the governing body and the public and make recommendations to improve an agency/department's operations. The administrative support services will include performing administrative functions needed to support the mission of the Committee such as 1) working with City's strategic planner on performance measures including budgetary performance measures, 2) providing input into the City's annual financial audit, 3) evaluating the City's fiscal health, 4) establishing a process to evaluate the legal and ethical conduct of the city staff, and the City's internal controls with an emphasis on potential for fraud, waste and abuse, 5) reviewing and making recommendations about City Ordinance Chapter 2.14 for possible revisions to include identifying possible fraud, waste and abuse, expanding the skills and background of possible Committee members to include management of government organizations that includes budgetary and operational experience, and other revisions and/or clarifications as appropriate, and 6) providing clerical duties to support the Audit Committee.

The **CONSULTANT** must be able to lead the development of the Internal Audit function as one that focuses on the audit of performance as outlined in the city's strategic plan based on direction from the Audit Committee, the **CONSULTANT** will prepare and present an annual audit plan to evaluate the efficiency and effectiveness of proposed areas to be audited.

The **CONSULTANT** will provide monthly status reports, either written or oral, to the Audit Committee regarding the progress of audits being performed. In addition, at the request of the Board of Supervisors, progressive reports maybe required to be presented at regularly scheduled Board meetings.

Audit process and reports to be performed in compliance with auditing and reporting standards established by the Institute of Internal Auditors. At the conclusion of each audit, a final report will be prepared. This report will include the scope and methodology of the audit, as well as a summary of the auditor's findings, recommendations and management responses. This report will be formally presented for discussion to the Audit Committee and the Board of Supervisors.

The position for the City's Internal Audit function is not required to be a

REQUEST FOR STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

full time position; however the **CONSULTANT** must be able to devote an average of 25 hours per week over the contract period.

Selected **CONSULTANT** will be required to submit to an extensive background investigation. Failure to pass the background will result in removal from the position.

5 S.O.Q. REQUIREMENTS

5.1 GUIDELINES FOR SUBMITTING STATEMENT OF QUALIFICATIONS:

- All questions regarding the Statement of Qualifications will be submitted in writing by mail, e-mail, or fax to Kim Belt, Purchasing and Contracts Manager 201 North Carson Street Suite 3, Carson City, NV 89701 775-283-7137/ FAX 775-887-2107 kbelt@carson.org
- The **CONSULTANT**'s Statement of Qualifications will be in a single sided, 8 1/2 x 11 in. format and limited to 10 pages. The Statement of Qualifications will include the following information :
 - a. Introductory cover letter
 - b. Experience relevant to the type of work requested by Carson City.
 - c. Key **CONSULTANT** individual or firm team resumes from the organization chart including any sub consultants.
 - d. Certifications of team members such as the Certified Internal Auditor by the Institution of Internal Auditors and/or other financial related certifications.
 - e. References that can be contacted by staff to confirm information presented on the S.O.Q.
- List of current rates and charges to perform the 12-month engagement and meet the objectives.
- Estimated manpower and expense matrix for the above Scope of Work. (not included in the 10 page limitation)
- A general description of how the **CONSULTANT** would approach providing the Internal Audit function to Carson City and the Audit Committee audit and what can be expected to be accomplished.
- The consultant shall submit one (1) original and four (5) copies of the Statement of Qualifications to: Kim Belt, Purchasing and Contracts Manager 201 North Carson Street Suite 3, Carson City, NV 89701 775-283-7137/ FAX 775-887-2107 kbelt@carson.org.

6 EVALUATION OF S.O.Q.:

6.1 S.O.Q. submittals will be evaluated by the City Review & Selection Committee/Audit Committee.

6.2 The Committee may call for oral interviews. The City reserves the right to retain all S.O.Q. submittals and use any idea in an S.O.Q. regardless of whether or not said S.O.Q. is selected.

REQUEST FOR STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

6.3 The following categories will be evaluated in the selection process:

- Qualifications of Firm to provide service
- Professional training certifications of individuals

7 RIGHT TO REJECT S.O.Q.:

7.1 Submission of S.O.Q. indicates acceptance by the Consulting Firm of the conditions contained in this S.O.Q. unless clearly and specifically noted in the S.O.Q. submitted and confirmed in the subsequent contract between Carson City and the Consulting Firm selected.

7.2 Carson City reserves the right to reject any or all S.O.Q. and to award to the **CONSULTANT** the City deems most qualified and whose award of the contract will accrue to the best interests of the City.

7.3 **Late S.O.Q. Submittals will not be accepted.** Prospective **CONSULTANTS** are held responsible that their S.O.Q. Submittals arrive at the Carson City Finance Department - Purchasing & Contracts on or before the designated time and date.

8 WITHDRAWAL OF S.O.Q.:

8.1 Requests to withdraw S.O.Q. submittals received after the time and date set for opening and acknowledging S.O.Q. submittals will not be considered.

9 CONTRACT TERMINATION:

9.1 Carson City reserves the right to terminate the contract if the Consultant does not perform as required by the terms of the contract. Reasons for termination may include, but are not limited, to the following:

- 9.1.A Failure to provide sufficient personnel as identified in the S.O.Q.
- 9.1.B Failure to provide the principal Team as submitted.
- 9.1.C Substitution of the Team or other identified personnel without prior approval of Carson City.

10 INSURANCE

10.1 General Liability:

REQUEST FOR STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

10.1.A The successful **CONSULTANT** shall be required to furnish and maintain throughout the term of the proposed Agreement, such general liability and property damage insurance as shall protect him/her and any sub-consultants, agents, and employees performing work covered by the proposed Agreement from claims for, but not limited to, bodily injury, sickness, disease, death, or property damage arising or resulting from the consultants performance, or by any sub-consultant, person, firm, or employee directly or indirectly employed by him/her. The successful **CONSULTANT** shall furnish the City a certificate of said insurance, with limits no less than One Million Dollars (\$1,000,000) combined single limit per occurrence for bodily injury, personal injury as well as property damage and with the City added as a co-insured.

