



SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT

Agenda Item Summary

Meeting Date: 2/9/2016

Meeting Type: Special Regular

Item Title: Discussion and possible action to approve an external forensic auditor for the purpose of conducting the district's external forensic audit of the South San Antonio ISD 2010 Bond Program proceeds, purchases, transactions, and testing of district internal controls as outlined in the TEA Special Accreditation Investigation Corrective Action Plan, dated November 6, 2015.

Purpose: Discussion/ Possible Action Recognition Report Only

Requested By: Jesus Salazar, Chief Financial & Business Operations Officer

Presenter(s): Dr. Abelardo Saavedra

Description of item to include your specific request:

Request for qualifications received were reviewed and ranked according the selection criteria listed in the packet. The ranking were submitted to TEA for review and authorization. TEA authorized the District to hire firms from the list as submitted with the exception of ABIP, LLC due to the firm lacking the necessary independence.

Administration is requesting approval to contract with RSM US, LLP for the forensic auditing services.

Supporting Documentation Enclosed

Please select the appropriate District Goal(s):

Choose an item.
Choose an item.
Department Initiatives/Other:

Funding source-program and/or Budget Code:

CFO Approval

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ROUTE APPROVAL

SIGNATURE

DATE

Principal/Director:

Executive Director:

Chief Administrator:

Superintendent:

Jesus Salazar

Abel Saavedra

2-5-2016

2-5-2016

**External Forensic Auditor
Request for Qualifications 2016-02**

CRITERIA FACTORS FOR SELECTION	Total Points Value	Don B. Southerland Jr. CPA, CFE Plano, Texas	RSM US LLP Texas Houston,	KPMG, LLP Houston, Texas
The dollar amount is an estimate submitted by proposer.		\$500,000 to \$600,000	\$ 238,970.00	\$ 498,400.00
Proposed Services (35 maximum points)				
A. Executive Summary - Did the proposer provide an Executive Summary outlining: Staffing, qualifications, persons that will be assigned to the project, and timeline to complete the audit on or before August 15, 2016?	25	10	20	20
		Proposer met criteria but did not provide timeline.	Proposer met criteria and provided a summary outlining their approach.	Proposer met criteria and provided a summary outlining their approach.
B. Vendor Requirements - Were the seven (7) vendor components addressed?	10	10	10	10
		Yes	Yes	Yes
Management Component - (30 maximum points)				
A. Scope of Work Description - Did the proposer identify the following Project Planning Approach? Project planning and initial data gathering, Risk Assessment, Assessing the design and evaluation of initial forensic investigation, Substantive testing, Reporting, Presentation and Meetings, Deliverables, and Fraud Risk Assessment Tools?	10	4	8	7
		No, proposer did not provide details of scope of work and approach.	Proposer provided a detailed scope of work and addressed all areas.	Proposer provided a detailed scope of work and addressed all areas. Vendor has exceptions and cannot give advise.
B. Forensic Audit Approach - Did the proposer identify the following Scope of Work: Procurement Process, Payment Applications, Change Orders, Allowances, Schedule, Owner-supplied and stored materials, Budget, Accounting for construction in progress, and Contract Close-out?	10	2	8	7
		No, proposer did not provide information.	Yes, proposer addressed and provided detailed scope of work.	Yes, proposer addressed and provided detailed scope of work.
C. Proposer experience in forensic auditing	10	10	10	10
		Yes	Yes	Yes
Cost Effectiveness, Appropriateness of Resources, and Compensation terms (35 maximum points)				
A. Compensation Terms - Did the proposer provide detail pricing and/or compensation terms? Are the proposers willing to negotiate terms, conditions and scope of work?	35	4	19	9
		A fee schedule was provided but estimate is high.	A fee schedule was provided price estimate is moderate.	A fee schedule was provided price estimate is high.
Possible Points = 100	100	40	75	63

COPY



December 9, 2015

Ms. Manuela Romero
Director of Purchasing
South San Antonio ISD
5622 Ray Ellison Blvd
San Antonio, Texas 78242

RSM US LLP

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Suite 800
Dallas, TX 75240
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Dear Ms. Romero:

RSM US LLP (RSM) appreciates the opportunity to present our statement of qualifications and experience with respect to the South San Antonio Independent School District (SSAISD) need for forensic auditing services as detailed in the SSAISD RFQ #2016-02 (RFQ). In order to meet your audit requirements, you need a trusted, reliable professional services firm for this effort. RSM has the resources, knowledge and experience to successfully complete your audit work. RSM is large enough to have superior people, tools and technologies, while small enough to care about our clients and provide significant value at a fair price. You will find that this is a major factor that distinguishes us from the competition.

This document discusses our firm, qualifications and proposed team to serve you, and details the reasons we believe RSM is best suited for this engagement. Here, we want to highlight several differentiators that make RSM the right choice for you.

In working with RSM, you will benefit from our construction cost risk advisory services and our forensic service practice—both are established full-time service lines that are staffed with professionals dedicated exclusively to the audit of construction costs and projects. Your dedicated engagement team will comprise a unique combination of Certified Public Accountants, Certified Fraud Examiners, professional engineers, Certified Construction Auditors, construction risk management professionals, construction project managers and other nationally recognized industry experts.

The following response to your request for qualifications reflects our understanding of your needs, our experience and expertise in this area, and illustrates the approach we will take in providing professional services for SSAISD. As described in the attached materials, our experience with construction cost auditing and project consulting uniquely qualifies us to serve SSAISD's needs.

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Ms. Manuela Romero, Director of Purchasing
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As background for your decision-making process, you may also wish to consider the following:

RSM background

RSM is a leading provider of accounting, tax and consulting services across the nation. RSM currently has more than 8,000 professionals serving clients from offices in 80 cities nationwide. RSM employs a concept of service predicated on the personal attention of our people to the needs of our clients. Our ratio of partners and directors to professional staff enables us to provide each client, regardless of size, with services under the personal supervision of a partner or director. By maintaining close professional contact, we pride ourselves in striving to develop services that are truly responsive to your needs. We have the breadth of experience and depth of knowledge to deliver the proactive, industry-specific service that you deserve.

Precise expertise

RSM was chosen winner of the "2014 Corporate International Magazine Global Award: Construction Sector Advisory Firm of the Year in the USA". We have successfully executed hundreds of similar engagements for public and private new construction and renovation projects. Our clients include Texas Tech University System, Texas State University System, The Texas A&M System, University of North Texas System, Broward County School District, Brevard County School District and Osceola County School District. Our proposed team has recently presented at the National School Board Conference and had an article published in the American School Board Journal on the topic of construction fraud.

Local strength supplemented by national resources

We have been providing professional services to companies and organizations for more than 85 years and have offices in 80 cities across the nation from which we can draw upon for resources. By selecting RSM to provide construction and forensic consulting audit services, you will receive the benefits of our local presence supplemented with the technical expertise of our nationally recognized construction cost audit experts.

Experienced individuals to serve you

We have selected a dedicated team of professionals with direct construction cost audit experience to serve you full-time. Our staffing philosophy and qualified personnel sets us apart from our competitors and enables us to compose a team that is best suited to address your needs. The project team has over 100 years of directly applicable experience performing the exact services required.

Our commitment to effective planning and communication

Our approach is based upon early planning and continuous communication with management. At the kick-off meeting, we will discuss with you the timing, planning and key aspects of the engagement. We will hold regular weekly or bimonthly status meetings with management to review the progress of the engagement. At the completion of fieldwork, we will hold a wrap-up meeting to discuss our findings to date and report production issues. All reports will be reviewed with you in draft form before issuing in final

Ms. Manuela Romero, Director of Purchasing
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form. Our commitment to continuous and effective communication ensures that there will be no surprises in the audit process.

Our commitment to quality service

We are very excited about the opportunity to serve SSAISD and we are committed to providing you with quality service. We believe we have talented people and the appropriate experience to provide you with best-in-class service at a fair and competitive price.

Our team looks forward to building a long-term relationship with SSAISD and delivering value for your organization now and well into the future. Once you have had the opportunity to review this proposal, we would be pleased to discuss your needs in greater detail or make a presentation to your team. The contact person for this proposal will be Greg Schuelke. Mr. Schuelke is a leader in RSM's Central Region Financial Investigations and Disputes practice and is based in Houston, Texas. He can be contacted at 713 375 9952 or by email Greg.Schuelke@rsmus.com.

Sincerely,

RSM US LLP

Gregory R. Schuelke, CPA/CFF, CFE
Director
Greg.Schuelke@rsmus.com
713 625 3500

Ms. Manuela Romero, Director of Purchasing
SSAISD
December 9, 2015
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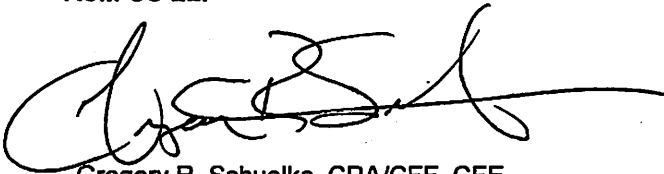
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Sincerely,

RSM US LLP



Gregory R. Schuelke, CPA/CFF, CFE
Director
Greg.Schuelke@rsmus.com
713 625 3500

Questions/Request for Additional Information:

Any questions regarding this RFQ should be submitted in writing to Manuela Romero, Director of Purchasing, via facsimile to (210) 353-1206 or electronically to mromero@southsanisd.net

Submission Guidelines:

Proposals should be submitted in writing as a "hard copy". Interested firms must provide one (1) original response and four (4) copies of the response. Copies must be identical to the original in all respects. Copies should be labeled "original" and "copy" respectively.

Proposals must be submitted sealed in an envelope addressed as follows with the title and number of this RFQ written clearly on the exterior of the envelope:

RFQ-2016-02 External Forensic Auditor


Attn: Manuela Romero, Director of Purchasing
SSAISD
5622 Ray Ellison Blvd.
San Antonio, TX 78242

Submission Deadline:

All sealed responses must be received by the SSAISD Purchasing Department no later than **2:00 pm CST on December 09, 2015**. Submissions received after that date and time will be considered unresponsive and rejected as such.

Other:

By signing below, the Proposer affirms the firm or individual has not participated in any act of collusion, favoritism, any gratuity and/or conflicts of interest with any SSAISD staff, includes Superintendent, Chief of Staff, Chief Financial Officer, Chief Academic Officer, or Director of Purchasing or its Board of Trustees.



Signature of Authorized Company Representative

Gregory R. Schuelke
Print Name

Director
Title

12/8/2015
Date



Request for Qualifications External Forensic Auditor

South San Antonio Independent School District

December 9, 2015

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RSM

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EXECUTIVE SUMMARY

RSM

RSM US LLP (RSM) is the leading provider of audit, tax and consulting services focused on the middle market, with more than 8,000 people in 80 offices nationwide. We are a licensed CPA firm and the U.S. member of RSM International, a global network of independent audit, tax and consulting firms with more than 37,000 people in over 110 countries.

RSM uses its deep understanding of the needs and aspirations of clients to help them succeed. Our growth has been the result of our ability to provide our clients with combined expertise, personal attention and quality services. Over the past 85 years, RSM has earned nationwide recognition as an expert service provider with the skill sets that are critical for this engagement.



Financial Advisory Services and Construction Risk Advisory Service

We are combining the experience of our Financial Advisory Services and Construction Risk Advisory Services Group for this engagement. The Financial Advisory Services and Construction Risk Advisory Services Groups have extensive experience providing forensic accounting, financial investigations, fraud detection and analysis and dispute resolution services to lenders and debtors. This experience includes performing fraud and forensic accounting investigations, as well as serving as an expert witness. Our professionals have extensive experience in assisting clients in investigating and identifying issues related to accounting abnormalities, financial improprieties and matters involving fraud.

Our Construction Risk Advisory Services Group has extensive experience in validating cost invoiced by contractors and vendors to the owner. Specifically, we have extensive experience in validating labor cost

and labor hours. Our professionals hold a variety of professional designations, including Certified Fraud Examiner (CFE) and Certified Internal Auditor (CIA).

RSM provides advisory services to owners, developers and lenders focused on evaluating and assessing construction programs, projects and costs, resolving issues and disputes originating from large complex construction programs and projects. Our multidiscipline team of professionals combines their skills to identify and evaluate not only the nature and appropriateness of the costs themselves, but also the nature of the activities from which the costs arise. We then use the complete understanding of the costs and underlying activities to ensure adherence to construction contracts, and to control costs resulting from those agreements.

Our construction cost review and advisory services practice is an established full-time service line that was formalized in 1988 and is staffed with professionals dedicated exclusively to providing construction consulting and cost audit services. Our team is nationally structured and serves clients throughout the United States. We provide our services to private, public, governmental and quasi-governmental clients, and regularly represent owners, investors and developers with their program and project needs. We have audited a wide range of construction costs on projects ranging from a few million dollars to projects in excess of \$4 billion and are regularly called upon to apply our services on a program basis. We provide our services in the context of program, project and control structuring; ongoing monitoring and oversight; retrospective post completion audits ("project audits"); issue avoidance and resolution; and forensic investigations or litigation. We also frequently assist clients with construction cost program or project risk assessments, project snapshots, troubled project workouts and other issues arising from large, complex, multiyear projects and programs.

Dedicated local governmental entities and independent school district services

RSM has established a public sector practice that is focused on serving the needs of governmental organizations. This practice serves over 60 governmental organizations and includes over 100 professionals. The team assigned to your engagement includes professionals that spend a significant amount of time serving governmental entities. Nationally, RSM serves over 200 school districts. Our experience with clients similar in size, scope and industry, will make for valuable insights and resources for the School District.

Our unique combination of skills and experience

We combine the resources of experienced personnel in order to audit, evaluate and assess construction cost issues and disputes arising from construction projects. By doing so, we are uniquely qualified to not only understand the nature of costs under review, but also understand the scope, schedule and other technical issues predicated on the costs.

