

PROFESSIONAL SERVICES AGREEMENT

THIS Professional Services Agreement is made this ___ day of _____, 2018, by and between the City of Lawrence, Kansas, a municipal corporation, and RSM US LLP, an Iowa Limited Liability Partnership.

RECITALS

- A.** The City of Lawrence, Kansas ("City"), a municipal corporation, is in need of certain professional services, specifically professional audit services as described in City of Lawrence Request for Proposal (RFP #1817), which is attached hereto as Exhibit A and incorporated by reference as if fully set forth herein.
- B.** RSM US LLP ("Consultant"), an Iowa Limited Liability Partnership, has proficiency in professional financial audit services as demonstrated in its response to the City's RFP which is attached hereto as Exhibit B and incorporated by reference as if fully set forth herein.
- C.** The City wishes to engage Consultant as an independent contractor to perform the needed services, which are described in detail in the document entitled "Scope of Services" (a copy of that document is affixed hereto as Attachment 1).
- D.** The Consultant is willing and able to provide the services for which the City wishes to engage it and agrees to perform those services in accordance with the terms and conditions of this Professional Services Agreement, as set forth below.

AGREEMENT

NOW, THEREFORE, in light of the mutual promises and obligations contained herein, and in exchange for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties agree as follows:

SECTION 1. Engagement. The City hereby engages Consultant as an independent contractor to perform the services hereinafter described and Consultant hereby accepts that engagement.

SECTION 2. Services.

- (a) Scope of Services.** Consultant shall perform those services ("Contract Services") specifically described in the Scope of Work, which document is affixed hereto as Attachment 1 and is incorporated herein by reference as if set forth in full. The parties may agree at any time to expand or modify the scope of the Contract Services. Such agreement shall be in writing and

shall be attached to this Professional Services Agreement as an Addendum.

- (b) **Subcontracting Services**. Consultant may not, without first obtaining written consent of the City, subcontract any of the Contract Services.
- (c) **Time of Performance**. Time is an important element of this Agreement. Upon execution of this Professional Services Agreement, Consultant shall commence performance of the Contract Services and perform such work with diligence.
- (d) **Expiration**. The "Initial Term" of this Professional Services Agreement shall commence upon the execution of this document and shall expire upon completion of the audit, unless terminated earlier. The provisions regarding indemnity and insurance shall survive the expiration of this Professional Services Agreement.
- (e) **Qualified Personnel**. Consultant shall provide sufficient qualified personnel to perform the Contract Services.
- (f) **Performance**. In performing the Contract Services, Consultant agrees to take all steps necessary for the full and effective performance of those tasks.

SECTION 3. Compensation and Reimbursement of Expenses.

- (a) **Compensation**. Subject to the limitations established at Section 3(b), City shall pay Consultant a sum not to exceed \$68,000 for the financial statement audit and single audit (including two major programs) for the services described in the Scope of Work (Attachment 1). An additional \$4,000 fee per additional major program shall be due. Said fee shall include direct and indirect expenses. If the Scope of Work materially changes, the parties agree to negotiate in good faith a reasonable fee. The parties agree that the amounts payable to Consultant for work performed shall in no way be dependent upon the nature of the conclusions reached or the reports or advice given by Consultant.
- (b) **Payment Terms**. Consultant shall send invoices to the City, not more frequently than once per month, setting forth the Contract Services performed and expenses incurred and the amount of Compensation due under this Professional Services Agreement. All invoices are payable upon receipt by the City. The City agrees to make such payment within thirty days of receipt of the invoice. If payment is not received within thirty (30) days from the due date of such payment, Consultant may suspend further

performance under one or more Work Authorizations until payments are current. The City shall notify Consultant of any disputed amount within fifteen (15) days from the date of the invoice, give reasons for the objection, and timely pay any undisputed amount. The City also agrees to accept electronic invoices for services and scanned copies of receipts and other documentation. Consultant agrees to provide the City with originals before the City is obligated to pay the invoice.

SECTION 4. Termination of Professional Services Agreement. The parties may terminate this Agreement at any time, for convenience or for cause, upon ten (10) days written Notice to the other party. In the event that the City terminates the Agreement for convenience, then it shall pay Consultant for Contract Services satisfactorily performed by the Consultant and for all associated expenses incurred therewith prior to the termination. Under no circumstance, in the event of termination of this Professional Services Agreement, will the Consultant be entitled to recover anticipated profits or consequential damages. The provisions regarding indemnity and insurance shall survive the termination of this Professional Services Agreement.