10.2 Worker's Compensation:

10.2.A The successful **CONSULTANT** shall purchase and maintain throughout the term of the contract such Industrial Insurance (SIIS) as will protect him from claims which may arise out of or result from the Consultant's execution of the work on this project, whether such execution be by the Consultant or by any sub-consultant, or by anyone directly or indirectly employed by any of the consultants, or by anyone for whose acts any of them may be liable.

11 **OBJECTION BY UNSUCCESSFUL CONSULTANT:**

11.1 Any unsuccessful Consultant may file an objection to the City regarding the selection of the City Review & Selection Committee/Audit Committee by following the procedure outlined in Paragraph 11.2 below. Information on the results of the Committee's evaluation may be obtained on www.carson.org.

11.2 Any objection shall be written and submitted to the Finance Department before the recommendation shall be scheduled to be heard by the Board of Supervisors. The objection will be placed on the next available Board of Supervisors meeting agenda.

STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
LORRAINE BAGWELL

Kim Belt
Carson Finance Department - Purchasing and Contracts
201 N. Carson Street, Suite 3
Carson City NV 89701

RE: ADVERTISED SOQ 1112-102
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION

Dear Ms. Belt,

I have reviewed the request for a Statement of Qualifications for the City of Carson City Internal Audit Function. I am submitting my response in accordance with the announcement.

I have been to numerous Board of Supervisors meetings and listened to the citizens points of view, the different Supervisors and Mayor and city staff. I have met with the Mayor, Supervisors and City Staff presenting my views on various items of city activities.

I have worked in the governmental arena from the inside as an employee and from the outside as a lobbyist and business owner. I have the ability to review programs from a neutral viewpoint and evaluate them based on the return they provide towards good governance. I have the unique quality to present appraisals without alienating those attached to the program or function being evaluated.

I am qualified for this position as I have worked with taxes, auditing of governmental agencies and private firms, budgeting, and managing a \$350 million governmental agency. I spent over 20 years in reviewing internal controls, developing performance indicators and budgeting. I have audited programs for effectiveness and efficiency and based upon the results, prepared budgets. I have made recommendations for budgets to the Governor based upon program review results.

I possess a bachelor's degree in Business Administration with a minor in Accounting.

Thank you for your consideration. I look forward to reviewing my submission with the Audit Committee.

Lorraine H. Bagwell

Lorraine H. Bagwell
3662 Jarrard Court
Carson City, Nevada 89701

STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
LORRAINE BAGWELL

Experience relevant to the type of work requested by Carson City

The Statement of Qualifications lists several activities to be performed by the internal auditor. Below is a listing of my experience in relation to those activities.

- Investigate each office and department of Carson City to determine compliance with the accounting procedures manual - *As the Chief of Fiscal Services and Deputy Director of Support Services for the Department of Corrections, I was responsible for the annual review of our internal controls and compliance with accounting procedures. I performed this function for eight years. I also performed this function for the Division of Child of Family Services.*
- Recommend changes in account procedures which improve efficiency of internal controls - *Each position over the last 20 years has required me to write and or update policies and procedures. While working for DMV & PS, I wrote the procedures for bad debt collection and write off and bankruptcy filings. Additionally, I wrote the audit procedure for the newly implemented tax for International Fuel Tax Administration (IFTA) and International Registration Program (IRP) and the manual for the implementation of Fuel Tax Point of Taxation change. While working for the Department of Administration, I reviewed the internal control reports for assigned agencies and made recommendations for changes or approval of reports. Additionally, I worked with the Integrated Financial Systems staff to write, test and implement procedures for the new accounting system on behalf of the Budget Division. While working for the Department of Corrections, I updated and reviewed internal controls annually. I revamped the accounting and budgeting units to improve internal controls and efficiency.*
- Conduct special investigations at the direction of the Audit Committee and Board into any financial matter of any office or department or Carson City - *I am prepared to perform investigations requested by the Audit Committee and the Board. While working for the Nevada Association of Counties, staff responsible for the creation of the budget left employment at critical times. I interviewed staff, reviewed documentation , and analyzed requests to create a budget document for Commission approval and submittal to the Department of Taxation. While working at the Department of Motor Vehicles and Public Safety, I received a special assignment for six months to implement a point of taxation change. While working for the Department of Administration, I was responsible for training all state employees in the use of a newly created computerized budgeting program.*
- Perform other duties as directed by the Audit Committee and the Board - *I want to provide a valuable service to the City and the Committee. I look forward to performing duties as required to meet this challenge.*

STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
LORRAINE BAGWELL

- Performance audits to evaluate the efficiency and effectiveness of departments and/or programs, functions, operations, management systems and procedures to determine whether an agency/department is achieving the objectives established by the governing body of the City and managing its resources in an effective, economical and efficient manner. *I have been performing this type of task for years and believe Carson City has developed some tools to guide in this process. The strategic plan and the scorecard reports provided by Linda Ritter may lead me to areas to review for efficiency and/or ways to help department heads achieve established performance and budgetary measures. I look forward to assisting the city in determining how best to use the limited resources available. Performance audits are also a tool to assist management and the Board of Supervisors to make budget decisions. The citizens want to know that their tax dollars are being put to good use.*
- Reporting - *I will provide monthly status reports to the Audit Committee regarding the progress of audits being performed. In addition, I will at the request of the Board of Supervisors provide progressive reports for presentation at Board meetings.*
- Consultant must be able to devote an average of 25 hours per week over the contract period. *I am able to devote an average of 25 hours per week to this project as requested.*
- Knowledge, Skills and Abilities - *I believe I possess all of the characteristics listed in the Statement of Qualifications. My various positions working for many governmental agencies and the Nevada Association of Counties, have provided valuable experience that I believe can benefit Carson City. I have specifically written and evaluated legislation, analyzed problems, identified alternative solutions, testified before numerous committees and boards and developed cooperative working relationships.*

I have worked on projects to meet GASB Concept 5 performance measurements systems and believe this tool will aid Carson City in making sound budgetary decisions in the future. A governmental performance and measurement system should include the eight processes of Strategic planning, program or activity planning, determination of key performance indicators, performance based budgeting, managing work processes, evaluating performance, internal reporting and finally the external reporting which is the focus of GASB concept #5.