Our Financial Advisory Services and Construction Risk Advisory Services Group comprise a unique combination of seasoned professionals with diverse, yet specific, credentials and experience, including the following:

- Certified Public Accountants
- Certified Construction Auditors
- Certified Fraud Examiners
- Professional Engineers
- Construction managers
- Claim and dispute and litigation specialists
- Risk management specialists
- Schedule and budget specialists

SCOPE OF WORK DESCRIPTION – BOND ISSUE

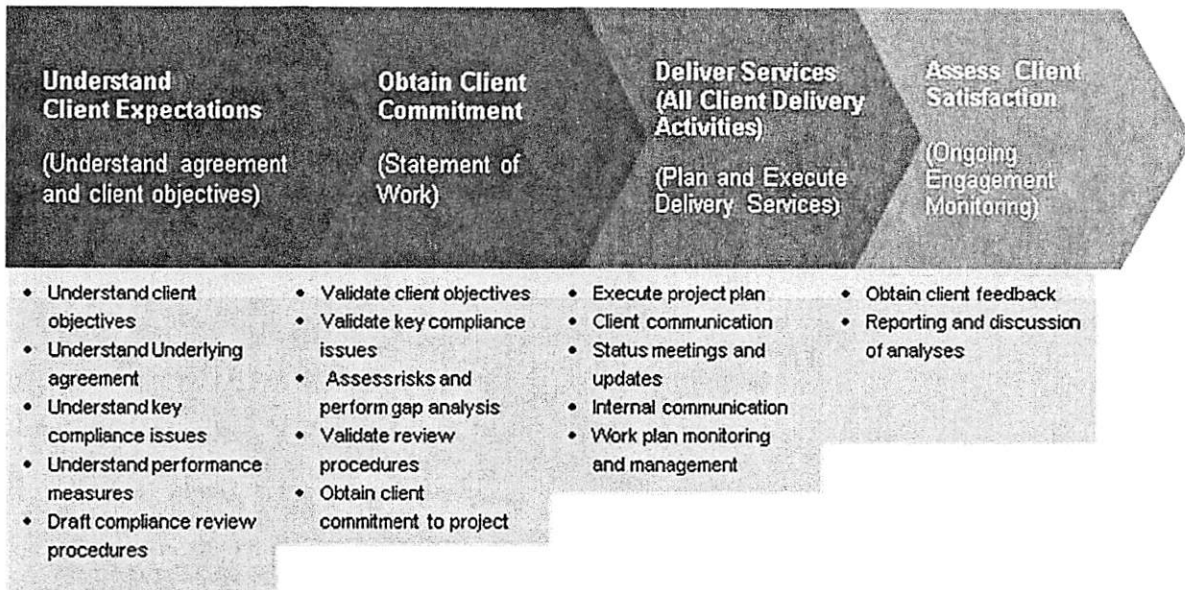
Forensic Audit Approach

Over the years, we have developed and refined our process so that it is customizable to each of our clients' needs and objectives. Our construction cost review services team focuses on providing assurance that construction costs reviewed are commensurate with the terms and conditions of underlying contracts and are incurred by the appropriate party based upon project events. To the extent that costs are not commensurate with the terms and conditions of underlying contracts, or should be borne by another party, we identify both the specific costs as well as the causation for the costs and focus on providing a sufficient basis for resolving issues.

Due to our industry experience, we are able to take a risk-based approach to our engagements. This approach effectively identifies potential over billings and irregularities. Our staff includes several Certified Fraud Examiners (CFEs). As CFEs, we are not able to claim that the transaction is fraudulent; however, we can state that the transactions had characteristics of irregularities. By reviewing the applicable documents, such as the internal control structure, contract, contractor's payment application and the contractor's job cost, we are able to effectively identify the areas of risk. If other than judgmental sampling is applied, we utilize the dollar unit method of sampling.

Our construction risk approach will focus on the current policies and procedures and compliance by the contractors and suppliers.

Our construction cost review process consists of a series of steps that review, analyze and compare contractors' charges to the terms of the underlying contracts. Our construction professionals review and compile your contractors' charges, separate them into source components, measure them against the specific financial terms of the underlying contracts and scrutinize them based on the contract terms. We then identify and separate costs that are allowable by contract terms and costs that are not. During the process, our team assembles and generates full documentation, which is presented to the project management and owners, in order to clearly demonstrate and document amounts billed in excess of contract terms. We provide project owners with complete detail as to our findings as well as recommended courses of action in order to recover amounts billed in excess of contract terms along with corrective action in order to ensure future compliance. If requested, we will provide support to project owners to present, discuss and resolve findings with contractor representatives in an effort to successfully recover amounts billed in excess of contract terms. RSM's general approach to performing contract compliance engagements is as follows:



Our approach to this engagement will be conducted in five phases: (I) planning, (II) risk assessment, (III) project plan design, (IV) substantive testing and (V) reporting, presentations and meetings.

SCOPE OF WORK DESCRIPTION – ADDITIONAL IDENTIFIED AREAS

Our general approach to this work would be consistent with the approach identified in the “Scope of Work Description: Bond Issue” above. Evaluating the compliance with a bond program would require an Operational Review.

Construction Forensic Operational Review

Our operational review incorporates the fraud risk assessment tools identified above. The objective of the audit is to determine if there is adequate internal controls and that SSAISD is operating in an efficient and effective manner to meet the goals and objectives of the Program. This includes an assessment to determine if the Program is meeting industry standards, state requirements and includes best practices. The scope of the work will include a review of processes and the related design of the internal controls. The processes will include, but not be limited to, the following:

- Procurement process
- Payment applications
- Change orders
- Allowances
- Insurance and bond requirements
- Schedule
- Owner-supplied and stored materials
- Budget
- Accounting for construction in progress
- Contract close-out

The assessment will include an evaluation of the design of the internal control structure and will identify any gaps in the internal control. Based on the system design, substantive testing will be conducted to determine if SSAISD is complying with the design.

Our approach to this engagement will be conducted in five phases: (I) planning, (II) risk assessment, (III) evaluation of project design, (IV) substantive testing, and (V) reporting, presentations and meetings. The approach will be used for both the close-out audit and the interim audit.

Phase I: Project planning and initial data gathering

Our first task will be to hold a kickoff meeting with members of SSAISD to determine the expectations for the audit, communication requirements, project timeline and format of status reporting, and to obtain necessary practical information required to execute the project. We will provide a preliminary document request list of client prepared items shortly after this meeting. The purpose of this meeting will also be to discuss and confirm the scope and objectives, identify a point person for data/document requests and establish communication methods between RSM and SSAISD. During the kickoff meeting, we will also discuss our initial document request list and discuss the availability and location of the applicable records and documentation required for the project.

We envision at the conclusion of Phase I to be in a position (1) to prepare a customized forensic investigation scope and work plan to be used for further forensic procedures and analyses; (2) Develop a time-line for the project work going forward; and, (3) establish the method to communicate the ongoing investigation results and plan with key SSAISD personnel.

Phase II: Risk assessment

The objective of our risk assessment is to provide SSAISD with an analysis that identifies areas within the scope that will improve operating efficiency and effectiveness. In addition, we commence our initial accounting investigation and analysis. The objective is to efficiently understand the accounting systems and issues at hand as well as identify key area that may need additional concentration of our investigation and efforts. Although not meant to be all inclusive, we envision Phase II to consist of the following tasks:

- Analyze documentation and conduct interviews with personnel to gain an understanding of the current state of the processes and organizational structure.
- Understand the authorization and approval requirements and obtain signature authority documentation.
- Understand the selection process for general contractors, architectural/engineering firms and providers of professional services.
- Understand the current process for analyzing engineering and construction costs.
- Understand project management platform, including the contract approval, budgeting and auditing process.
- Obtain historical financial information from the accounting systems and analyze data for anomalies.
- Use mAnalytics to determine which areas, programs, revenues and expenditures to target our onsite investigative account analysis. (mAnalytics can be tailored to each engagement to provide the analytical procedures appropriate and necessary for each unique set of facts and circumstances.).
- Detailed transaction analysis of selected revenue and expenditure accounts, including evaluation of supporting documentation, investigation of conflict of interests and identification of related party transactions.

- Conduct necessary interviews to corroborate information from the accounting records and other sources of data.

Phase III: Assessing the design and evaluation of initial forensic investigation

After completing our risk assessment and initial forensic investigation, RSM will meet with SSAISD to discuss the results of our risk assessment and our preliminary ranking of risks and any initial findings in our forensic investigation. We will solicit feedback from SSAISD during our finalization of the initial work plan. Depending on the results of our fieldwork, we may expand, augment or reduce portions of this work plan.

RSM will evaluate the design of the systems and determine if there is adequate segregation of duties. RSM will also compare the current policies and procedures with the results of the interviews and identify any discrepancies. In addition, RSM will compare and evaluate the procedures with industry standards to determine if such procedures meet not only industry standards but also best practices.

RSM will document the processes that will include identifying and documenting any gaps in control or areas of process improvements.

Phase IV: Substantive testing

Based upon initial findings in our forensic audit and investigation and use of mAnalytics, we will complete our analysis of the accounting records after adapting for any revision determined in Phase III.

As soon as our work plan has been approved, we will initiate our substantive testing and evidence gathering phase, and execute our audit plan for risks. Our test work and results, including procedures performed and observations made, will be captured in a memorandum style format containing criteria, condition, cause and effect. Any recommendations will be clearly identified. We plan on periodically reviewing observations with SSAISD during our substantive testing and evidence gathering phase as they are developed. The observations will be included in our weekly status report. Certain observations may have already been initiated as a result of our audit risk assessment and the design of the process. We will work with SSAISD to augment this plan in order to emphasize certain areas of focus as necessary.

Having conducted numerous construction program evaluations for many municipalities, RSM is able to compare the SSAISD with other programs within the industry. This will be included in our evaluation of construction costs.

Our audit plan will include testing for each process to determine if the process is operating as intended. The extent of our testing will be determined by our risk assessment; however, every process will include some level of testing. The documents to be tested will be based on judgmental sampling and other sampling techniques.

Phase V: Reporting, presentations and meetings

Throughout our project work, we will utilize documents to accumulate and report our observations and findings. The document will identify criteria, condition, cause and effect and will serve as the basis for our draft report. The tone and format of the report will be discussed with SSAISD with the objective to appropriately communicate the results of our work. The report will contain a prioritized list of audit observations and recommendations.

We will discuss our draft report with SSAISD and incorporate relevant proposed revisions.

Please note that the outlined approach to this engagement is based on the availability of and timely access to personnel, sufficient and competent data, evidence and information, full cooperation and open communication. Should it be necessary to extend the scope of our services due to unforeseen or unanticipated circumstances, we will contact you to discuss these issues to determine the most appropriate and cost-efficient work plan moving forward.

We have provided a summary of our deliverables below:

Deliverables

During the course of the engagement, RSM will provide several deliverables to SSAISD. The following is a description of each deliverable and the timing of the deliverable.

- Weekly status report

RSM will provide a weekly status report to SSAISD and, at SSAISD's discretion, will arrange a weekly status update conference call. The weekly status report will identify (1) the work completed during the week, (2) any observations and the status of the observations, (3) hours incurred during the week and to date, and (4) work to be completed the subsequent week.

- Draft and final audit reports

RSM prepares reports consistent with the reporting guidelines as set forth by the Institute of Internal Auditors. The audit reports include an executive summary and our detailed observations.

Our process consists of a series of steps that review, analyze and compare the system's design to the operations of the system. This may include analyzing SSAISD's policies and procedures for adequacy and then determining if the processes are operating as intended.

It may also include an assessment of the contractors' and vendors' invoices. Our construction professionals review and compile your contractors' charges, separate them into source components, measure them against the specific financial terms of the underlying contracts and scrutinize them based on the contract terms. We then identify and separate costs that are allowable by contract terms and costs that are not. During the process, our team assembles and generates full documentation, which is presented to the project management and owners, in order to clearly demonstrate and document amounts billed in excess of contract terms. We provide project owners with complete detail as to our findings as well as recommended courses of action in order to recover amounts billed in excess of contract terms along with corrective action in order to ensure future compliance. If requested, we will provide support to project owners to present, discuss and resolve findings with contractor representatives in an effort to successfully recover amounts billed in excess of contract terms.

Fraud Tools

RSM will utilize tools to review, examine and test for potential irregularities. Such tools will be used through the five phases of the engagement. The following are the tools that may be used in the engagements.

Fraud Risk Assessment Tools

The Fraud Risk Assessment Tool we have developed for construction includes three general modules and three modules specific to construction. Each module contains a series of questions designed to help focus on areas of risk. We work with the owner to answer the questions for each module. The individuals we work

with will have extensive knowledge of the operations. Upon completion of all of the questions, we review the results of the assessment with the client or employer in order to:

- Identify the potential inherent fraud risks.
- Assess the likelihood and significance of occurrence of the identified fraud risks.
- Evaluate which people and departments are most likely to commit fraud and identify the methods they are likely to use.
- Identify and map existing preventive and detective controls to the relevant fraud risks.
- Evaluate whether the identified controls are operating effectively and efficiently.
- Identify and evaluate residual fraud risks resulting from ineffective or nonexistent controls.
- Respond to residual fraud risks.

The Fraud Risk Assessment Tool may reveal certain residual fraud risks that have not been adequately mitigated due to lack of, or non-compliance with, appropriate preventive and detective controls.

For construction there are various fraudulent schemes which are primarily corruption and purchasing and billing schemes. Corruption includes kickbacks and conflict of interest. We begin by conducting an assessment of the control environment by conducting an employee and management assessment. We then review the physical controls. We then conduct evaluation of the various schemes. The following is our approach in these areas.

Employee Assessment

The employee assessment questions are designed to assess the probability of a fraudulent event occurring within the organization based on:

- Internal controls.
- Internal control environment.
- Resources available to prevent, detect, and deter fraud.