SECTION 5. Reports and Documents.

- (a) **Property and Possession.** All reports, studies, analyses, memoranda, and related data and material, as may be developed during the performance of the Contract Services, shall be submitted to and shall be the exclusive property of the City, which shall have the right to use the same for any purpose without further compensation or liability to Consultant, subject to the terms of the Scope of Services. Consultant may use its own proprietary software for the purposes of generating the data required by this Professional Services Agreement. The parties agree that the City shall retain all rights to the data generated, but that the Consultant shall retain all rights to the proprietary software. For clarity, it is understood that Consultant's audit workpapers shall at all times remain the sole property of Consultant, and are not subject to the terms of this Section.
- (b) **Status of Documents upon Expiration or Termination.** If this Professional Service Agreement expires or is terminated for any reason, including cause, all finished deliverables prepared as part of the Contract Services shall immediately be transmitted to the City by Consultant, with the exception of the Consultant's proprietary software, as noted in Section 5(a).
- (c) **Confidentiality.** Consultant shall not release to any person except the City and its authorized agents any reports or related materials prepared for the City by the Consultant as the Contract Services and maintained

confidentially by the City. This Professional Services Agreement, however, does not preclude Consultant from providing any service (whether or not similar in nature to the Contract Services hereunder) in behalf of other clients in the City of Lawrence, Kansas, or elsewhere.

All reports and documents prepared, assembled, or compiled by Consultant pursuant to the terms of this Professional Services Agreement are to be considered confidential and Consultant agrees that it will not, without prior written consent of the City, submit or make the same available to any individual, agency, public body, or organization other than the City and its authorized agents, except as may otherwise herein be provided. Notwithstanding anything in this Professional Services Agreement to the contrary, Consultant may disclose confidential information to the extent required by applicable law, regulation, or a valid order by a court or other governmental body; provided, however, that Consultant will, unless prohibited by law, regulation, or such order, use commercially reasonable efforts to notify the City of such requirement prior to making such disclosure so that the City may seek a protective order or other appropriate remedy. In addition, it is understood that Consultant subscribes to a program of peer review for maintenance of quality control as required by its profession. As part of this program, engagement files may be selected for review by other professionals under strict rules of confidentiality. Acceptance constitutes agreement for disclosure under peer review programs, with reasonable notice given by Consultant.

Contractor is committed to the safe and confidential treatment of the City's proprietary information. Contractor is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which cover the provision of services described herein. The parties agree to use commercially reasonable measures to maintain the confidentiality of the City information, including the use of collaborate sites to ensure the safe transfer of data between parties.

SECTION 6. Compliance with Equal Opportunity Laws, Regulations, and Rules

- (a) Consultant agrees that it shall comply with all provisions of the Kansas Acts Against Discrimination of 1953 ("KAAD"), codified as amended at K.S.A. 44-1001 *et seq.*, and the Kansas Age Discrimination in Employment Act of 1983 ("KADEA"), codified as amended at K.S.A. 44-1111 *et seq.* and shall not discriminate against any person, in the course of performing under this Professional Services Agreement, because of that person's race,

religion, sex, disability, national origin, ancestry, sexual orientation, gender identity, familial status, or age.

- (b) In all solicitations or advertisements for employees, Consultant shall include the phrase "equal opportunity employer," or a similar phrase to be approved by the Kansas Human Rights Commission ("KHRC").
- (c) If Consultant fails to comply with the manner in which Consultant reports to the KHRC in accordance with the provisions of K.S.A. 44-1031 and any amendment thereto, Consultant shall be deemed to have breached the present Professional Services Agreement and the City shall, in accordance with Section 5, have the right to cancel, terminate, or suspend the terms of this Professional Services Agreement, either in whole or in part.
- (d) If Consultant is found guilty or liable for any violation of the KAAD or the KADEA by way of a final decision or order of the KHRC, then Consultant shall be deemed to have breached the present Professional Services Agreement and the City shall, in accordance with Section 5, have the right to cancel, terminate, or suspend the terms of this Professional Services Agreement, either in whole or in part.
- (e) In any subcontract, to which the City consents in accordance with Section 2(b) of this Professional Services Agreement, Consultant agrees to include the language of Sections 6(a) through 6(d) and agrees to make such language applicable to any subcontractor hereunder.
- (f) Consultant also agrees to comply with the American with Disabilities Act of 1990 ("ADA"), codified as amended at 42 U.S.C. § 12101 *et seq.*, as well as all other federal, state, and local laws, ordinances, rules, and regulations applicable to this project and to furnish any and all certification that may be required by federal, state, or local governmental agencies in connection therewith.