The four essential components of a SEA report is to include 1) purpose and scope 2) Major goals and objectives, 3) Key measures and 4) a discussion and analysis. I hope to help Carson City utilize this methodology and become a model for other governmental entities.

STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
LORRAINE BAGWELL

3662 Jarrard Ct, Carson City NV 89701•775-883-9323•loribagwell@charter.net

Lorraine Bagwell

Experience

Dec 2008 - Present

Charley's Grilled Subs

Carson City, NV

Owner

- Hiring and Firing
- Training
- Accounting and Taxes

Oct 2007 - Jun 2009

Nevada Department of Corrections

Carson City, NV

Deputy Director Support Services

- Formulate, Develop and Implement a \$350 million annual budget
- Manage Purchasing, Budgeting, Information Services, Radio and Vehicle Maintenance and Food Services
- Prepared and presented oral and written testimony before Legislative Committees, Audit Committees and other Boards and Commissions

Apr 2001 - Oct 2007

Nevada Department of Corrections

Carson City, NV

Chief of Fiscal Services (ASO IV)

- Business Manager with responsibility for budgeting, accounting and fiscal management
- Testimony before Legislative Committees
- Developed Expenditures by analyzing historical fiscal data and trends and assessing program needs.

Jul 98 - Apr 01

Department of Administration, Budget
Division

Carson City, NV

STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
LORRAINE BAGWELL

Budget Analyst IV

- Develop, analyze and made recommendations on biennial budgets and expenditures for assigned agencies (DETR, Cultural Affairs, Dept. of Education, Courts)
- Implemented a new budget system (Nevada Executive Budget System)
- Evaluated agency operations for efficiency and effectiveness in reaching established goals and objectives, organizational structure and legislative intent.

Division of Child and Family Services

Carson City, NV

Sep 96 - Jul 98

Management Analyst IV

- Budget Preparation for 17 accounts
- Program Manager for Tanf and Title IVE (during conversion of federal program)
- Internal Control testing and verification
- Prepared procedures for staff positions

Department of Motor Vehicles & PS

Carson City, NV

Jan 95 - Sep 96

Tax Administrator I

- Implemented point of taxation change for collection of fuel taxes within 6 months of law passage
- Research, develop, evaluate and revise programs and prepare policies and procedures
- Liaison with computer unit for Motor Carrier Division

Department of Motor Vehicles & PS

Carson City, NV

Aug 94 - Jan 95

Auditor

- Development of Audit Program for IFTA and IRP
- Auditing of Carrier Accounts including documentation of Internal Controls

Department of Motor Vehicles & PS

Carson City, NV

May 93 - Aug 94

Revenue Officer

- Collection of delinquent debt
- Developed procedure for bad check and bankruptcy collections
- Special Assignment - developed budget for registration division

STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
LORRAINE BAGWELL

Jan 91 - Jan 96

Nevada Highway Patrol Association

Carson City, NV

Executive Director

- Accounting
- Development of Legislative Package and Presentation of Legislation

Jun 84 - May 90

Nevada Association of Counties

Carson City, NV

Budget Director/Taxation Specialist

- Accounting
- Preparation of Bill Draft Requests
- Legislative Testimony

Education

1992

Liberty University

Lynchburg, VA

BS in Business Administration

- Minor in Accounting (Western Nevada Community College and UNR)

References

References are available on request.

**STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
LORRAINE BAGWELL**

References

References listed are professionals I worked with during my employment.

Don Hataway (Deputy Director, State Budget Office)
510 Bulette Dr
Carson City NV 89701
775-882-5455

Robert Hadfield (Executive Director, NACO)
P.O. Box 424
Minden, NV 89423
775-782-5871

Greg Cox (Deputy Director Corrections and currently Director)
5500 Snyder Ave,
P.O. Box 7011
Carson City, Nevada, 89701
Telephone (775) 887-3285

STATEMENT OF QUALIFICATIONS (S.O.Q.)
CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
LORRAINE BAGWELL

List of current rates and charges to perform the 12-month engagement and meet the objectives.

I will provide a Liability Insurance Policy and Worker's Compensation certification as requested in the Statement of Qualifications if awarded a contract.

I can work at least 25 hours per week as requested. I will bill at an hourly rate of \$120. This rate will cover all costs associated with the performance of the proposed contract. No supplies, equipment or travel will be billed. Invoicing to occur by the 5th of each month for the prior month. Payment due by the 15th of each month.

Estimated manpower and expense matrix for the scope of work

It is difficult to estimate the amount of time needed for the requested work as the audits have not been identified by the city or committee in advance. I am aware of the budget and agree not to exceed the budget. I will work with the audit committee to determine the best plan to provide useful data and recommendations. I am estimating it will take approximately three weeks to develop a matrix to present to the Audit Committee to help guide me in selecting the first audit to be performed.

General description of approach to providing the internal audit function

The first approach is to catalog all city activities, by funding source and statutory requirement versus optional services and if the activity has established performance indicators and the last time the activity was audited/reviewed. Next, I will interview management for their ideas of areas that would benefit from an audit. I found often times management is aware of areas that could benefit from an audit, but have not had sufficient staff or time to perform the review. I will also review the strategic plan and results from the last few scorecard reports from Linda Ritter. I will then prepare a report to be reviewed with the Audit Committee to select the first series of audits. I estimate this process will take three weeks. It is my belief that all money expended by a governmental entity should have a reason and validation of its purpose. The city will be facing very difficult decisions during the next budget cycle and I would like to provide the Board and Audit Committee with recommendations based on effectiveness and efficiency of each activity. The data should help the Board, Department Managers and the Audit Committee make decisions that will benefit the citizens of Carson City. The city will have to trim expenses or raise taxes during the next budget and data can provide a solid benchmark for those decisions. I have had to prepare budget plans with 5-10% reductions in expenditures in the past. Without data, it would have been impossible to make good decisions. I believe I possess the unique qualifications and insights to provide the Board, Audit Committee, Managers and Carson City Taxpayers with information to help make the tough choices we will be facing in Carson City.