1. Are employees provided formal written job descriptions?

In addition to clarifying what employees are responsible for, job descriptions signify what employees are not responsible for. Employees who perform duties outside of their job descriptions represent a significant red flag.

2. Are employees provided with an organizational chart that shows lines of responsibility?

Organizational charts provide employees with a snapshot of an organization's division of work, levels of management, and reporting relationships.

3. Does the company have written accounting policies and procedures?

Accounting policies and procedures, including those related to fraud, should be documented, implemented, and communicated to employees.

4. Is there a formal policy covering approval authority for financial transactions, such as purchasing or travel?

In order to safeguard assets and financial reporting, companies should develop and implement policies for determining how financial transactions are initiated, authorized, recorded, and reviewed.

5. Does the company have an ethics statement?

The company should implement a formal ethics statement that (1) defines conduct that is unethical, (2) states that unethical acts will be punished, and (3) provides information on reporting unethical conduct.

6. Does senior management exhibit and encourage ethical behavior?

Senior management sets the tone for ethical conduct throughout the organization. The tone should signal that fraud will not be tolerated.

7. Does the company have written fraud policies and procedures?

The company should document and implement fraud policies and procedures that describe (1) fraudulent conduct, (2) punishment for engaging in fraudulent conduct, and (3) how to report fraudulent conduct.

8. Is a senior member of management responsible for compliance with fraud policies?

The responsibility for compliance with fraud and ethics policies should be assigned to a senior member of management.

9. Does the organization educate employees about the importance of ethics and anti-fraud programs?

All employees should receive training on the ethics and anti-fraud policies of the company. The employees should sign an acknowledgment that they have received the training and understand the policies.

10. Does the organization provide an anonymous way to report suspected violations of the ethics and anti-fraud programs?

Organizations should provide employees, vendors, and customers with a confidential system for reporting suspected violations of the ethics and anti-fraud policies.

11. Are fraud incidents promptly and thoroughly investigated?

Promptly and thoroughly investigating all reported incidents of fraud can minimize losses.

12. Does the company maintain a record of fraud incidents?

A formal record of all reported incidents of fraud, including documentation of investigative activities and final disposition of each incident, should be maintained.

13. Does the company conduct pre-employment background checks?

Before offering employment to an applicant, a company should conduct a pre-employment background check.

14. Does the company have a loss prevention function?

Responsible personnel should be trained to perform loss prevention functions.

15. Does the company have an internal audit function?

Internal audits that focus on high-risk areas for fraud can identify new vulnerabilities, measure the effectiveness of internal controls, and signal that fraud prevention is a high priority for the company.

16. Are the duties related to authorization, custody of assets, and recording or reporting of transactions segregated?

The company should segregate the duties related to authorization, custody of assets, and recording or reporting of transactions.

17. Is compliance with internal controls audited periodically?

Periodic audits of compliance with internal controls send the message to employees that the company is proactive in its anti-fraud efforts.

18. Do employees feel they are treated and compensated fairly?

Management should establish appropriate lines of communication with employees (such as surveys, exit interviews, and open-door policies) to assess their attitudes toward the organization.

19. Do any employees have large personal debts or credit problems?

Employees with large personal debts or credit problems are a red flag of potential fraud and should be monitored by management.

20. Do any employees appear to be spending far more than they are earning?

Management should be observant of signs of employees spending far more than they are earning. It is common for employees who steal to use the proceeds for lifestyle improvements, including expensive cars and extravagant vacations.

21. Do any employees gamble excessively?

Employees who gamble excessively pose a potential fraud risk to the company and should be monitored by management. Employee assistance programs can be made available to help employees with gambling addictions.

22. Do any employees use alcohol or drugs excessively?

Employees who use alcohol or drugs excessively pose a potential fraud risk to the company and should be monitored by management. Employee assistance programs can be made available to help employees with alcohol or drug addictions.

23. Do any employees resent their superiors?

Employees who resent their superiors should be monitored by management, as they pose a potential fraud risk to the company.

24. Do any employees have a close association with vendors or competitors?

Employees with a close relationship to a vendor or competitor should be monitored for potential conflict of interest.

25. Do any employees have outside business interests that might conflict with their duties at the company?

Employees should be required to provide annual financial disclosures that list outside business interests. Outside interests that conflict with the organization's interests should be prohibited.

26. Is the company experiencing high employee turnover?

High employee turnover, especially in areas particularly vulnerable to fraud, is a warning sign of fraud that should be investigated.

27. Are employees required to take annual vacations?

Requiring employees to take annual vacations can aid an employer in detecting an ongoing fraud scheme because the employer is more likely to discover a perpetrator running such a scheme when the perpetrator is removed from the scene.

28. Is the company dominated by a small group of individuals?

If control is centered in the hands of a few key employees, those individuals should be under heightened security for compliance with internal controls and other policies and procedures.

29. Does the company have unrealistic productivity measurements and expectations?

Unrealistic productivity measurements and expectations can place undue pressure on employees and result in employees committing fraudulent acts in order to meet them.

30. Does management fail to give employees positive feedback and recognition for job performance?

Providing positive feedback and recognition to employees helps to reduce the likelihood of internal fraud and theft through boosting morale. Employees with positive feelings about an organization are less likely to commit fraud against the organization.

31. Are employees afraid to deliver bad news to supervisors or management?

Management should promote a culture in which employees aren't afraid to deliver bad news. After all, the sooner management receives the bad news, the sooner it can respond.

32. Is there a lack of communication between employees and management?

Management can improve communication with employees by creating an atmosphere that encourages open communication. Employees should feel safe in sharing nay thoughts, comments, complaints, or suggestions.

33. Is there a lack of clear organizational responsibilities in the company?

A lack of clear organizational responsibilities can lead to confusion and frustration for employees. Organizational charts and job descriptions can be used to clarify organizational responsibilities.

34. Does management not seem to care about or reward appropriate employee behavior?

Management that does not seem to care about or reward appropriate employee behavior can contribute to low employee morale and increased risk of fraud against the company by employees.

Management/Key Employee Assessment

The management/key employee assessment questions are designed to assess the probability of a fraudulent event occurring within the organization based on:

- Internal controls.
- Internal control environment.
- Resources available to prevent, detect, and deter fraud.

1. Is the board of directors composed of mainly officers of the company or related individuals?

The board of directors should include independent board members that are not associated with or employed by the company. In theory, independent directors are not subject to the same pressures as management and, therefore, are more likely to act in the best interest of shareholders.

2. Is there an independent audit committee?

Independent audit committee members with financial and accounting expertise can be instrumental in preventing and detecting financial fraud.

3. Has there been high turnover of managers and members of the board of directors?

Management should investigate the reasons for high turnover and implement measures to reduce it.

4. Have an unusually high number of key employees left the company recently?

Management should investigate the reasons for their departure and implement measures to reduce turnover.

5. Is the company involved in any litigation?

Management should determine the reason for the litigation, monitor the filings, and take corrective action where necessary.

6. Does the company have offshore activities or bank accounts?

Management should determine the reason for the offshore activities and accounts, ascertain compliance with U.S. laws, and monitor activity closely.

7. Do any of the senior managers have offshore bank accounts or business interests?

The organization should require senior managers to file annual financial disclosure reports and explain the purpose of any offshore bank accounts or business interests.

8. Are any key employees experiencing financial pressures, such as debts, gambling, medical bills, or divorce?

Key employees who are experiencing financial pressures represent a potential fraud risk to the company and should be monitored by management. Employee assistance programs can be made available to help employees with alcohol, drug, and other problems.

9. Do any key employees appear to be living beyond their means?

Management should be observant of signs of employees spending far more than they are earning. It is common for employees who steal to use the proceeds for lifestyle improvements, including expensive cars, extravagant vacations, or expensive clothing.

10. Do any key employees have civil judgments or bankruptcies on record?

Key employees who have civil judgments or bankruptcies on record represent a potential fraud risk to the company and should be monitored by management.

11. Do any key employees have a criminal conviction?

Key employees with known criminal convictions should be subjected to increased review by management for compliance with internal controls and other policies and procedures.

12. Do one or two key employees appear to dominate the company?

If control is centered in the hands of one or two key employees, then those individuals should be under heightened scrutiny for compliance with internal controls and other policies and procedures.

13. Do any key employees have friends or relatives reporting directly to them?

Organizations should prohibit key employees from having friends or relatives report directly to them.

14. Do any of the key employees appear to have a close association with a vendor?

Key employees who have a close association with a vendor should be monitored for potential conflict of interest.

15. Do any key employees have outside business interests that might conflict with their duties at the company?

Key employees should be required to provide annual financial disclosures that list outside business interests. Interests that conflict with the organization's interests should be prohibited.

16. Do any key employees own a portion of any company that does business with this company?

Organizations should require key employees to disclose any potential conflicts of interest and should closely monitor any such conflicts of interest.

17. Has any key employee failed to take vacation?

Requiring key employees to take annual vacations can aid an employer in detecting an ongoing fraud scheme because the employer is more likely to discover a perpetrator running such a scheme when the perpetrator is removed from the scene.

18. Do any key employees have a significant amount of their net worth invested in the company?

Management should subject key employees with a significant amount of their net worth invested in the company to increased review for compliance with internal controls, especially those controls related to financial reporting.

19. Does the company have unusually high debts?

Management should determine the reason for debt levels and monitor internal controls for financial reporting.

20. Is key employee compensation primarily based on company performance?

Organizations should monitor employees whose compensation is based primarily on company performance for compliance with internal controls, especially controls related to financial reporting.

21. Is there an incentive to use inappropriate means to minimize earnings for tax reasons?

Companies should remove any incentive to use inappropriate means to manipulate financial information.

22. Is there excessive pressure to increase the company's stock price?

Excessive pressure to increase the company's stock price can result in management manipulating financial results in order to meet expectations.

23. Has the company recently experienced large operating or investment losses?

Large operating or investment losses can place undue pressure on management to manipulate results in order to cover up the losses.

24. Does the organization have sufficient working capital?

Insufficient working capital can place undue pressure on management to manipulate financial results.

25. Does the organization have sufficient credit?

A lack of sufficient credit can place undue pressure on management to manipulate financial results in order to obtain credit.

26. Is the organization under pressure to report favorable earnings?

Excessive pressure to report favorable earnings can result in management committing fraudulent acts in order to meet expectations.

27. Does the company depend heavily on only a limited number of products or customers?

Dependence on only a limited number of products or customers places a company at greater risk for fraudulent acts to occur.

28. Has the company experienced difficulty in collecting receivables?

Cash flow problems, which are a warning sign of possible fraud, can arise when a company experiences difficulty in collecting receivables.

29. Has the company recently expanded rapidly into new business or product lines?

Rapid expansion into new business or product lines can place tremendous financial pressure on a company.

30. Has the company experienced a reduction in sales volume?

A reduction in sales volume can place undue pressure on management to manipulate financial results.

31. Does the company have strong competitors that are outperforming?

Strong competition can place a company at greater risk for fraudulent acts to occur.

32. Is the company under pressure to sell or merge with another company?

Situational pressures that may lead to fraudulent acts can arise when a company is under pressure to sell or merge with another company.

33. Does the company change auditors often?

A frequent change in auditors is a red flag of fraud.

34. Does the company delay or avoid supplying auditors with the information necessary to complete the audits?

Delaying or avoiding supplying auditors with the information necessary to complete audits is an indicator of fraudulent activity.

35. Does the company have problems with regulatory agencies?

The company should determine the reasons for the problems with regulatory agencies and implement measures to encourage compliance with regulations.

36. Does the company have poor accounting records?

The company should implement proper accounting records.

37. Does the accounting department appear to be inadequately staffed?

The accounting department should be adequately staffed to allow for proper segregation of duties.

38. Does the organization fail to disclose questionable or unusual accounting practices?

Questionable or unusual accounting practices should be disclosed.

39. Does the company have a number of large year-end or unusual transactions?

Large year-end or unusual transactions should be investigated.

40. Does the organization lack an adequate internal audit staff?

The internal audit department should be adequately staffed.

41. Does the organization lack an internal control system, or does it fail to enforce the existing internal controls?

Organizations should establish and enforce an internal control system.

Physical Controls to Deter Employee Theft and Fraud

The physical controls assessment questions are designed to assess the probability of a fraudulent event occurring within the organization based on:

- Physical controls in place to control access to accounting records and information.
- Physical controls in place to protect the assets of the organization.

1. Does the organization conduct pre-employment background checks to identify previous dishonest or unethical behavior?

Before offering employment to an applicant, a company should conduct a pre-employment background check.

2. Are there policies and procedures that address dishonest or unethical behavior?

The company should document and implement policies and procedures that describe (1) unethical conduct, (2) punishment for engaging in unethical conduct, and (3) how to report unethical conduct.

3. Does management support the ethics and anti-fraud policies?

Senior management sets the tone for ethical conduct throughout the organization. The tone should signal that fraud will not be tolerated.

4. Does the organization educate employees about the importance of ethics and anti-fraud programs?

All employees should receive training on the ethics and anti-fraud policies of the company. The employees should sign an acknowledgment that they have received the training and understand the policies.

5. Does the organization provide an anonymous way to report suspected violations of the ethics and anti-fraud policies?

Organizations should provide a system for anonymous reporting of suspected violations of the ethics and anti-fraud policies.

6. Does the organization restrict access to areas containing sensitive documents (such as invoices, receipts, journals, ledgers, and checks) and maintain a system for providing an audit trail of access?

Access to areas containing sensitive documents should be restricted to those individuals who need the information to carry out their jobs. Also, an audit trail of access should be maintained.

7. Does the organization restrict access to computer systems with sensitive documents (such as accounting software, inventory, and payroll) and create a system to provide an audit trail of access?

Access to computer systems should be restricted to those individual who need the information to carry out their jobs. Also, an audit trail of access should be maintained.