SECTION 7. Insurance.

- (a) **General.** Consultant shall secure and maintain, throughout the duration of this Professional Services Agreement, Insurance (on an occurrence basis unless otherwise agreed in writing) of such types and in at least such amounts as required herein. Consultant shall provide certificates of insurance and renewals thereof on forms approved by the City. The City shall be notified by receipt of written notice from Consultant at least thirty days prior to material modifications or cancellation of any policy listed on the certificate, unless the material modifications or cancellation result in equal or greater coverage.

- (b) **Notice of Claim.** Consultant, upon receiving notice of any claim in connection with its performance of Contract Services under this Professional Services Agreement, shall promptly notify the City, providing full details thereof, including an estimate of the amount of loss or liability.
- (c) **Reduction of Policy Limits.** Consultant shall monitor and promptly notify the City of any reduction in limits of protection afforded under any policy listed in the Certificate (or otherwise required by this Professional Services Agreement) if the Consultant's limits of protection have been impaired or reduced to such extent that the limits fall below the minimum amounts required hereunder. In that event, Consultant shall promptly reinstate the original limits of liability required hereunder and shall furnish evidence thereof to the City.
- (d) **Insurance Required.** Consultant agrees to secure and maintain the following insurance:

(i) **General Liability:**

General Aggregate: \$500,000.00
Personal and Advertising Injury: \$500,000.00
Each Occurrence: \$500,000.00

Additionally, the policy must include the following:

- (A) Broad Form Contractual/Contractually Assumed Liability;
- (B) Independent Contractors
- (C) Name the City of Lawrence, Kansas, as an additional insured via blanket endorsement. For clarity, the City of Lawrence, Kansas is named as an additional insured. Coverage shown is primary and non-contributory.

(ii) **Automobile Liability:**

The Policy shall protect Consultant against claims for bodily injury and/or property damage arising out of the ownership or use of all owned, hired, or non-owned vehicles and must include protection for either (A) any automobile or (B) all owned automobiles and all hired and non-owned automobiles. (C) The Policy must also name the City of Lawrence, Kansas, as an additional insured via blanket endorsement. For clarity, the City of Lawrence, Kansas is named as

an additional insured. Coverage shown is primary and non-contributory.

Limits:

Each Accident, Combined Single Limits

Bodily Injury and Property Damage: \$500,000.00

(iii) Workers' Compensation:

Bodily Injury by Accident: \$100,000.00 each accident

Injury by Disease: \$500,000.00

Bodily Injury by Disease: \$100,000.00 each employee

If Consultant has no employees, it must execute a waiver on a form provided by the City.

(iv) Professional Liability:

The Consultant shall maintain through the duration of the Professional Services Agreement, Professional Liability Insurance in an amount not less than One Million Dollars (\$1,000,000.00) any one claim and in the aggregate, and shall provide the City with certification thereof.

(e) Insurance Ratings. For the purposes of this Professional Services Agreement, the City will only accept coverage from an insurance carrier that offers proof:

- (i)** **(A)** that it is licensed to do business in the State of Kansas;
 (B) that it carries a Best's policyholder rating of A- or better; and
 (C) that it carries at least a Class VII financial rating. **OR**

(ii) that it is a company mutually agreed upon by the City and Consultant.

(f) Certificate of Insurance Forms. The parties agree that certification of insurance coverage under this Professional Services Agreement shall be on the City's standard Certificate of Insurance Form or on other forms acceptable to the City.