TECHNICAL EXCELLENCE. SUPERIOR SERVICE.

P B T K

PIERCY BOWLER
TAYLOR & KERN

Certified Public Accountants
Business Advisors

**STATEMENT OF QUALIFICATIONS
TO PROVIDE
THE INTERNAL AUDIT FUNCTION,
PERFORMANCE AUDITS,
AND
OTHER REQUESTED CONSULTING SERVICES**

**FOR THE
AUDIT COMMITTEE
OF
THE CITY OF CARSON CITY, NEVADA**

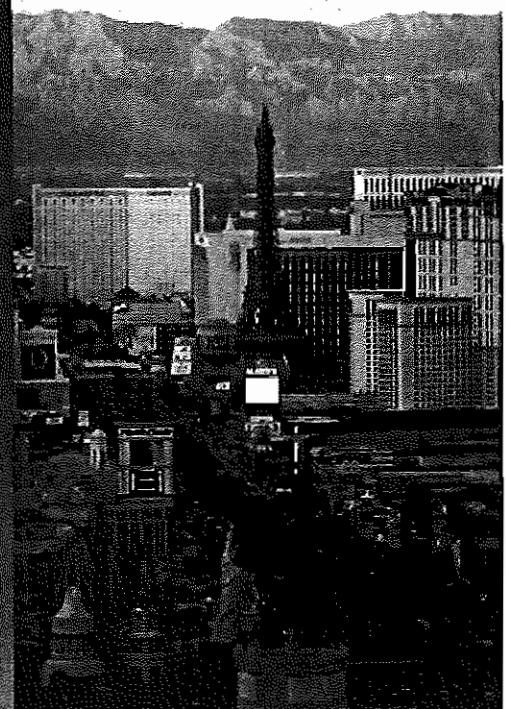
SUBMITTED BY:

**PIERCY BOWLER TAYLOR & KERN
6100 ELTON AVENUE
SUITE 1000
LAS VEGAS, NEVADA 89107
Telephone (702) 384-1120
Fax (702) 870-2474**

CONTACT PERSON:

**RICHARD H. BOWLER
EMAIL: rbowler@pbtk.com**

DUE 3:00 PM, OCTOBER 21, 2011



PIERCY BOWLER TAYLOR & KERN

**STATEMENT OF QUALIFICATIONS TO PROVIDE
THE INTERNAL AUDIT FUNCTION, PERFORMANCE AUDITS, AND REQUESTED
RELATED CONSULTING SERVICES**

**FOR THE
AUDIT COMMITTEE OF THE CITY OF CARSON CITY, NEVADA**

TABLE OF CONTENTS

| | Page |
|---|-----------|
| Introductory cover letter | 1 |
| | |
| Firm's Experience and Client References | 3 |
| | |
| Staff Qualifications and Experience | 5 |
| | |
| How We Would Approach the Engagement | 8 |
| | |
| Current Rates and Charges | 11 |
| | |
| Appendix A – Manpower and Expense Matrix | 12 |
| | |
| Appendix B – Peer Review Report | 15 |

P B T K

PIERCY BOWLER
TAYLOR & KERN

Certified Public Accountants
Business Advisors

October 21, 2011

Ken Belt, Purchasing and Contracts Manager
City of Carson City, Nevada
201 North Carson Street, Suite 3
Carson City, Nevada 89701

Dear Mr. Belt:

We welcome this opportunity to propose that our firm, Piercy Bowler Taylor & Kern (the Firm or PBTK), be retained to perform the internal audit function, including any required performance audits, and other consulting services as required or otherwise requested by the Audit Committee of the City of Carson City, Nevada (the City).

PBTK, which is headquartered in Las Vegas, Nevada with a satellite office in Salt Lake City, Utah, is recognized as a premier provider of accounting and business consulting services in Nevada, serving both local governments and not-for-profit entities. We believe that PBTK has distinguished itself as the "wise choice of several alternatives" for the City (and other government and not-for-profit entities) primarily for the following reasons.

Technical excellence, superior service. PBTK's commitment to quality client service is summed up in the following quotation, which is included in our "Statement of Firm Philosophy":

"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 . . ."

PBTK is the largest locally-owned accounting firm in southern Nevada, the third largest office of any Las Vegas firm, and one of the largest in Nevada. As the successor to the local practice of a national firm with a long and solid history, we currently employ 61 people, including over 31 CPAs, nine audit principals (some with over 40 years of experience with government and not-for-profit entities), nine managers and 13 audit associates. Accordingly, we possess the necessary "critical mass" to assure the quality and timeliness of our client service, combined with the knowledge and experience obtained from decades of working in an international firm environment, all of which is offered to our clients at local practitioner billing rates.

We believe our experience with and knowledge of financial and accounting issues of, and our service commitment to, the government and not-for-profit sector of American society, particularly those indigenous to the state of Nevada, is substantially greater than our competitors.

Ken Belt, Purchasing and Contracts Manager
City of Carson City, Nevada
October 21, 2011

We fully understand that accounting and business consulting services performed for entities that receive public and government assistance differ in material respects from traditional financial statement audits performed for "for-profit" business enterprises. The most significant differences are in the accountant's objectives and responsibilities. They are manifested primarily in the increased awareness of the importance of the client's internal control and the degree of its compliance with certain statutory, regulatory and contractual requirements imposed by its funding sources and others functioning on their behalf. We know that to meet these increased responsibilities, we must have a clear understanding of the complex special standards and requirements and be able to properly apply that understanding.

Responsiveness. Our philosophy is to put more knowledge and experience on each engagement 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 better than our competitors, and our quality assurance processes are designed to achieve that result. As opposed to the "pyramid" personnel structure of the large national firms, ours looks more like a cylinder. Instead of having a large number of inexperienced staff per partner, we have a similar number of personnel in three categories, principals (our highest technical designation) and managers, mid-managers (referred to as "senior associates") and less experienced staff (referred to as "associates").