8. Does the organization restrict access to areas with high value assets, such as shipping, receiving, storerooms, and cash?

Organizations should restrict access to areas with high value assets and should maintain a log of persons accessing such areas.

9. Does the organization use CCTV and recording equipment to monitor entries, exits, areas with sensitive or high value assets, and sales areas?

Entries, exits, areas with sensitive or high value assets, and sales areas can be monitored using CCTV and recording equipment.

10. Does the organization conduct random, unannounced audits of inventory, cash, expense, purchasing, billing, and other accounts by internal or external auditors?

Random, unannounced audits help prevent fraud perpetrators from having time to alter, destroy, and misplace records and other evidence of their offenses.

11. Does the organization use professional loss prevention or security personnel to monitor physical controls?

Professional loss prevention or security personnel can be used to monitor physical controls.

12. Does the organization promptly investigate incidents of suspected or reported fraud?

Corruption: Kickbacks

Bribery schemes involve the offering, giving, receiving, or soliciting of a thing of value to influence a business decision.

- Kickback schemes occur when vendors make undisclosed payments to employees of purchasing companies in order to enlist the employees in overbilling schemes.
- Bid-rigging schemes occur when an employee fraudulently assists a vendor in winning a contract through the competitive bidding process.

- Economic extortion schemes occur when an employee demands payment from a vendor for decisions made in the vendor's favor. Refusal to pay the extorter results in harm to the vendor.
- Illegal gratuities schemes involve giving or receiving something of value to reward a business decision.

1. Is there a company policy that addresses the receipt of gifts, discounts, and services offered by a supplier or customer?

Organizations should implement a policy that addresses the receipt of gifts, discounts, and services offered by a supplier or customer.

2. Is there an established bidding policy?

Organizations should establish a bidding policy.

3. Are purchases reviewed to detect out of line costs?

Organizations should review purchases for costs that are out of line.

4. Are purchases reviewed to identify favored vendors?

Purchases should be reviewed to identify favored vendors.

5. Are purchases reviewed to identify excessive amounts?

Purchases should be reviewed and any excessive amounts should be investigated.

6. Are pre-bid solicitation documents reviewed for any restrictions on competition?

Pre-bid solicitation documents should be reviewed for any restrictions on competition.

7. Are bid solicitation packages numbered and controlled?

Bid solicitation packages should be numbered and controlled.

8. Is communication between bidders and purchasing employees restricted?

Companies should restrict and monitor communication between bidders and purchasing employees.

9. Are the bids received kept confidential?

All bids received should be kept confidential.

10. Are bidders' qualifications verified?

Companies should verify bidders' qualifications.

11. Are contracts awarded based on predetermined criteria?

Companies should establish predetermined criteria upon which to award contracts.

12. Are purchasing account assignments rotated?

Periodic rotation of purchasing account assignments can be an effective corruption control.

13. Are vendors surveyed periodically regarding company purchasing practices?

Organizations should periodically survey vendors regarding company purchasing practices.

Corruption: Conflicts of Interest

- Purchase schemes involve the overbilling of a company for goods or services by a vendor in which an employee has an undisclosed ownership or financial interest.
- Sales schemes involve the underselling of company goods by an employee to a company in which the employee maintains a hidden interest.

1. Are there periodic comparisons of vendor information with employee information, such as addresses and telephone numbers?

Organizations should conduct periodic comparisons of vendor information with employee information, such as addresses and telephone numbers.

2. Are vendors who employ former company employees under increased scrutiny?

Vendors who employ former company employees should be under increased scrutiny for potential conflicts of interest.

3. Does the organization have a reporting procedure for personnel to report their concerns about vendors receiving favored treatment?

Organizations should provide personnel with a confidential system for reporting concerns about vendors receiving favored treatment.

4. Are employees required to complete an annual disclosure document that includes business ownership, income, and investment information?

Employees should be required to provide annual disclosures that list business ownership, income, and investment information.

5. Does the organization require vendors to sign an agreement allowing vendor audits?

Organizations should require vendors to sign an agreement allowing vendor audits.

6. Are vendor audits conducted by someone independent of the purchase, sales, billing, and receiving departments?

Vendor audits should be conducted by someone independent of the purchase, sales, billing, and receiving departments.

Billing Schemes

- Shell company schemes occur when an employee submits invoices for payment from a fictitious company controlled by the employee.
- Pay-and-return schemes occur when an employee arranges for overpayment of a vendor invoice and pockets the overpayment amount when it is returned to the company.
- Personal purchase schemes occur when an employee submits an invoice for personal purchases to the company for payment, or when an employee uses a company credit card for personal purchases.

1. Does the organization have a purchasing department?

The organization should have a purchasing department that is separate from the payment function.

2. Is the purchasing department independent of the accounting, receiving, and shipping departments?

The purchasing department should be independent of the accounting, receiving, and shipping departments.

3. Do purchase requisitions require management approval?

Management should approve all purchase requisitions.

4. Do purchase orders specify a description of items, quantities, prices, and dates?

Purchase orders should specify a description of items, quantities, prices, and dates.

5. Are purchase order forms pre-numbered and accounted for?

Purchase order forms should be pre-numbered and accounted for.

6. Does the company maintain a master vendor file?

The company should maintain a master vendor file.

7. Are competitive bids required for all purchases?

Companies should require competitive bids for all purchases.

8. Does the receiving department prepare receiving reports for all items received?

The receiving department should prepare receiving reports for all items received.

9. Does the receiving department maintain a log of all items received?

The receiving department should maintain a log of all items received.

10. Are copies of receiving reports furnished to the accounting and purchasing departments?

Copies of receiving reports should be furnished to the accounting and purchasing departments.

11. Are purchasing and receiving functions separate from invoice processing, accounts payable, and general ledger functions?

Purchasing and receiving functions should be segregated from invoice processing, accounts payable, and general ledger functions.

12. Are vendor invoices, receiving reports, and purchase orders matched before the related liability is recorded?

Companies should match vendor invoices, receiving reports, and purchase orders before recording the related liability.

13. Are purchase orders recorded in a purchase register or voucher register before being processed through cash disbursements?

Purchase orders should be recorded in a purchase register or voucher register before being processed through cash disbursements.

14. Are procedures adequate to ensure that merchandise purchased for direct delivery to the customer is promptly billed to the customer and recorded as both a receivable and a payable?

Companies should implement procedures adequate to ensure that merchandise purchased for direct delivery to the customer is promptly billed to the customer and recorded as both a receivable and a payable.

15. Are records of goods returned to vendors matched to vendor credit memos?

Records of goods returned to vendors should be matched to vendor credit memos.

16. Is the accounts payable ledger or voucher register reconciled monthly to the general ledger control accounts?

The accounts payable ledger or voucher register should be reconciled monthly to the general ledger control accounts.

17. Do write-offs of accounts payable debit balances require approval of a designated manager?

Write-offs of accounts payable debit balances should require approval of a designated manager.

18. Is the master vendor file periodically reviewed for unusual vendors and addresses?

The master vendor file should be reviewed periodically for unusual vendors and addresses.

19. Are vendor purchases analyzed for abnormal levels?

Vendor purchases should be analyzed for abnormal levels.

20. Are control methods in place to check for duplicate invoices and purchase order numbers?

Companies should implement control methods to check for duplicate invoices and purchase order numbers.

21. Are credit card statements reviewed monthly for irregularities?

Credit card statements should be reviewed monthly for irregularities.

22. Are vendors with post office box addresses verified?

All vendors with post office box addresses should be verified.

23. Are voucher payments reviewed regularly for proper documentation?

Voucher payments should be reviewed regularly for proper documentation.

24. Is access to the accounts payable subledger and the general ledger restricted? Does access create an audit trail?

Access to the accounts payable subledger and the general ledger should be restricted and an audit trail should be created.

Fraud Risk Assessment Matrix

We also complete the Fraud Risk Assessment Matrix which identifies the following:

1. Identified Fraud Risks and Schemes: This column should include a full list of the potential fraud risks and schemes that may face the organization. This list will be different for different organizations and should be formed by discussions with employees and management and brainstorming sessions.

2. *Likelihood of Occurrence*: To design an efficient fraud risk management program, it is important to assess the likelihood of the identified fraud risks so that the organization establishes proper anti-fraud controls for the risks that are deemed most likely. For purposes of the assessment, it should be adequate to evaluate the likelihood of risks as remote, reasonably possible, and probable.

3. *Significance to the Organization*: Quantitative and qualitative factors should be considered when assessing the significance of fraud risks to an organization. For example, certain fraud risks may only pose an immaterial direct financial risk to the organization, but could greatly impact its reputation, and therefore, would be deemed to be a more significant risk to the organization. For purposes of the assessment, it should be adequate to evaluate the significance of risks as immaterial, significant, and material.

4. *People and/or Department Subject to the Risk*: As fraud risks are identified and assessed, it is important to evaluate which people inside and outside the organization are subject to the risk. This knowledge will assist the organization in tailoring its fraud risk response, including establishing appropriate segregation of duties, proper review and approval chains of authority, and proactive fraud auditing procedures.

5. *Existing Anti-fraud Internal Controls*: Map pre-existing controls to the relevant fraud risks identified. Note that this occurs after fraud risks are identified and assessed for likelihood and significance. By progressing in this order, this framework intends for the organization to assess identified fraud risks on an inherent basis, without consideration of internal controls.

6. *Assessment of Internal Controls Effectiveness*: The organization should have a process in place to evaluate whether the identified controls are operating effectively and mitigating fraud risks as intended. Organizations should consider and review what monitoring procedures would be appropriate to implement to gain assurance that their internal control structure is operating as intended.

7. *Residual Risks*: After consideration of the internal control structure, it may be determined that certain fraud risks may not be mitigated adequately due to several factors, including (a) properly designed controls are not in place to address certain fraud risks or (b) controls identified are not operating effectively. These residual risks should be evaluated by the organization in the development of the fraud risk response.

8. *Fraud Risk Response*: Residual risks should be evaluated by the organization and fraud risk responses should to address such remaining risk. The fraud risk response could be implementing additional controls and/or design.

The assessment will be made based on likelihood and significance. This phase of the assessment will also include discussion with management and their objectives in this area.

Procurement Testing: Kickbacks

In addition to the standard procurement program we include the following tests to identify potential irregularities:

- Use data analytics to review for related parties e.g., address.
- Use data analytics to review for procurement that did not go through procurement process e.g., awards just below dollar threshold for competitive bids.
- Test for negotiating pursuant to Truth in Negotiations Act if applicable.
- Examine awards for small and disadvantage business and if sole source.
- Excessive increases in contract value e.g., in excess of 10 percent.
- Review timing of the receipts of competitive bids.
- Conduct appropriate background checks on employee/vendors.
- Review for recently formed companies/vendors receiving work.
- Review for two or more vendors providing same service.

- Analyze any unusual costs for fees.
- Examine any weakness in segregation of duties.

We also review for the following red flags which will identify control weaknesses leading to irregularities:

- Management override of key controls.
- Inadequate or weak internal controls.
- No written policies and procedures.
- Overly complex organizational structure.
- Key employee never taking leave or vacation.
- High turnover rate, reassignment, firing of key personnel.
- Missing electronic or hard copy documents that materialize later in the review.
- Lost or destroyed electronic or hard copy records.
- Photocopied documents instead of originals. Copies are poor quality or illegible.
- "Unofficial" electronic files or records instead of "archived" or "official" files or records.
- Revisions to electronic or hard copy documents with no explanation or support.
- Use of means of alteration to data files.
- Computer-generated dates for modifications to electronic files that do not fit the appropriate time line for when they were created.
- Missing signatures of approval or discrepancies in signature/handwriting.
- Computer report totals that are not supported by source documentation.
- Lengthy unexplained delays in producing requested documentation.

Audit Program: Contractor Billing Scheme

A. Objective

The objective of the audit is to ensure that costs were incurred and billed in accordance with the terms and conditions of the contract.

B. Planning

The planning is performed to obtain an understanding of the project and assess the risks associated with the contract.

- Obtain a copy of the prime contract and general conditions. Summarize the key contractual terms.
- Prepare the contract extract.
- Discuss the contract extract with SSAISD representatives.
- Obtain a copy of the general contractor's job cost ledger and labor distribution report in machine-readable format. The specific testing will be based on the job cost ledger.
- Obtain a copy of each project's payment applications and corresponding schedule of values.
- Obtain copies of the project's change order logs.

C. Testing

Testing will be conducted in two parts: cost reconciliation and examining cost incurred.

Cost Reconciliation: Cost reconciliation will be performed to reconcile the cost invoiced to the cost incurred and reported by the contractor.

- Document the schedule of values on a master spreadsheet. Review the totals by scheduled value and ensure that amounts were not moved to compensate for shortages on other aspects of the project. Ensure that the scheduled value backup supports the amounts billed per payment application.
- Reconcile the job cost ledger to the billings submitted by the contractor. Depending on the level of detail available, tie the job costs to the individual cost categories in the job cost ledger.
- Compare the actual cost with the proposed guaranteed maximum price proposal by schedule of values and note any anomalies.