SECTION 8. Indemnification. Consultant agrees to defend, indemnify, and otherwise hold harmless the City, its commissioners, officers, employees, and agents from claims, actions, damages, costs, liabilities, settlements, judgments, expenses, or lawsuits, including reasonable attorneys' fees, but only to the extent that such are found to have been caused by Consultant's unreasonable non-performance as determined by the AICPA Code of Professional Conduct or any other relevant professional standard

governing the Consultant's conduct, under this Professional Services Agreement or by Consultant's negligent acts or omissions in its performance under this Professional Services Agreement. (For the purposes of this Section, Consultant means Consultant or any person acting in behalf of Consultant or for whom Consultant is responsible). To the extent permitted by law, because Contractor will rely on the City and its management and City Commissioners to discharge the Scope of Work, the City agrees to hold harmless and release Contractor and its partners and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing representation by a member of the City's management that has caused Contractor's breach of contract or negligence. Neither party shall be liable to the other party for incidental, indirect, special, or consequential damages.

SECTION 9. Quality Assurance. Consultant agrees that it shall perform its work and services under this Professional Services Agreement in accordance with recognized professional standards. Further, Consultant agrees that it shall perform its work and service under this Professional Services Agreement with professional expertise, skills, and knowledge of proficient industry procedures and techniques in all relevant subject matters. Consultant agrees that, accordingly, it shall be capable of performing the necessary consulting and other services required by the City and possesses the ready comprehension of the required subject matter and the expertise to provide citizen participation and transportation planning for the City. Consultant's liability to the City for any non-conforming Services shall be to re-perform the non-conforming or defective Services, written notice of which must be given within a reasonable time by the City to Consultant. Consultant's obligation for re-performance of non-conforming Services, as described in the preceding sentence, shall extend for a term commencing at the substantial completion of such Services under a Work Authorization and ending one year later.

SECTION 10. Entire Agreement.

- (a) This Professional Services Agreement, and Exhibits A and B, and Attachment 1, represent the entire and integrated agreement between the City and Consultant and supersedes all prior negotiations, representations, or agreements between the parties, whether written or oral. This Professional Services Agreement may be amended only by a written instrument signed by both the City and the Consultant. Written and signed amendments shall automatically become a part of this Professional Services Agreement and shall supersede any inconsistent provision herein; provided, however, that any apparent inconsistency shall be resolved, if possible, by construing the provisions as mutually complementary and supplementary.
- (b) No oral orders, objections, claims, or notices by any party to the other shall affect or modify any of the terms or obligations set forth in this

Professional Services Agreement; and none of its provisions shall be deemed waived or modified by reason of any act whatsoever, other than by a definitely agreed waiver, modification, or amendment made in writing and signed by both parties. No evidence of notice, waiver modification, or amendment, other than evidence of such in writing, shall be introduced as evidence at any proceeding, either legal or administrative.

SECTION 11. Assignment. This Professional Services Agreement is non-assignable by the Consultant and any subcontractor of Consultant approved by the City in accordance with Section 2(b).

SECTION 12. Notices. All notices, demands, or other communications, which may be or are required to be given by any party to any other party under this Professional Services Agreement, shall be in writing and shall be hand-delivered, mailed by first class mail, registered or certified mail, return receipt requested, postage prepaid, or sent by overnight express mail, postage prepaid, return receipt requested, to the following addresses:

(a) If to Consultant:

RSM US LLP
200 South Wacker Drive
Suite 3900
Chicago, IL 60606
Attn: Office of the General Counsel

(b) If to the City:

City of Lawrence, Kansas
6 East 6th Street
P. O. Box 708
Lawrence, Kansas 66044
Attn: Finance Director

SECTION 13. Authorizations. Each person executing this Professional Services Agreement in behalf of the City and Consultant hereby represents and warrants that he or she has the authority to bind his or her respective party hereto and that all acts requisite to confer authorization to enter into this Professional Services Agreement have been taken and completed.

SECTION 14. Independent Contractor. In no event, while performing under this Professional Services Agreement, shall Consultant be deemed to be acting as an employee of the City; rather, Consultant shall be deemed to be an independent contractor. Nothing expressed herein or implied herein shall be construed as creating

between Consultant and the City the relationships of employer and employee, principal and agent, a partnership, or a joint venture.