As a result, we believe that, compared to our competition, our principals and managers are more directly involved with our clients on a continuing basis, and accordingly, we believe we are more responsive than our competition. Our engagement principals take great pride in being available to our clients and providing superior and timely service. Experience has taught us that our clients are most effectively served if our most experienced engagement management personnel are actively involved.

Value. Our philosophy is to give our clients good value for their fee dollar. This means meeting or exceeding client's reasonable expectations and deadlines with a minimum of disruption, keeping fees as low as possible, and delivering a quality product that can withstand close scrutiny and meet all applicable professional standards, as well as the needs of expected users and the interests of the public at large. We undertake only those engagements we can reasonably expect to complete with appropriate professional competence.

Please note that the undersigned, Richard H. Bowler, is authorized to bind Piercy Bowler Taylor & Kern to the content of this proposal and any contractual agreement to be executed by the City upon the selection of Piercy Bowler Taylor & Kern. This proposal is a firm and irrevocable offer for ninety days.

We appreciate this opportunity to express our interest and to submit our proposal. If we can provide additional information, please contact us.

Enclosed is our statement of qualifications, organized as shown in the table of contents, including our understanding of the objectives and scope of the engagement, our approach to the engagement, and our qualifications to effectively perform the engagement.

Very truly yours,



Richard H. Bowler, Principal

Piercy Bowler Taylor & Kern (PBTK or the Firm) is a regional firm, with offices in Las Vegas, Nevada and Salt Lake City, Utah. The Las Vegas office of our predecessor national firm was established in 1954, merging in the practice of a local firm, which had gained a solid reputation in government and not-for-profit accounting and auditing. Our office in Salt Lake City was recently established and also specializes in government and not-for-profit accounting and auditing.

PBTK is a general practice with emphases in government, not-for-profit, gaming, hospitality, real estate, construction, and law firm litigation support. PBTK provides a variety of services to its clients including accounting, auditing, taxation, business advisory, financial planning, and valuation services. In addition, members of our Firm have conducted seminars and undertaken speaking engagements for numerous organizations and have served on committees concerned with government accounting and auditing for the American Institute of Certified Public Accountants (AICPA), the Nevada Society of Certified Public Accountants and the Government Finance Officers Association.

The principals of PBTK have been established and practicing in the Las Vegas area for periods up to 45 years and are listed as follows:

| | | |
|---------------------|-----------------------|--------------------|
| James Andrus (Utah) | Jay Beltz | Richard H. Bowler |
| Troy Crowther | Thomas M. Donohue | Jeffrey B. Edwards |
| Martha J. Ford | Mark Hashimoto (Utah) | Michael W. Kern |
| Thomas LaPlaca | Howard B. Levy | William M. Nelson |
| Kathe Nylen | Kelly G. Parker | L. Ralph Piercy |
| Mike Rosten | Scott W. Taylor | James W. Wilcox |

PBTK personnel complement is as follows:

| | |
|----------------------|-----------|
| Principals | 18 |
| Managers | 9 |
| Professional staff | 23 |
| Administrative staff | <u>11</u> |
| | <u>61</u> |

PBTK government and not-for-profit audit staff is as follows:

| | |
|--------------------|-----------|
| Principals | 5 |
| Audit team leaders | 4 |
| Professional staff | <u>13</u> |
| | <u>22</u> |

PBTK is a member of DFK International/USA, an international association of traditional independent accounting and auditing firms. The Firm's membership in this group enhances our worldwide reach, provides us with additional resources, and expands the world of opportunity for our clients.

PBTK is also a member of the Center for Public Company Audit Firms of the AICPA, and a registered firm with the Public Companies Accounting Oversight Board (PCAOB). As such, PBTK is subject to the most intensive practice monitoring (peer review and inspection) programs. The Firm's latest peer review was completed in September 2010, included several government and not-for-profit engagements, and resulted in an unqualified opinion. A copy of the peer review report is included as Appendix B.

The Firm represents that it is a properly licensed certified public accounting firm in the State of Nevada (license number CORP-0299). This license was issued December 1, 1990 and has been renewed through December 31, 2011.

The Firm represents that it meets the continuing education requirements and external quality control review requirements of the Nevada State Board of Accountancy.

Our Firm has had considerable experience in providing services to state and local government organizations within Nevada. The five most significant government and not-for-profit entities that are similar to the City for which we recently performed audit services are as follows:

| <u>Engagement Client</u> | <u>Scope of Work</u> | <u>Date</u> | <u>Principal</u> | <u>Total Hours</u> | <u>Engagement Contact</u> |
|--|---|-------------------------------|------------------|--------------------|-----------------------------------|
| City of North Las Vegas, Nevada ⁴ | FS ² Audit ³ /A-133 Audit | YE 6/30/10 and prior 14 years | James Andrus | 1,500 | Al Nayola (702) 633-1170 |
| University Medical Center | FS ² Audit ³ /A-133 Audit | Y/E 6/30/10 and prior 3 years | Richard Bowler | 1,826 | Floyd Stevens (702) 383-2797 |
| City of Henderson, Nevada ⁴ | FS ² Audit ³ /A-133 Audit | Y/E 6/30/10 | Tom Donohue | 1,535 | Richard A. Derrick (702) 267-1708 |
| Las Vegas Valley Water District ⁴ | FS ² Audit ³ /A-133 Audit | Y/E 6/30/10 and prior 5 years | Tom Donohue | 875 | Grant Couch (702) 258-3119 |
| Las Vegas Convention and Visitors Authority ³ | FS ¹ Audit ² | Y/E 6/30/10 and prior 3 years | Martha Ford | 800 | Brenda Siddall (702) 892-2990 |

Some other government and not-for-profit entities for which we have also performed financial and compliance audits in the past are as follows:

Southern Nevada Water Authority
Clark County Water Reclamation District
Regional Transportation Commission of Southern NV
Foundation for an Independent Tomorrow
University of Southern Nevada

Clark County Department of Aviation
City of Henderson, Nevada
Boulder City Library District
Colorado River Commission of Nevada
State Bar of Nevada

Many of the Firm's government and certain "for profit" business clients have issued public bonds and, accordingly, we have extensive experience in designing and performing appropriate procedures enabling us to report on compliance with many types of bond covenants and other requirements.