Examining Cost Incurred: Based upon an assessment of the cost incurred, validate cost incurred in accordance with the standard audit program. The major cost classifications to be taken under consideration are:

- Labor
 - Ensure that there is sufficient documentation available to validate the hours worked and cost incurred on the project. Use the contractor's payroll register, time sheets or other documentation to support the billing.
 - Verify the appropriateness of other items being paid on behalf of the employees and being included in the contractor's billing, such as labor burden, taxes and compensated personal absence. Also, review statutory limits on the taxes charged.
- Insurance
 - Examine insurance requirements and verify that the contractor is maintaining the required insurance coverage.
 - Verify that the insurance cost included premiums paid, discounts and modifiers and the allocation base.
- Materials
 - Determine that material purchased by the contractor had prior owner approval or is contractually required.
 - Verify that receiving reports and vendor invoices support all materials billed by the contractor.
- Rental equipment
 - Using the contractor's records including rental invoices, supplier's invoices and other available documentation in the contractor's records, verify significant charges on the contractor's billing.
- Subcontractor costs

- Determine that all subcontractors used on the projects are viable businesses. Cross-reference all subcontractors with the state licensing boards. If a subcontractor is not licensed, depending on the size of the contract, additional means may need to be pursued.
- Verify that the contractor's records include the subcontractor's invoice and support. Additional testing of the subcontractor's records could be done if conditions warrant.
- Determine that lien releases are submitted for subcontractors and the contractor for all billings.
- Review self-performed work to determine if the work was awarded in accordance with the contract. Test for duplicate costs or services that are included in general conditions.
- **Miscellaneous expenses**
 - Verify that miscellaneous expenses, such items as tool expense, freight and transportation, office supplies and equipment and other items, are not specifically provided for elsewhere in the contractor's agreement. Although the cost of these items is usually minor, a monitoring procedure should be in place and some audit testing should be accomplished.
 - Verify that the supporting documentation for miscellaneous expenses is the same as the support for other materials, e.g., supplier invoices, bills of lading and freight bills, purchase orders, receiving records and rental agreements.
- **General conditions charges**
 - Obtain the amount and support for the general conditions charges as included in the contractor billings.
 - Look at estimates given for general conditions and assess how close actual costs came to estimates.
 - Evaluate these charges to determine that they are in compliance with the general conditions contract language
- **Fee**
 - Recalculate fees invoiced and determine if they are in accordance with the contract.
- **Change orders**

Agreed-Upon Procedures

By AICPA standards, RSM is proposing to use agreed-upon consulting procedures. This allows us to provide judgement in our examination which results in a more efficient and effective examination.

Organizational Structure

RSM has established procedures and methodologies in examining the organizational structure. First we have identified the key processes which are:

- | | |
|-----------------------------------|---|
| • Procurement process | • Schedule |
| • Payment applications | • Owner-supplied and stored materials |
| • Change orders | • Budget |
| • Allowances | • Accounting for construction in progress |
| • Insurance and bond requirements | • Contract close-out |

Within each process, we have identified the key controls to ensure there is adequate segregation of duties and that controls are in place to mitigate risks associated with that process. We identify the employees and board members who are involved with each process and interview that person. The interview identifies the primary and secondary review related to each key control within the process.

We analyze the results of the review and compare the results to policies and procedure for consistency and we identify any gaps in the design. This process is conducted in "Phase II Risk Assessment."

Policies, Regulations and Procedures

RSM developed our procedures that should be included in the key processes in a construction program. We compare the policies and procedures with our established controls to determine if there are any gaps in the process. We will compare the policies and procedures to industry standards and best practices.

We also compare the policies and procedures with Texas Statutes to ensure that such policies and procedures address state requirements. The state requirements primarily address contract procurement, payments, insurance and bond requirements.

Compliance with Policies and Procedures

Phase I through Phase III of our approach evaluates the design of the various systems and the related controls. During Phase IV Substantive Testing, we test for compliance with policies and procedures. We select contract awards, payments, accounting entries, change orders and other activities to determine if transactions and been reviewed and approved in accordance with policies and procedures.

Reports

During the course of the engagement, RSM will provide several deliverables to SSAISD. The following is a description of each deliverable and the timing of the deliverable.

- **Weekly status report**

RSM will provide a weekly status report to SSAISD and, at SSAISD's discretion, will arrange a weekly status update conference call. The weekly status report will identify (1) the work completed during the week, (2) any observations and the status of the observations, (3) hours incurred during the week and to date, and (4) work to be completed the subsequent week.

- **Draft and final audit reports**

RSM prepares reports consistent with the reporting guidelines as set forth by the Institute of Internal Auditors. The audit reports include an executive summary and our detailed observations. RSM will provide SSAISD a draft report for review prior to issuing the final audit report. The report includes our observations, the cause of the observation, the risk of our observation and our recommendation(s).

VENDOR REQUIREMENTS

The following information is provided to address the information and supporting documentation required by the "Vendor Requirements" section of the RFQ.

1. General Proposer information and Principal Contact

The contact information for this proposal is:

RSM US LLP

1400 Post Oak Blvd, Suite 900
Houston, Texas
O 713 625 3500
F 713 625 3535

Gregory R. Schuelke, CPA/CFF, CFE

Director
Greg.Schuelke@rsmus.com
D 713 375 9952

2. References

The following is a list of five governmental entities, corporations, or other educational entities for which we have provided similar work to that requested in the RFQ during the last three years:

A. Texas State University System

Project Name: Various projects for the System

Date Work Performed: February 2013 to Present (RSM is a provider of construction audit services to the Texas State University System)

Project Team: John Croy, Fred Punsalan and Zak Parchment

Description of Services: RSM has provided construction close out audits on contractors and design firms on five projects. RSM also evaluated the control structure related to the key processes. RSM also reviews for compliance with applicable Texas Statutes.

Owner Reference:

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System Director, Office of Audits & Analysis
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P: 512.463.1808
E: carole.fox@tsus.edu

B. Texas Tech University System

Project Name: Various projects

Date Work Performed: February 2012 to Present (RSM is the provider of construction audit services to the Texas Tech University System)

Project Team: John Croy, Fred Punsalan and Zak Parchment

Description of Services: RSM has been provided eleven different engagement with the Texas Tech. The projects include preconstruction, interim and close out audits. The engagements also include an assessment of the key processes and compliance with Texas Statutes. The engagements have included two interim audits and four close out audits. The audits were conducted on the Plaza Verde Residence Hall, Petroleum Engineering Building, Rawls Business College and West Village Housing.

Owner Reference:

Ms. Kimberly F. Turner, CPA
Chief Audit Executive, Box 41104
Lubbock, Texas 79409-1104
P: 806.742.3220
E: kim.turner@ttu.edu

C. City of Meridian

Project Name: Construction Program Audit of the Department of Public Works

Date Work Performed: June 2015

Project Team: John Croy, Fred Punsalan and Zak Parchment

Description of Services: RSM conducted an operational review of the City's Department of Public Works. The review included an audit of the internal controls of the key processes and an assessment regarding potential irregularities.

Owner Reference:

Stacy Kilchemann
Chief Financial Officer
City of Meridian
33 E. Broadway
Meridian, Idaho 83642
P: 208.489.0418
E: skilchemann@meridiacity.org

D. Broward County School District

Project Name: Various operational and close-out audits

Date Work Performed: April 2011 to Present

Project Team: David Luker

Description of Services: RSM performed an operational review which consisted of benchmarking against comparable entities, identification of opportunities for process improvements, best practice recommendations, internal control review, and compliance testing with District Policies and Procedures as well as Florida Statutes.

Processes covered included: Architectural Contract Development, Construction Contract Development, Design Process Oversight, GMP Development, Project Scheduling, Project Management, Pay Application Review, Change Order Review, and Project Closeout. This resulted in over 50 observations – control and process improvements and best practices.

Owner Reference:

Shelley N. Meloni, Task Assigned Chief Facilities & Construction Officer
Office of Facilities & Construction
The School Board of Broward County, Florida
P: 754.321.1610
E: shellymeloni@browardschools.com

E. Osceola County School District

Project Name: Forensic Accounting Project

Date Work Performed: 2012

Project Team: David Luker

Description of Services: RSM provided forensic auditing and consulting / construction audit services for 10 different construction projects (\$150M) for the District's Facilities Department. We conducted construction audits (including change order reviews), pay application reviews as well as provided guidance on industry standards and best practices for the development of their construction contracts resulting in significant cost avoidance, cost savings and cost recovery. These reviews resulted in 40 observations related to process and control improvements, best practices and \$1.4M in identified potential overcharges and cost avoidances.

Owner Reference:

Clyde A Wells, MBA
Chief Facilities Officer
School District of Osceola
P: 407.343.8658
E: wellsc@osceola.k12.fl.us

3. Staff Assignment

RSM is unique in its client service delivery approach. Because we organize our strengths along both industry and functional lines, we can provide SSAISD with a team of professionals who have the specific experience necessary to provide high-quality services. Our Partners, Directors and Managers will be heavily involved and visible during all stages of the engagement to ensure quality work is done in a timely and efficient manner. These individuals will serve as the key and primary contact staff members.

The following provides the level of effort for our project management team.

Employee	Title	Office Location	Participation
Dan Wetzel	Partner	Dallas, TX	3%
John Croy	Senior Director	Phoenix, AZ	6%
Greg Schuelke	Director	Houston, TX	6%
Fred Punsalan	Manager	San Francisco, CA	14%
Cliff Porter	Manager	Dallas, TX	14%
Zak Parchment	Supervisor	Irvine, CA	17%
	Sr. Associate	Dallas/Houston, TX	40%

The professionals listed below have the qualifications and experience to handle your needs for this engagement and are committed to exceeding your expectations. Full professional biographies of this team are included in Appendix A of this proposal.

Team member	Role and value to company	Qualifications
<p>Gregory R. Schuelke, CPA/CFF, CFE <i>Director, Financial Advisory Services</i> Houston, TX 713 375 9952 Greg.Schuelke@rsmus.com</p>	<p><i>Forensic Audit and Investigative Accounting Project Lead.</i> Will be responsible for the forensic and financial investigation team, project planning and execution, and communicating with you during the course of the engagement.</p>	<ul style="list-style-type: none"> • Led the forensic accounting team for construction projects throughout the United States – retained on behalf of Owners, Contractors and/or Insurance Companies. • Over 25 years of diversified experience assisting clients quantifying additional project costs, construction overhead cost as well as improperly submitted costs. • Experience in the assessment and detection of misconduct and internal control deficiencies. • Testified to opinions and findings in construction related matters in Texas State courts and by Arbitrations.

Team member	Role and value to company	Qualifications
<p>John Croy, CPA, CIA, CFE <i>Senior Director, Risk Advisory Services</i> 602 760 2879 Phoenix, AZ John.Croy@rsmus.com</p>	<p><i>Risk Advisory Services Lead.</i> Will be responsible for the Risk Advisory Services team, project planning and execution, and communicating with you during the course of the engagement</p>	<ul style="list-style-type: none"> • National leader of RSM's construction risk advisory services practice. • 30 years of experience that include construction, engineering, forensic and manufacturing accounting, and auditing of commercial and governmental projects. • Experience in providing construction risk advisory services to major construction projects with clients across the country, such as the Arizona School Facilities Board, Clark County School District, Ysleta Independent School District, Texas Tech University System, Texas State University System and the Texas A&M System. • Extensive experience working with Texas Statutes.
<p>Fred Punsalan <i>Manager</i> San Francisco, CA 415 848 5311 Fred.Punsalan@rsmus.com</p>	<p><i>Manager.</i> Will make the determination of specific forensic audit steps, communicate strengths and weaknesses of financial information to the audit partner and monitor all phases of the audit to promote timely completion.</p>	<ul style="list-style-type: none"> • 40 years of construction accounting and project auditing experience. • Expertise in various types of contract deliverables with over 24 years with general contracting firms. • Experience in providing construction risk advisory services to major construction projects with clients across the country, including Texas Tech University System, and Texas State University System. • Extensive experience in working with Texas Statutes.

Team member	Role and value to company	Qualifications
<p>David Luker, CPA <i>Manager</i> Melbourne, FL 321 751 6223 David.Luker@rsmus.com</p>	<p><i>Manager.</i> Will make the determination of specific forensic audit steps, communicate strengths and weaknesses of financial information to the audit partner and monitor all phases of the audit to promote timely completion.</p>	<ul style="list-style-type: none"> • Certified Public Accountant • More than six years of audit and accounting experience in the construction industry in public accounting, as an external auditor for medium-to large-construction companies and as a risk management consultant for universities and school districts. • Provided construction audit services to the University of Central Florida, the Broward County School District, Broward College and The Osceola County School District.
<p>Cliff Porter, CPA, CFE <i>Manager, Financial Advisory Services</i> Dallas, TX 972 629 7997 Cliff.Porter@rsmus.com</p>	<p><i>Manager.</i> Will lead the day-to-day forensic data analytics fieldwork and team. Will make the determination of specific forensic audit steps. Will Communicate strengths and weaknesses of financial information to the project lead(s) and monitor all phases of the project to promote timely completion</p>	<ul style="list-style-type: none"> • Extensive experience in data analytics. Provided services to governmental entity related to public/consumer rebates scheme. Provided feedback on preventative techniques. • Conducted fraud awareness workshops at various clients sites to assist with strengthening control environment. • Has investigated several multi-million dollar embezzlement and improper management schemes in Texas, nationally and internationally.

Team member	Role and value to company	Qualifications
<p>Zak Parchment <i>Supervisor, Risk Advisory Services</i> Irvine, CA 949 255 6513 Zak.Parchment@rsmus.com</p>	<p><i>Supervisor. Will lead the day-to-day fieldwork of the team.</i></p>	<ul style="list-style-type: none"> • Experience in providing construction risk advisory services to major construction projects with clients across the country, including Texas Tech University System, and Texas State University System. • Extensive experience in working with Texas Statutes.
<p>Staff Consultants <i>Associates/Senior Associates</i> <i>Financial Investigation and Dispute Services</i></p>	<p>Associates/Senior Associates – Will support the project on a daily basis</p>	<ul style="list-style-type: none"> • Staff consultants from our Financial Investigations and Disputes Services practice provide regular support for the forensic project at the direction of the project leader. • These consultants are experienced with data analysis and have served as team members during similar engagements.

RSM project team

In addition to the above key experienced contract compliance professionals, RSM also has a national pool of trained staff-level resources that we can utilize on an as-needed basis per the scope of the project and the client's service needs. Being a national firm with offices in 80 cities across the country, we are able to take the location of the engagement into account when staffing in order to minimize travel expenses and provide you with local resources.