No professional services have been performed for the City by PBTK in the last five years.

If selected for this engagement, the Firm would become appropriately licensed and pay a business license fee to the City and provide proof of required insurance coverage.

¹ FS = Financial Statement

² Performed in accordance with *Government Auditing Standards*

³ Recipient of the GFOA certificate of achievement for excellence in financial reporting

Our philosophy is to put more knowledge and experience on each engagement 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. The Firm engages in extensive recruitment for proven academic performers who have demonstrated leadership qualities during their years of formal education.

To maintain quality of staff and provide superior service, we strive to maintain continuity of staff on each engagement from year-to-year. During the past several years, we have experienced very little turnover, which affords us the luxury of maintaining the composition of the supervisory personnel on engagement teams. This ensures the decision-makers are informed, and minimizes the burden on your staff in terms of answering the same questions repeatedly. In addition, because of our Firm's government and not-for-profit practice concentration, the majority of our professional staff has significant experience in engagements with such entities.

We have identified the following personnel to be assigned to your engagement. These personnel are all properly licensed to practice as certified public accountants in the state of Nevada, and substitutions will not be made without prior approval by management of the City. Each professional has been carefully selected based upon our analysis of that individual's qualifications to meet your needs:

Engagement Principal

Thomas M. Donohue, CPA, CIA

Engagement Principal

Martha J. Ford, CPA, CFE

Engagement Team Leader

Aaron Lee, CPA, CFE

General and specialized training programs are attended by all professional staff. Each principal and member of our professional staff is required to participate in a minimum of 80 hours of continuing professional education every two years and, as required by *Government Auditing Standards*, those individuals directly involved with government audits receive the necessary specialized training (24 hours every two years) relating to the government environment and government auditing.

The following are brief summaries of the relevant qualifications of the individuals selected to be responsible for providing the proposed services to the City. Additional biographical information can be obtained from our website (www.pbtk.com):



Thomas M. Donohue, CPA, CIA. Mr. Donohue joined the Firm in January 1998. He is a shareholding principal in the Firm's Las Vegas office, with significant experience with many of the Firm's larger government audit engagements. His experience includes compiling the statistical section for governments for their Comprehensive Annual Financial Report.

Mr. Donohue is a Certified Internal Auditor (CIA) and is also the Firm's practice leader with respect to gaming regulatory compliance (i.e., internal audit) engagements, including Title 31 anti-money laundering compliance. His role also includes supervision of internal audit functions of six casinos operated by Marriott International, Inc.

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.

A representative list of his government audit clientele includes the following:

- Colorado River Commission*
- City of Henderson*
- City of North Las Vegas*
- Las Vegas Valley Water District*
- Southern Nevada Water Authority*
- Southern Nevada Health District*

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

Mr. Donohue graduated from the University of Nevada, Las Vegas, with a Bachelor of Science degree in Business Administration (accounting emphasis). Mr. Donohue has also been a guest lecturer on accounting and auditing topics for Horwath International.



Martha J. Ford, CPA, CFE. Ms. Ford joined the Firm in December 2000, and is an audit principal with the Firm with over 10 years of experience in government and not-for-profit financial and compliance auditing.

Ms. Ford has been extensively involved in audit, review, compilation, and other attest services. She is responsible for a wide variety of audit, accounting and other Firm engagements and assuring that they are completed in accordance with the standards of the Firm and the profession. She is also actively involved in the design, update and implementation of the Firm's audit practice aids.

Ms. Ford's professional experience with governmental and not-for-profit (including Single Audit) clients include the following:

Las Vegas Convention and Visitors Authority^{1,2}

The Meadows School

Boulder City Library District²

City of North Las Vegas^{1,2}

Las Vegas-Clark County Library District^{1,2}

Las Vegas Valley Water District^{1,2}

Southern Nevada Water Authority^{1,2}

workforce CONNECTIONS²

¹ Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

² Performed in accordance with *Government Auditing Standards*.

Professionally, Ms. Ford is a certified public accountant in Nevada and a Certified Fraud Examiner. Ms. Ford is a member of the American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Nevada Society of Certified Public Accountants and the Nevada Government Finance Officers Association. She has a Bachelor of Science in Business Administration, Accounting (Magna Cum Laude) and a Master of Science, Accounting from the University of Nevada, Las Vegas.



Aaron Lee, CPA, CFE. Mr. Lee joined the Firm in January 2008. He is a *Senior Associate* in the Firm's Las Vegas office, with experience with a few of the Firm's larger government audit engagements.

Mr. Lee's experience includes performing audit procedures for governments and their Comprehensive Annual Financial Report.

Mr. Lee is a member of the American Institute of Certified Public Accountants (AICPA), the Nevada Society of Certified Public Accountants and the Association of Certified Fraud Examiners (ACFE) and is a certified public accountant licensed to practice in the state of Nevada.

A representative list of his government audit clientele includes the following:

- Colorado River Commission*
- City of North Las Vegas*
- Las Vegas Valley Water District*
- Southern Nevada Water Authority*

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

Mr. Lee graduated from Brigham Young University - Idaho, with a Bachelor of Science degree in Accounting.

As represented by the City's request for statement of qualifications, the internal audit function shall consist of the following:

- Investigate each office and department of the City to determine compliance with the accounting procedures manual.
- Recommend modifications to the accounting procedures manual, which would, in the opinion of the internal auditor, improve the effectiveness and efficiency of accounting and reporting and internal controls.
- At the direction of the Audit Committee and the Board, conduct special investigations into any financial matter of any office or department of the City.
- Perform other duties as directed by the Audit Committee and the Board.

We would perform the internal audit function on behalf of the Audit Committee of the City. This would include assisting the Audit Committee in the determination of the City funds, functions, departments and programs that would be audited and the nature and scope of the audits performed. Depending upon the circumstances and expressed objectives of the Audit Committee, we might perform financial audits, performance audits, compliance audits, fraud investigations or consulting services relating to internal controls over financial, performance or compliance information and activities. Regardless of the nature or scope of any audit, we would be alert to internal control deficiencies that might be revealed during the course of that audit, even if the identification of such deficiencies was not the primary objective the audit.

We would prepare and present an annual audit plan to the Audit Committee. This plan would identify the proposed areas to be audited, focusing on the audit of performance as outlined in the City's strategic plan with direction from the Audit Committee.

In planning and scheduling the audits, we would perform a risk analysis of the City's individual funds, functions, departments and programs. This analysis would allow us to assist the Audit Committee in prioritizing the audit schedule. Those areas that are determined to be exposed to higher risks of financial loss through fraudulent activities, inadvertent error, waste of resources, including the time of City employees, more extensive regulatory compliance requirements, or otherwise would receive higher priority.

We would perform our audits in accordance with Generally Accepted Auditing Standards and Attestation Standards of the American Institute of Certified Public Accountants, Government Auditing Standards of the United States Government Accountability Office, including performance auditing standards, and Internal Auditing Standards of the Institute of Internal Auditors. All of the above auditing standards contain information relating to the evaluation of internal controls that would be incorporated in the audits that we perform.

Since the City is particularly interested in audits that focus on areas of program effectiveness and efficiency, ordinarily referred to as performance audits, we would be alert to those areas where performance audits would be effective in providing particular benefits to the City. Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate

evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses. A performance audit may have more than one overall objective. For example, a performance audit with an objective of determining or evaluating program effectiveness may also involve an additional objective of evaluating internal controls to determine the reasons for a program's lack of effectiveness or how effectiveness can be improved. We would assist the Audit Committee in identifying those areas where performance audits would be appropriate, the relevant audit objectives, including opportunities to efficiently address multiple objectives, and the appropriate criteria for evaluating performance.

Program effectiveness and results audit objectives are frequently interrelated with economy and efficiency objectives. Audit objectives that focus on program effectiveness and results typically measure the extent to which a program is achieving its goals and objectives. Audit objectives that focus on economy and efficiency address the costs and resources used to achieve program results. Internal control audit objectives relate to an assessment of one or more components of an organization's system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations. Compliance audit objectives relate to an assessment of compliance with criteria established by provisions of laws, regulations, contracts, or grant agreements, or other requirements that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Prospective analysis audit objectives provide analysis or conclusions about information that is based on assumptions about events that may occur in the future, along with possible actions that the entity may take in response to the future events.

Criteria represent the laws, regulations, contracts, grant agreements, standards, specific requirements, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations included in the report.

We would assign sufficient staff with adequate collective professional competence to perform each audit. In staffing the audits, we would consider, among other things a) assigning staff with the collective knowledge, skills, and experience appropriate for the job, b) assigning a sufficient number of staff and supervisors to the audit, c) providing for on-the-job training of staff, and d) engaging specialists when needed. We would provide sufficient guidance and direction to staff assigned to each audit to address the audit objectives and follow applicable requirements, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training.

We would provide information to the Audit Committee by monthly written reports and at each quarterly Audit Committee meeting as to the status of each audit or other investigation, including immediate notification of any difficulties encountered, including any internal control deficiencies discovered. After the completion of each audit, we would provide a written report prepared in accordance with standards provided by the Institute of Internal Auditors. Such reports would set forth the nature, scope and objectives of the audit, describe the circumstances and conditions under which the audit was performed, the specific audit procedures applied, and the results of the audit, including any deficiencies in internal

control or other matters discovered, with recommendations to the Audit Committee for appropriate remedial actions, as well as any related management responses.

We would provide additional administrative support services such as the following:

1. Working with the City's strategic planner to identify and implement appropriate performance measures, including budgetary performance measures,
2. Providing input regarding the City's annual independent financial statement audit,
3. Evaluating the City's fiscal stability and wellbeing,
4. Establishing a process to evaluate the legal and ethical conduct of City staff and the City's internal controls, with an emphasis on potential fraud, waste and abuse,
5. Reviewing and making recommendations about City Ordinance Chapter 2.14 for possible revisions to include identifying possible fraud, waste and abuse,
6. Making recommendation for additional requirements, and other revisions and clarifications as appropriate, for membership on the Audit Committee to include experience in the management of government organizations, including budgetary and operational matters, and
7. Providing clerical services as needed to support the Audit Committee.

We understand that the engagement will be for a term of one year, presumably beginning upon our obtaining a signed engagement letter. Since it is estimated that the minimum time required for performance of the engagement during that year would be 25 hours per week, we would expect to, and hereby commit to, provide a minimum of 1,300 hours of professional services during the term of the engagement. We would commit our availability to the Audit Committee at any time, by telephone, Email, or personal appearance, allowing for travel time, during the term of the engagement. However, for the sake of efficiency, we would expect to perform the required audits in concentrated blocks of time throughout the year. This would include some weeks in which we would devote much more than 25 hours, with several of our staff involved, and some weeks where we would not be performing any services at all.

| <u>Name</u> | <u>Position</u> | <u>Current Standard Billing Rate</u> | <u>Discounted Billing Rate for This Engagement</u> |
|-------------------|-----------------|--|--|
| Thomas M. Donahue | Shareholder | \$ 370 | \$ 200 |
| Martha J. Ford | Principal | 320 | 200 |
| Aaron Lee | Senior | 150 | 100 |
| Others | Associates | 100 | 70 |

Although, since our main office is in Las Vegas, Nevada, we would incur travel and subsistence cost in performing the engagement, in the interest of being competitive with more contiguous providers, we would not charge the City for such costs. We would, however, charge for administrative support, such as supplies and personnel, at our cost. Please see estimates of these administrative costs in the attached manpower and expense matrix (Appendix A).