RSM will ensure that the right resources are available to serve your needs, irrespective of the complexities and nuances of this project. All work will be monitored and overseen Gregory R. Schuelke, Project Lead. Mr. Schuelke will be responsible for day-to-day oversight of the project and ensure appropriate technical quality and consistency to both RSM and SSAISD standards. Moreover, invisible to SSAISD, an additional level of quality assurance will also be provided that ensures compliance with RSM forensic accounting standards.

Mr. Schuelke will communicate directly with the key SSAISD personnel to discuss project scope, status updates and other critical milestones of the engagement. As the Project Lead, Mr. Schuelke will coordinate the involvement of various subject matter experts who will provide their insights and knowledge to the development and execution of investigative work plans, review of the results of the investigative work, and assist with preparation and conduct of the interviews. Mr. Schuelke is a leader in RSM's Central Region Financial Investigations and Disputes practice and is based in Houston, Texas. He can be contacted at 713 375 9952 or by email Greg.Schuelke@rsmus.com.

4. Description of Experience with Forensic accounting type projects

As a national firm, we serve the audit, compliance and consulting needs of over 2,800 governmental entities. Our governmental clients include cities and towns, utilities, school districts, housing authorities, redevelopment agencies and transportation authorities. This translates into considerable knowledge of the unique challenges faced by government organizations and will be invaluable to supporting a fast project ramp-up.

Representative forensic accounting and investigative experience

As a matter of policy and client confidentiality, RSM does not discuss names of clients. We have included below some examples detailing representative forensic accounting and fraud investigations involving school districts.

- An engagement by a large Midwestern school district to conduct an investigation of a school superintendent. The superintendent awarded outside projects to related parties at inflated prices without putting the projects out for bid. In addition, the superintendent embezzled funds from the school district.
- An engagement by a Midwestern school district to conduct an investigation regarding embezzlement by a high school secretary who controlled the school's activity funds. The employee used several methods to perpetrate and conceal her activities including: churning of deposits, use of non-activity funds, skimming vending receipts and manipulation of the accounting records. After preparing and submitting a written report describing our findings to the State Attorney, the employee was charged.
- An engagement by a Florida school board dealing with investigations of vendor favoritism without competitive bids, building projects constructed without proper building permits, conflicts of interest with certain vendors and administrative projects inappropriately contracted.
- An engagement by a large school district in the Midwest. The investigation focused on the potential kiting of cash fees and high school activity funds by a district bookkeeper. The monies were for consumable materials fees, parking fees, parking stickers, lost book fines and collections from students for various high school activities. A written report was submitted to the school district's management.
- An engagement by a large school district in the Midwest regarding a possible embezzlement by a high school principal with access to the school's activity funds. The employee used cashier's checks and falsified invoices to perpetrate the scheme. After preparing and submitting a written report describing our findings to internal legal counsel, the employee was dismissed.
- An engagement by a Florida school district to determine the intent, reason and impact of altered "Temporary Duty Elsewhere" forms, and use of school district assigned vehicles. The school district ranks in the top fifteen in the nation by enrollment.
- Engaged by a Texas school district through counsel to assist with understanding submitted construction costs and the related accounting differences and verifying payments to subcontractors.
- Engaged by Texas school through counsel to quantify lost assets and the value of each item as the result of arson that destroyed a building housing the items.

5. Litigation

RSM is a national provider of accounting, tax and consulting services. Like other professional services firms, RSM engages in matters with legal and regulatory implications as a part of doing business. At any given time, most public accounting firms will have ongoing legal activity.

As is customary within the accounting profession and other professional practices, RSM does not disclose information pertaining to legal proceedings. Settlements and regulatory activity often involve matters that are bound by confidentiality agreements and court orders that prohibit comment. However, there are no pending or actual claims that could reasonably be expected to impact our ability to serve our clients generally, or to provide the services contemplated by this proposal, specifically.

6. Summary of Methodology and Approach

Methodology

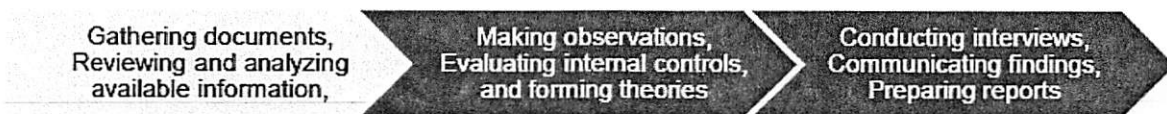
Each forensic investigation is unique and every engagement requires an understanding of the unique facts and circumstances surrounding the relevant allegations and claims. Based upon the distinctive characteristics of each matter, RSM, in conjunction with SSAISD, will create a targeted and efficient work plan, specific to the issues at hand. We understand that the more we listen to you, the more we can provide assistance in solving the problem.

A key element of any forensic investigation is the ability to obtain the necessary documents and information needed to conduct and complete our analysis. We may rely on you to assist in obtaining relevant documentation, information and personnel for us to speak with regarding our analysis.

Forensic accounting and investigative approach

Our proposed work plan will be determined through a collaborative effort between RSM and SSAISD. Based upon our understanding of the services requested, our initial approach for forensic investigative services will include an analysis and review of all relevant allegations and inquiries, reports prepared by or for SSAISD, any supporting documents, and any information and/or factual evidence collected by or on behalf of SSAISD. After our initial review of available information, we typically request additional documentation, perform additional analyses as necessary and appropriate and conduct interviews of relevant personnel.

In conducting forensic accounting and investigation engagements, RSM often adopts an investigative approach that includes the following analysis steps.



Each stage of this approach is a building block in our investigative process. This investigative approach and methodology follows a process that builds evidential matter through the acquisition and analysis of key documents. This analysis is used to form preliminary hypotheses that may be substantiated by corroborating evidence. The accumulation of this evidential matter allows RSM investigators to effectively analyze and evaluate financial anomalies, inconsistencies, or other matters/issues requiring forensic accounting assistance.

Preparation of forensic reports

At the conclusion of our investigation and analysis, we typically prepare a written report expressing our findings and observations developed during the engagement. We understand that upon request from SSAISD, our report may need to include an assessment of damages. We further understand that although we will initially be retained to provide consulting services, that we may be retained to provide fact or expert witness consulting services should any matter proceed to litigation.

In general, our written report will be based on a flexible format that includes:

- Executive Summary
- Engagement Scope and Objective
- Our Understanding of the Situation
- Forensic Methodology and Procedures (Procedures Performed, Analyses Conducted, Documents Relied Upon, Individuals Interviewed)
- Forensic Analysis (Damages and Loss Analysis, Internal Control Analysis, Findings and Conclusions)

Below is a list of some of the school districts we serve throughout the United States:

- Chicago Public Schools, Chicago, Illinois
- School District of Kansas City, Missouri
- Colorado Springs School District No. 11, Colorado
- School Board of Miami-Dade County, Florida
- Des Moines Independent Community School District, Iowa
- Iowa City Community School District, Iowa
- Cedar Rapids School District, Iowa
- Rock Island School District, Illinois
- Moline School District, Illinois
- Sherrard School District, Illinois
- Sioux Falls School District No. 49-5, South Dakota
- Mandaree Public School District No. 36, North Dakota
- School Board of Orange County, Florida
- School Board of Manatee County, Florida
- School Board of St. Johns County, Florida
- Monroe County School Board, Florida
- Cook County School District 143, Illinois
- Brunswick County Schools, North Carolina
- Wake County Schools, North Carolina
- New Hanover County Schools, North Carolina
- Prince William County Schools, Virginia
- Norfolk County Schools, Virginia
- Matteson School District 162, Illinois
- Alsip, Hazelgreen and Oak Lawn Elementary School District 126, Illinois
- Atwood Heights School District 125, Illinois
- Aurora East School District 131, Illinois
- Chicago Ridge Public School District 127-1/2, Illinois
- Evanston/Skokie School District 65, Illinois

- School Board of Broward County, Florida
- School Board of Brevard County, Florida
- Polk County School Board, Florida
- School District of Palm Beach County, Florida
- Lake County Public Schools, Florida
- School Board of Volusia County, Florida
- School Board of Indian River County, Florida
- Evergreen Park Elementary School District 124, Illinois
- Oak Lawn Community High School District, Illinois
- Oak Park Elementary School District 97, Illinois
- Rockford Public School District 205, Illinois
- Schaumburg Community Consolidated School District 54, Illinois
- North Kansas City Schools, Missouri

COMPENSATION TERMS

We have developed an efficient and effective approach to ensure appropriate scope and coverage of your concerns, while maximizing the value in return to you. If requested, RSM will work with SSAISD' management to refine the scope of services and will provide a cost proposal. Our goal is to provide high-quality, reliable service at reasonable fees. Our fees for the services described in this proposal will be based upon actual time and materials to develop the project plan and perform the engagement. Our fees reflect a significant discount from our standard hourly rates and will be billed at the following rates by level of staff required:

Title	Standard Rates	Proposed Rates
Partner	\$ 605	\$ 435
Director	\$ 430	\$ 335
Manager	\$ 320	\$ 245
Supervisors	\$ 260	\$ 195
Senior Associates	\$ 220	\$ 175
Associates	\$ 180	\$ 145
Paraprofessionals	\$ 130	\$ 85

Expenses are excluded in the above rates. Out-of-pocket costs (generally travel and lodging) are billed at actual cost. Based on our involvement in similar forensic accounting audits and investigations, we estimate out-of-pocket expenses will range from 10% to 15% of total professional fees. Billings are prepared monthly and are due upon submission.

Our goal is to provide high-quality, reliable service at reasonable fees. Fees for accounting, financial, economic, forensic and investigative consulting services of this type are always difficult to estimate. The following fee estimate is a good-faith estimate based upon the facts and circumstances we are aware of today and the understanding that the fees may be different based upon circumstances of which we or you become aware as the project progresses.

Task	Partner	Director	Manager	Supervisor	Senior	Hours
Phase I	3	3	6	3	4	19
Phase II	4	65	100	50	205	424
Phase III	2	8	10	6	8	34
Phase IV	8	20	160	120	205	513
Phase V	8	32	24	8	8	80
Total	25	128	300	187	430	1070
Hourly Rate	\$435	\$335	\$245	\$195	\$175	
Phase I	\$1,305	\$1,005	\$1,470	\$585	\$700	\$5,065
Phase II	\$1,740	\$21,775	\$24,500	\$9,750	\$35,875	\$93,640
Phase III	\$870	\$2,680	\$2,450	\$1,170	\$1,400	\$8,570
Phase IV	\$3,480	\$6,700	\$39,200	\$23,400	\$35,875	\$108,655
Phase V	\$3,480	\$10,720	\$5,880	\$1,560	\$1,400	\$23,040
Total	\$10,875	\$42,880	\$73,500	\$36,465	\$75,250	\$238,970

The hours and fees above are based upon our original understanding of you needs per the RFQ. Hours will be adjusted upwards or downwards, should the scope of the project change or should our understanding of the needs be revised subsequent to issuance of this proposal and only after additional communication with SSAISD.

APPENDIX

Appendix A—Engagement team biographies



John M. Croy

Senior Director, Risk Advisory Services
RSM US LLP
Phoenix, Arizona
john.croy@rsmus.com
+1 602 636 6000

Summary of experience

John Croy has 30 years of experience, which includes construction, engineering, forensic and manufacturing accounting, and auditing for commercial and governmental projects in North America and several foreign countries. He has given seminars, published articles and has been a guest speaker at national conferences for the Institute of Internal Auditors, Association of Certified Fraud Examiners and the Association of Healthcare Internal Auditors. He has provided litigation support for several major construction programs and has conducted investigation leading to indictments of government officials and civilians.

John held senior-level positions for major publicly traded construction and engineering companies, including chief financial officer and assistant director of internal audit.

Construction industry specialization

- Colleges and universities
- Mining
- Healthcare
- Manufacturing
- Gaming
- Energy

Notable engagements

- Directed audit of professional \$1 billion sports stadium that identified in excess of \$20 million in over billings.
- Directed or managed construction audits in the healthcare industry for clients across the country. The construction value for the projects audited was approximately \$5 billion. On the average, identified approximately 5 percent of contract value in over charges for the industry. In one instance, a review of workmanship resulted in the contractor refunding \$25 million to the owner.
- Provided litigation support and depositions for several clients resulting in favorable client results and incarceration of public officials. The clients were in the healthcare, energy, education and entertainment industry.
- Identified and assisted in the recovery of \$5 million in over billings for a statewide school construction program.

- In addition to providing training to colleges and universities on a national and state level, conducted audits of 10 different colleges and universities across the country. Identified overbillings of approximately \$10 million.
- Provided construction audit services for a dozen clients in the gaming industry, including Indian gaming. The construction value for the projects was approximately \$20 billion. Provided operational reviews of overall construction program has published articles with respect to the construction audits in the gaming industry.
- Provided construction audit for numerous state agencies for the construction and construction programs for courthouses, prisons, repairs and maintenance at the federal, state, county and local level. Extensive experience on the requirement of the Federal Acquisition Regulations.

Publications and presentations

- Institute of Internal Auditors: Selected to speak at the All Star Conference and numerous national conferences and local chapter meetings.
- Association of Certified Fraud Examiners: Selected to speak on two occasions at the Annual Conference and also at regional conferences.
- Provided numerous webinars and also has spoken at various national and local conferences for Association of Healthcare Internal Auditors, Association of Colleges and University Auditors, Association of Government Accountants and Food Marketing Institute.

Professional affiliations and credentials

- Idaho Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- University of Idaho – Accounting Advisory Board
- Certified Fraud Examiner
- Certified Internal Auditor

Education

- Bachelor of Science, Accounting, University of Idaho
- Master of Business Administration, University of Idaho



Daniel E. Wetzel

Partner, Financial Advisory Services
RSM US LLP
Dallas, Texas
dan.wetzel@rsmus.com
+1 972 764 7125

Summary of Experience

Dan Wetzel is responsible for the Central Region forensics, litigation, and dispute advisory consulting practice. Additionally, he is vital to our continued expansion into the Mid-Atlantic and Washington DC markets for these services.