APPENDIX A
MANPOWER AND EXPENSE MATRIX

STATEMENT OF QUALIFICATIONS
 CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
 APPENDIX A
 HYPOTHETICAL ESTIMATED MANPOWER AND EXPENSE MATRIX

| Week Ending ¹ | Function/Project ² | Manpower Requirements (Hours) | | | | | Total |
|--------------------------|---|-------------------------------|----------------|-------------|------------|----|-------|
| | | Principal, CIA | Principal, CFE | Team Leader | Associates | 2 | |
| 12/9/2011 | Preparation for initial meeting with A/C ³ | 4 | 4 | 4 | 2 | 14 | |
| 12/16/2011 | Initial meeting with A/C | 2 | 2 | 2 | | 6 | |
| 12/23/2011 | | | | | | | |
| 12/30/2011 | Monthly report to A/C | 1 | 1 | 2 | 1 | 5 | |
| 1/6/2012 | | | | | | | |
| 1/13/2012 | Completion of risk analysis | 2 | 12 | 20 | 10 | 44 | |
| 1/20/2012 | Review of A/C organization and processes | 1 | 4 | 12 | 8 | 25 | |
| 1/27/2012 | Review of Accounting Procedures Manual | 2 | 10 | 20 | 16 | 48 | |
| 2/3/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | |
| 2/10/2012 | | | | | | | |
| 2/17/2012 | Review of budget process | 4 | 10 | 12 | 4 | 30 | |
| 2/24/2012 | Treasurer's office audit | 2 | 4 | 10 | 30 | 46 | |
| 3/2/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | |
| 3/9/2012 | | | | | | | |
| 3/16/2012 | | | | | | | |
| 3/23/2012 | Purchasing and contracts audit | 2 | 4 | 10 | 40 | 56 | |
| 3/30/2012 | Clerk/Recorder audit | 2 | 4 | 10 | 30 | 46 | |
| 4/6/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | |
| 4/13/2012 | | | | | | | |
| 4/20/2012 | Risk management audit | 2 | 4 | 16 | 30 | 52 | |
| 4/27/2012 | Justice Courts audit | 2 | 4 | 12 | 36 | 54 | |
| 5/4/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | |
| 5/11/2012 | | | | | | | |
| 5/18/2012 | | | | | | | |
| 5/25/2012 | Assessor's office audit | 2 | 4 | 10 | 40 | 56 | |
| 6/1/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | |
| 6/8/2012 | | | | | | | |
| 6/15/2012 | Business Development audit | 2 | 4 | 16 | 36 | 58 | |
| 6/22/2012 | Library audit | 2 | 4 | 10 | 40 | 56 | |
| 6/29/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | |
| 7/6/2012 | | | | | | | |
| 7/13/2012 | Information Technology audit | 2 | 4 | 10 | 36 | 52 | |
| 7/20/2012 | Parks and Recreation audit | 2 | 4 | 16 | 36 | 58 | |

STATEMENT OF QUALIFICATIONS
 CITY OF CARSON CITY INTERNAL AUDIT FUNCTION
 APPENDIX A
 HYPOTHETICAL ESTIMATED MANPOWER AND EXPENSE MATRIX

| Week Ending ¹ | Function/Project ² | Manpower Requirements (Hours) | | | | | | Total |
|--------------------------------|-------------------------------|-------------------------------|----------------|-------------|------------|-----------------------|------------|-------|
| | | Principal, CIA ³ | Principal, CFE | Team Leader | Associates | 2 | 10 | |
| 8/3/2012 | Monthly report to A/C | 2 | 2 | 2 | 2 | | | |
| 8/10/2012 | | | | | | | | |
| 8/17/2012 | District Courts audit | 2 | 4 | 12 | 36 | 54 | | |
| 8/24/2012 | Public Works audit | 2 | 4 | 12 | 40 | 58 | | |
| 8/31/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | | |
| 9/7/2012 | | | | | | | | |
| 9/14/2012 | CAFR review | 2 | 4 | 16 | 38 | 60 | | |
| 9/21/2012 | Welfare audit | 2 | 4 | 16 | 44 | 66 | | |
| 9/28/2012 | Sheriff audit | 2 | 4 | 10 | 36 | 52 | | |
| 10/5/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | | |
| 10/12/2012 | | | | | | | | |
| 10/19/2012 | Community Health audit | 2 | 4 | 10 | 30 | 46 | | |
| 10/26/2012 | Fire Department audit | 2 | 4 | 10 | 30 | 46 | | |
| 11/2/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | | |
| 11/9/2012 | | | | | | | | |
| 11/16/2012 | Animal Services audit | 2 | 4 | 10 | 30 | 46 | | |
| 11/23/2012 | Human Resources audit | 2 | 4 | 10 | 40 | 56 | | |
| 11/30/2012 | Monthly report to A/C | 2 | 2 | 4 | 2 | 10 | | |
| Total hours | | 76 | 141 | 342 | 741 | 1300 | | |
| Discounted billing rates | | \$ 200 | \$ 200 | \$ 100 | \$ 70 | \$ 99.59 ⁴ | | |
| Estimated fees for services | | \$ 15,200 | \$ 28,200 | \$ 34,200 | \$ 51,870 | 129,470 | | |
| Administrative costs | | | | | | 1,530 | | |
| Estimated total fees and costs | | | | | | | \$ 131,000 | |

¹Time schedule is dependent upon starting date and final determination of functions and projects to be performed.

²Functions and projects on this schedule are hypothetical and subject to review and approval by the Audit Committee.

³Audit Committee.

⁴Overall weighted average billing rate.

APPENDIX B
PEER REVIEW REPOR

HANSEN, BARNETT & MAXWELL, P.C.

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS
5 Triad Center, Suite 750
Salt Lake City, UT 84180-1128
Phone: (801) 532-2200
Fax: (801) 532-7944
www.hbmcpas.com

Registered with the Public Company
Accounting Oversight Board



SYSTEM REVIEW REPORT

September 23, 2010

To the Shareholders of
Piercy Bowler Taylor & Kern
CPAs and Business Advisors
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Piercy Bowler Taylor & Kern CPAs and Business Advisors (the firm) in effect for the year ended June 30, 2010. Our review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of performing and reporting in conformity with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitation of and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*; and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Piercy Bowler Taylor & Kern CPAs and Business Advisors in effect for the year ended June 30, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Piercy Bowler Taylor & Kern has received a peer review rating of *pass*.

Hansen, Barnett & Maxwell, P.C.