Dan has significant testifying experience pertaining to complex litigation matters involving intellectual property, economic damages, and federal government forensics including DOJ, DOD, DOI, FDIC, and HUD. His vast experience has enabled him to build credibility with clients and become a thought leader on technical investigation matters. He architects approaches to meet their forensic and litigation needs and demonstrates his skills as a highly polished testifier.

Mr. Wetzel has more than 20 years of experience in forensic and dispute services for a number of national and regional firms, including 12 years of service with a Big Four accounting firm. He has also served as a practice leader in the Midwest, Washington, DC and the Southeast United States for forensic and dispute services. Mr. Wetzel's experience covers a wide range of services including dispute analysis, forensic investigation, corporate finance and recovery, and business turnaround and valuation services. He has experience in a number of industries including financial services, oil and gas, retail, food and beverage distribution, real estate, automotive, professional services, consumer goods, manufacturing, health care, pharmaceutical, public transportation and defense.

Notable Engagements

Forensic Investigations

- Performed Foreign Corruption Practices Act ("FCPA") investigations for numerous companies around the globe. Work was performed for both US and foreign based entities. Specifically, Mr. Wetzel has been engaged in several oil and gas industry matters involving FCPA investigations. This work included assisting counsel to investigate issues related to the books and records of SEC registrants accused of participating in bribery through the use of foreign agents. This work was performed domestically as well as in foreign locations where the clients performed oil and gas production activities.
- Managed numerous large anti-money laundering investigations. This work was performed for regional, national and international financial institutions. These engagements included the identification of potential money launderers, reporting to the client as well as regulatory agencies.

- Managed and directed investigations relating to financial statement and financial reporting improprieties including misstatements and restatements.

Federal Government Related Engagements

- Retained as an expert witness assisting the Department of Justice ("DOJ") and the Department of Interior ("DOI") in commercial litigation. Specifically, Mr. Wetzel prepared a forensic accounting spanning over 30 years related to oil and gas lease royalty payments. In addition to the forensic accounting, Mr. Wetzel testified several times in defense of the DOI in this matter.
- Mr. Wetzel was the lead partner working with the Department of Defense ("DOD") preparing an accounting for the Global War on Terrorism ("GWOT"). This work included a forensic accounting spanning several years and the results of the accounting were submitted to the Pentagon.
- Mr. Wetzel has been retained several times by the Department of Housing and Urban Development ("HUD") to perform forensic accountings of expenditures in major U.S. cities. Results of these accountings were delivered to various Inspector Generals ("IGs") within HUD.
- Assisted in outsourcing financial analysis for the Pension Benefit Guarantee Corporation ("PBGC"). Specifically, Mr. Wetzel led a team of over twenty to assist the PBGC in oversight and analysis of entities which the PBGC was the guarantor of the entity's Pension liability.
- Mr. Wetzel over saw the data collection and analysis related to several hundred distressed financial institutions for the Federal Depository Insurance Corporation ("FDIC"). The work included the analysis of deposit and loan information related to hundreds of banks over a several year period. In addition to data collection and analysis while the banks were active, Mr. Wetzel and his team were responsible for the capture and custody of electronic data at the time of bank closure.

Professional Affiliations and Credentials

- Licensed CPA in Texas, Washington, DC and Missouri
- Certified in Financial Fraud – AICPA
- American Institute of Certified Public Accountants
- Missouri Society of Certified Public Accountants
- Washington D.C. Society of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Certified in Financial Fraud – CFF – by AICPA
- Association of Certified Fraud Examiners
- Turnaround Management Association

Education

- MBA, St. Louis University
- BSBA in Finance, University of Missouri
- BSBA in Economics, University of Missouri



Gregory R. Schuelke

Director, Financial Advisory Services
RSM US LLP
Houston, Texas
greg.schuelke@rsmus.com
+1 832 600 4491

Summary of Experience

Mr. Schuelke is a CPA, a Certified Valuation Analyst and a Certified Fraud Examiner and is certified in Financial Forensics by the American Institute of Certified Public Accountants. He is a Director in RSM's Forensic and Dispute Advisory Services bringing over 25 seasoned years of providing financial damage modeling and expert witness services to local and international law firms, corporations, and insurance companies.

Mr. Schuelke specializes in providing litigation consulting services in complex commercial litigation matters, including providing expert testimony in the areas of lost profits, fraud, business valuation, personal injury, intellectual property, construction disputes, and business contract disputes. Mr. Schuelke is regularly engaged to analyze both operational and financial records and offer opinions as to financial damages, if any. His wealth of experience, training and education has led to providing expert testimony in multiple state and federal courts.

Mr. Schuelke's practice and experience also includes construction-related damage claims which consist of delay claims, review of builder's risk claims, contractor labor and equipment damage claims, home office overhead claims, and construction related fraud or mismanagement.

Professional Affiliations and Credentials

Certified Public Accountant
Certified Fraud Examiner
Certified in Financial Forensics
Certified Valuation Analyst
Chartered Global Management Accountant

Education

B.B.A. - Accounting, Texas State University

Representative Engagements

Employee Fraud and Fidelity Claims

- State employee misappropriated funds originating from traffic fines paid by motorists. Engaged to investigate then determine the financial damages resulting from the fraud. Additionally, engaged to evaluate the existing internal controls and offer additional controls, if necessary.
- Owner of small business allegedly lost over \$8 million in inventory when his warehouse burned down during an electrical storm. During the investigation of losses associated with destroyed warehouse, it was discovered that the owner diverted over \$8 million on assigned receivables. Confessed to crime during the later stages of investigation.
- Accountant confessed to theft of customer checks intended for payment on account. Amount of theft was uncertain but believed to be over \$6MM during a ten-year period. Company filed suit against bank where the stolen checks were deposited by employee. Engagement involved the evaluation of Company's internal controls and opine on the related weaknesses that led to the opportunity for the theft of checks.
- Refinery sub-contractor was charged for theft of plant property in a scheme theorized by the district attorney to be over \$6MM and involving multiple contractors and outside parties. Engaged to assist defense counsel on the merits of district attorney's investigation and assist defense counsel with the understanding of the documents/evidence allegedly implicating his client.

Construction Disputes and Damage Claims

- A public road project was delayed which led Contractor to assert both additional project cost and additional home office overhead. Engagement included verifying the accuracy of additional project costs and the reasonableness of the asserted home office overhead.
- Contractor asserted damages for additional equipment cost due to a delay (over 9 months). Investigation of financial and operational records found that a high percentage of equipment was "stacked" on location awaiting future use.
- General contractor sued owner for non-payment of fees. Owner filed a countersuit for a hypothetical delay in commencement of the expected business (one-of-a-kind tourist attraction) and brought two subcontractors into the suit. Engaged by the three counter-defendants to opine on the reasonableness and accuracy of the lost profits damages asserted and the damage model. Engagement included working with a construction management expert to develop opinions on delay days, if any, and other issues affecting the timely completion of the construction project.
- Contractor sued by owner for liquidated damages as stipulated in the contract. Engaged to offer opinion on lost profits using a hypothetical commencement date for operations.
- Testimony at trial of the findings led to the contractual liquidated damages being reduced to zero.
- Owner sued contractor for excess charges above contract. Engaged to offer opinion at arbitration of the expected charges based upon the contract terms, the actual charges invoiced/submitted, and basis, if any, for the overcharges.



Cliff Porter, CPA, CFE

Manager, Litigation and Investigation Consulting Services
RSM US LLP
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Summary of experience

Cliff has extensive experience spanning over 10 years working both at a big four accounting firm and in a corporate environment. He has specializations in a wide range of forensic accounting services, including corporate investigations, forensic data analytics, dispute and litigation and fraud risk management. Cliff's role prior to joining RSM was in an Ethics and Compliance role as the Global Investigations Manager for a large subsidiary of a Fortune 100 company, investigating internal allegations of fraud and misconduct including embezzlement, anti-corruption and financial reporting fraud. While working for a big four accounting firm, Cliff worked for three years on a secondment to the firm's Australia practice where he

was primarily responsible for developing a forensic data analytic team to provide stronger technological techniques in investigations and dispute work.

Service specialization

- Fraud and Misconduct Investigations
- Foreign Corrupt Practices Act (FCPA) Investigations
- Fraud Risk Management
- Forensic Data Analytics
- Dispute Advisory and Litigation Support

Representative experience

Forensic Investigations and Foreign Corrupt Practices Act (FCPA)

- Multinational on-ground investigative experience across North America, South America, Europe, Australia and Asia.
- Investigated a \$45 million embezzlement by a senior accountant at a large international financial institution, focusing on quantification of amounts embezzled and identifying how and where on the financials the transactions were recorded/concealed. Worked with law enforcement and the courts to take this matter to trial, resulting in a long prison sentence.
- While investigating a multi-million dollar embezzlement by a Controller, uncovered an additional embezzlement scheme by the investigation's primary client contact, also the company's CFO.
- Investigated several earnings management schemes, including a channel stuffing scheme colluded with a major distributor in order to maximum discounts and commissions, and a budget manipulation

scheme by a company's finance team to push non-incurred expenses into wrong financial periods to favorably benefit their constituents.

- Extensive experience investigating inappropriate expense reimbursements to employees and related potential FCPA violations, through review of both internal and external records, including use of social media investigative techniques.
- Assisted legal counsel of a large oil and gas service provider to investigate potential violations of the FCPA through agents used by the company in their Libya operations.

Forensic Data Analytics and Fraud Risk Management

- Performed extensive data analytics for a Government department over a public/consumer rebate scheme to detect fraudulent claim activity, including indications of organized crime presence, and to provide feedback on preventative techniques.
- Conducted fraud risk awareness workshops at various clients to assist them with ideas designed to strengthen their control environment to mitigate fraud risk.
- Works extensively with tools developed to identify fraud risk factors in various business practices and to identify potential anomalous transactions that may be indicators of accounting irregularities.

Selected speaking engagements and professional publications

- "Profiling data scrapping attacks and their impact on online business", August 2010, Key note speaker at the ISACA Oceania CACS2010 Masters of Change conference in Melbourne, Australia
- "Extracting maximum benefit from the creative use of forensic data analysis", May 2008, KPMG Australia Forensic Insight publication.

Professional affiliations and credentials

- Certified Public Accountant (CPA) in Texas
- Certified Fraud Examiner (CFE)
- American Institute of Certified Public Accountants

Education

- Bachelor of Business Administration, accounting (Professional Program in Accounting), Texas A&M University
- Master of Science, finance, Texas A&M University



Dave Potak

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Summary of Experience

Dave Potak provides contract compliance audits, cost reviews, consultation services, forensic investigations and litigation support. He has performed reviews of costs and payments related to construction contracts, royalties and licensing agreements, services agreements, and procurement contracts. His experience includes a significant focus on the construction industry, where he has worked with public owners, private owners and contractors in auditing project costs and analyzing claims on construction projects. The types of contracts he has reviewed include fixed price contracts, guaranteed maximum price contracts, and cost-reimbursable (time and material) contracts.

Dave has also provided a wide range of litigation support related to construction claims and lost profit damages. The work involved on these engagements has included affirmative damage preparation, rebuttal damage analysis, deposition and testimony preparation, and document requests. He has over six years of professional experience related to contract reviews and litigation support. Prior to college, Dave served as an infantryman in the United States Army 10th Mountain Division.

Notable Engagements

- An agreed-upon procedures audit of University of Connecticut's \$1.5 billion construction expenditures program, which includes reviewing contracts, change orders, and payments to vendors for adherence to process and procedures, and to identify and assess deficiencies control and program management.
- A review of change order costs and change order approval procedures related to the construction of the Sunol Valley (CA) Water Treatment Plant on behalf of the City of San Francisco. The engagement included verifying costs incurred were reasonable and in accordance with the terms of the contract, and assessing project management adherence to program policies and procedures.
- On-going project close-out audits for Caesars Entertainment Corporation. Engagements to date include the review of multiple subcontractor agreements and billings under guaranteed maximum price contracts related to several hotel new construction and renovation projects.
- A contract audit of a \$560 million hospital project under a guaranteed maximum price contract with a shared savings clause, which resulted in numerous adjustments to contract costs and several million dollars of identified savings.



Fred Punsalan

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Summary of experience

Fred Punsalan is a construction risk manager with 40 years of construction accounting and project auditing experience. Fred has managed and supervised construction projects totaling over \$4 billion and led a large health care institution's annual audit with contract volume in excess of \$5 billion. He has broad experience in both private and public works and has expertise in various types of contract deliverables for 24 years with general contracting firms. Fred has extensive knowledge of cost/process control and knowledge of "end life cost" development to assist clients in assessing overall risks in their project administration. Prior to joining RSM, Fred was with an audit consulting firm for seven years, providing construction audit services for large hospital construction projects, mining and higher education. In addition, Fred has nine years of construction accounting experience outside the United States.

Industry specialization

Fred specializes in construction and all its various contract delivery.

Notable client engagements

- Provided construction audits for a hospital in Southern California with a construction value of \$311 million, resulting in \$2.5 million being refunded to the client
- Managed an audit of a \$400 million mining project in Vancouver, Canada, and identified significant cost overruns of \$6.5 million for staffing on the project
- Completed a closed-out review of two health care facilities with a combined value of \$85 million and the observations, resulted in \$1.3 million of questionable costs
- Provided an interim audit for a \$400 million hospital project and identified overbilling in excess of \$1 million
- Provided an interim audit for a \$434 million hospital project and identified overbilling in excess of \$1.5 million
- Provided a close-out review for a hospital project valued at \$89 million resulting in \$800 thousand being refunded to the client
- Provided a pricing review for a hospital's construction project related to general conditions and general requirements of the work valued at \$34 million resulting in \$4.7 million in savings used to leverage the work prior to signing an agreement with a general contractor
- Provided an interim audit for a hospital's construction project valued at \$89 million resulting in overbilling of \$1.6 million

- Provided a construction audit close-out review of a college's building valued at \$20.4 million and identified overbilling in excess of \$1.4 million
- Provided a close-out audit for a college resulting in overbilling of \$141 thousand
- Provided a close-out audit for a college's building valued at \$18 million resulting in overbilling of \$127 thousand
- Provided a close-out audit for a university's construction project for \$1.1 million resulting in overbilling of \$34 thousand
- Provided a subcontractor's pricing review on seven cost-reimbursable subcontractors with an accepted total value of proposal of \$147 million resulting in estimated savings of \$4.2 million used to leverage work prior to final execution of the contract, including labor savings of \$1.5 million
- Provided an interim audit review for total project costs of \$241.6 million resulting in overbilling of \$1.1 million
- Reviewed contracts issued by the local government to individual home owners, apartment complexes and condominiums relative to Louisiana displaced families entitled to housing assistance due to Hurricane Katrina, and provided quality assurance and financial reconciliations to determine overbillings and proper entitlements to hurricane victims
- Managed and supervised accounting/auditing for New York, New Jersey, Pennsylvania and Connecticut offices with annual billings of \$500 million to \$800 million
- Managed and supervised accounting and auditing for JFK International Airport, Terminal 4 for \$900 million
- Managed and supervised accounting and auditing of World Trade Center emergency work and coordinated internal audit work performed by six outside consultants in compliance with FEMA and City of New York Comptroller's Offices; also supervised and coordinated work for 27 accounting personnel
- Managed and supervised cost accounting/auditing for a \$300 million entertainment complex in New Jersey with \$1.3 million overbillings on change order work
- Provided cost accounting for 11 building construction projects

Education

- Bachelor of Science, commerce/accounting, San Sebastian University



David Luker

Engagement Manager, Risk Advisory Services
Subject Matter Expert—Construction
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Summary of experience

David has over 10 years in public accounting experience that includes: planning and managing construction closeout audits, facilities and construction internal audits, contract compliance engagements, and other consulting services. He is responsible for project management, risks and controls, business process analysis, contract compliance services, risk management, and forensic investigations. David has led teams on construction audit projects throughout Florida and nationwide. David is 100 percent dedicated to risk advisory services within the construction industry, predominantly consisting of higher education, public sector, government and school district construction auditing.

Prior to joining, David led external audit and tax services for construction contractors at a regional accounting firm. In 2014, David was named among the Orlando Business Journal's Top 40 professionals under 40 years old.

Representative client list

- Arlington County, Virginia
- Brevard County
- Brevard County School District
- Broward College
- Broward County School District
- Capital One Services
- City of Orlando
- Jacksonville Aviation Authority
- Osceola County School District
- Prince William County, Virginia
- Swire Properties
- The State of Florida
- University of Central Florida

Professional affiliations and credentials

- Alabama Institute of Certified Public Accountants, member
- American Institute of Certified Public Accountants, member
- Certified Public Accountant licensed in Alabama

Education

- Masters of Accountancy, Auburn University



Elizabeth Watts, CFE

Manager, Risk Advisory Services
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Summary of Experience

Elizabeth Watts is a Certified Fraud Examiner and is a Manager with the Risk Advisory Services group of RSM's Great Lakes consulting practice. She has over ten years of professional experience in providing risk advisory and contract compliance consulting services to government agencies.

Governmental Consulting and Auditing Experience

- Audits of state government entities, public and private companies, covering employee benefit plans, transportation services, treasury functions, manufacturing, insurance and technology.
- Creating and reviewing accounting policies and procedures in accordance with GAAP, GASB, Federal program standards, and other laws and regulations for use by accounting and financial departments, as well as internal and external auditors.
- Analyzing financial data to discover and investigate unusual balances and trends.
- Producing government agency financial statement packages in accordance with GAAP, GASB, and federal and state laws and requirements.
- Evaluating the validity of financial statements and disclosures with applicable laws, regulations and corporate governance.
- Managing the execution of consulting projects including the planning, fieldwork and reporting phases and the implementation of recommended changes.
- Supervising contract compliance reviews to evaluate and report the results of both financial and non-financial contractual obligations through written reports and schedules, and facilitating client communications and understating of identified issues.
- Understanding and interpreting complex contracts and agreements to identify ambiguity and limitations of current accounting contract language and suggest modifications and improvements for future agreements.
- Coordinating multiple consulting engagements with both domestic and international locations.

Representative Clients

- California Energy Commission
- Chicago Department of Transportation
- City and County of San Francisco
- Colorado Department of Transportation
- Illinois Department of Commerce and Economic Opportunity
- Illinois Department of Transportation
- Illinois Office of the Treasurer



Zakari Parchment

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Summary of experience

Prior to joining RSM, Zakari Parchment was a senior consultant at a Big Four firm, working on projects ranging from enterprise cost reduction strategies to compliance reviews and technology implementations in various industries.

Prior to that, he worked at an international real estate services provider as the operations manager for the Southern California project management group. While there, Zakari was responsible for managing the project management financials and other business operations, including annual budgeting, monthly forecasting and billing as well as project manager of workload and capacity. At the western division level, he created high-level trending reports for upper management based on the current contracted revenue, market knowledge and current-year plan.

Representative experience

- Corporate real estate organization operational assessment—The client was interested in optimizing their entire corporate real estate functions. Their portfolio was approximately 52 million square feet of combined hospital, medical office buildings (MOBs), administrative and “other” space across eight regions. Zakari was responsible for analyzing over 1 million data points collected for the facility operations program. This data was then compared to market-specific benchmarks, and significant potential savings were identified.
- Payroll system modernization (SAP) (Enterprise Resource Planning [ERP] system)—Zakari worked on the payroll resolution team on a large power and utility project in the northeast. This client was transitioning to one payroll system from eight systems across all regions. After go-live, more than half of their employee base was receiving incorrect pay. He was in charge of working directly with union employees to diagnose the employees’ issues and route the corrections through the proper channels to achieve a speedy resolution. Zakari received on-the-job knowledge of SAP graphical user interface (GUI). He was also responsible for training new resolvers as needed in the hub and developed a Microsoft Excel-based tool to quickly analyze multiple pay periods.
- Preconstruction budget and project controls development—Zakari developed the project budget and project controls and policies for the development of a new state-of-the-art campus facility. This facility was required to meet the growing needs of the wireless and broadband communications company. He worked directly with the finance organization to ensure that they had all the necessary controls in place around monthly cash flow forecasting, accruals and

invoicing. Process flowcharts were also created to ensure that all entities within the organization properly understood their roles on the project team. He played a crucial role in developing the framework for the project budget, identifying major gaps in the preliminary data received from local vendors.

- **Construction cost evaluation and process review**—A large solar panel provider and contractor was looking to perform a contract compliance and process review of the engineering, procurement and construction (EPC) organization. There were 11 projects selected by the client for this assessment of which five of those projects were selected for a more in-depth analysis based on size and complexity. Zakari worked directly with both executive- and project-level personnel to review the current processes in place and compared those to industry standards and best-in-class EPC organizations. He led the team that performed this analysis and process review to ensure a successful engagement.

Education and certification

- Master of Business Administration, Villanova University, currently pursuing, graduating May 2016
- Bachelor of Science, civil engineering, Villanova University
- Engineer in Training (EIT), National Council of Examiners for Engineering and Surveying (NCEES)



Kevin Mowatt

Manager, Risk Advisory Services
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Summary of experience

Kevin Mowatt is a manager in RSM's tangible property services group where he specializes in cost segregation and other tangible asset services. In this role, Kevin also participates and conducts construction risk advisory services specifically in the New York area. Drawing on his experience as an engineer, Kevin is able to advise clients on matters such as federal tax depreciation, partial building dispositions, improvement versus repair studies, unit of property analysis and contractor over billings.

Kevin's cost segregation and construction audit experience includes new construction, renovation projects, leasehold improvements, and acquired property across all industries including hospitality, gaming and entertainment, manufacturing, residential, pharmaceutical and retail. He also has experience assisting clients with securing investment tax credits and incentives for their capital projects, providing cost certification services, and qualifying building energy performance in reference to energy efficient building design.

Prior to joining RSM, Kevin spent 10 years with a Big Four firm's engineering and construction consulting practice. Earlier in his career, he worked as a consulting engineer and project manager where his responsibilities included designing HVAC systems and managing a team of multidiscipline engineers.

Professional affiliations and credentials

- Licensed Professional Engineer in New York

Education

- Masters of Business Administration, Operations Management, City University of New York at Baruch College—Zicklin School of Business
- Bachelor of Engineering, Mechanical Engineering, Stony Brook University—College of Engineering and Applied Sciences



Alice Lerman

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Summary of Experience

Alice has 25 years of broad-based experience as a construction law attorney, a strategy consultant and as a facility master planner for hospitals. She has excellent project management experience and ability. With three post-graduate degrees, in law, architecture and a Kellogg MBA, her areas of strength include extensive knowledge of hospital non-clinical operations, hospital facilities strategies, planning and facility project management, construction contracts, sourcing and procurement, and portfolio analysis. She has interviewed hundreds of hospital stakeholders, leaders and department managers for provider projects, enhancing her strong client relationship management skills.

Notable Engagements

- A ivy-league university major construction governance project
- Planned controls and protocols for a planned \$12B expansion of a university campus over 10 years;
- Assessed and re-designed the project management office to implement internal governance and controls over facility planning, development and construction processes with appropriate approvals and cross-checks.
- Assessed construction management support applications.

- A large scale high-tech/industrial facility construction project
- Planned controls and protocols for a large scale construction project;
- Prepared a complex, large scale RFP for the client to use to solicit bids from the A/E/construction management firms.
- Assessed construction management support applications.

- A real estate development/construction company
- Process and systems improvement - developed findings and recommendations for, particularly for the pre-construction, construction and project close-out phases
- Assessed "as is" conditions, researched and presented leading practices in the real estate development and construction industries, leading to process and systems gap analysis

- An integrated healthcare provider including 3 hospitals, 500 physician medical group, a research institute and home health services

- Assessed the present real estate portfolio
- Expanding space requirements of the non-clinical corporate functions and the research institute, and develop a real estate strategy that meets departmental needs while minimizing and reducing related costs
- Extensive interviewing, analysis of real estate assets and budget financials
- Financial modeling of alternative strategy scenarios.

Other Business Experience

- Corporate Real Estate Department Manager
- Management of the corporation's extensive real estate portfolio
- Managed the lease administration process
- Assessed existing lease administration software and initiated system
- Researched and inventoried Abbott's extensive worldwide real estate holdings, both leased and owned properties, to perform portfolio optimization
- Developed findings and recommendations regarding lease negotiations, dispositions, and acquisitions of real property to further support Abbott's primary business functions
- Implemented transaction strategies, by building broker relationships, and drafting, negotiating and auditing transaction documents

- Attorney—Commercial and Construction Law
- Commercial litigation, business and real estate law.
- Established, marketed and managed the law practice, while managing successful client relationships. Extensive experience negotiating terms of complex construction and other commercial contracts. Managed the dispute resolution process as an advocate in the arbitration, mediation, circuit and appellate court venues.

- Site Selection and Cost Reduction Consultant
- Project manager of a greenfield build out for a \$20M steel manufacturing plant relocation
- Conducted competitor analysis, designed customer map, developed market-driven geographic parameters
- Developed criteria and process for feasibility study (focusing on ROI and significant productivity improvements from the existing to the new operations and facilities) and performed analysis, leading to prioritized recommendations. Resulted in management decision to relocate plant.
- Negotiated with owners of industrial properties and state agency to resolve zoning, tax, labor market and environmental issues. Represented client to gain more than \$2MM in tax and infrastructure incentives.
- Sourced and vetted architects and contractors, and managed legal issues such as negotiating contingencies and change orders.
- Headed the team negotiating a complex, long-term lease with public agency (port authority). Project completed on time and under budget.

- Consultant—Healthcare Facility Planning
- Led consulting team in all aspects of medical facility master planning and space programming.
- Developed high level cost estimates for large scale hospital expansions and renovations.
- Participated in client RFP meetings to present capabilities and to solicit firm engagements.
- Facilitated the negotiation of several engagements.

- Innovated options for facility development in coordination with workload trends in each service area, hospital operations and the interrelationship of hospital departments. Results improved efficiency and maximized utilization of space.
- Delivered presentations to multiple Boards of directors. Resulted in key management decisions being made.

Publications and Presentations

- *Principles of Design for Birth Environments*, sponsored by the American Hospital Assoc. Illinois Construction Law and by Schiff, Hardin & Waite
- "Principles of Design for Birth Environments", presented before a conference of the American Institute of Architects

Professional Affiliations and Credentials

- Deloitte Supply Chain Certified
- Deloitte Enterprise Lean/Six Sigma Greenbelt Certified
- Juris Doctor
- State Bar Association of Illinois
- State Bar Association of Wisconsin
- CoreNet Global

Education

- MBA, management strategies and marketing, Kellogg School of Management, Northwestern University
- Master's degree, architecture and urban planning, University of Wisconsin
- JD, Marquette University Law School
- BA, history and political science, University of Wisconsin



Haley Heryford

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Summary of experience

Haley is an associate in RSM's risk advisory practice and a recent graduate of Menlo College. While pursuing her Bachelor of Science Degree in accounting, she took courses including Systems & Software for accounting, auditing, cost accounting and advanced accounting. Haley is dedicated to serving internal audit and Sarbanes-Oxley clients and is pursuing her Certified Internal Auditor licensure.

Representative experience

Notable engagements Haley has worked on include:

- ConocoPhillips—Construction audit/cost allocation
- Heritage Bank of Commerce—Testing controls
- VTA—Contract review
- Boston Private Financial Holding—Testing controls

Education

- Bachelor of Science, accounting, Menlo College



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