SECTION 15. Kansas Cash-Basis Law. This Professional Services Agreement must comply with the applicable provisions of the Kansas Cash-Basis Law of 1933, codified as amended at K.S.A. 10-1101 *et seq.* The City, in its own behalf is obligated only to make payments under this Professional Services Agreement as may be lawfully made from funds budgeted and appropriated for the purposes set forth in this Professional Services Agreement during the City's current budget year. In the event that the City does not so budget and appropriate funds, the parties acknowledge and agree that they shall be relieved of all obligations under this Professional Services Agreement without penalty. To the extent that the City does so budget and appropriate funds for the purposes set forth in this Agreement, the obligations of the parties shall remain as provided herein.

SECTION 16. Conflict of Interest. Consultant is currently unaware of any conflict of interest with any party affected by this Professional Services Agreement and agrees that, if any conflict or potential conflict of interest should arise in the future, it will give notice to the City immediately.

SECTION 17. Legal Action. The parties agree that the appropriate venues for any legal actions arising out of this Professional Services Agreement are the District Court of Douglas County, Kansas, or, if federal jurisdiction exists, the United States District Court for the District of Kansas. The City's failure or forbearance to enforce, or waiver of any right or an event of breach or default shall constitute the waiver of such right, breach or default.

SECTION 18. Force Majeure. Neither party shall be deemed to be at default under this Professional Services Agreement to the extent that any delay in performance results from any cause beyond its reasonable control and without its intentional act or negligence.

SECTION 19. Captions. The Captions of this Professional Services Agreement are for convenience only and are not meant by the parties to define, limit, or enlarge the scope of this Professional Services Agreement or its terms.

SECTION 20. Recitals. The recitals set forth at the beginning of this Professional Services Agreement are adopted and incorporated herein by reference as if set forth in full and shall be effective as if repeated *verbatim*.

SECTION 21. Attachments. All attachments to this Professional Services Agreement are incorporated herein by reference and shall be considered to be a part of this Agreement as if set forth herein in full.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal, the day and year last written above.

Notary Public

My Appointment Expires:

RSM US LLP, an Iowa Limited Liability Partnership

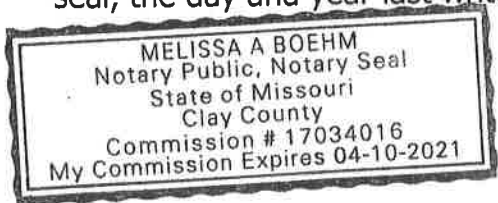
Kristen Hughes
Kristen Hughes, Senior Manager

ACKNOWLEDGMENT

THE STATE OF KANSAS)
)
THE COUNTY OF Jackson, MO) ss:

BE IT REMEMBERED, that on this 14th day of December, 2018, before me the undersigned, a notary public in and for the County and State aforesaid, came Kristen Hughes, as Senior Manager of RSM US LLP, who is personally known to me to be the same person who executed this instrument in writing, and said person fully acknowledged this instrument to be the act and deed of the aforementioned entity.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal, the day and year last written above.



Melissa A Boehm
Notary Public

My Appointment Expires: 4/10/21

**ATTACHMENT 1 TO
PROFESSIONAL SERVICES AGREEMENT BETWEEN
THE CITY OF LAWRENCE AND RSM US**

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the City of Lawrence, Kansas' (the City) governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information as of and for the year ending December 31, 2018, which collectively comprise the basic financial statements. Our audit will include the general fund and you acknowledge that we are the group auditor of the City's basic financial statements as of and for the year ending December 31, 2018. We will not audit the financial statements of the Lawrence Memorial Hospital, or the Lawrence-Douglas County Housing Authority, which are discretely presented component units of the City. Those financial statements will be audited by component auditors. We are pleased to confirm our understanding of this audit engagement by means of this letter. Our acceptance of this engagement is subject to our satisfactorily completing our normal engagement acceptance procedures, including review of the audit documentation and inquiries of your previous auditors, adverse data searches and background checks, if applicable, and communication and coordination effort with component auditors. We will notify you promptly if we become aware of anything during our acceptance procedures or the review of audit documentation that results in our not being able to continue this engagement.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

We will also report on whether certain supplemental information (combining nonmajor fund financial statements) is fairly stated in all material respects in relation to the financial statements as a whole. The accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and certain pension and other postemployment benefit information be presented to supplement the basic financial statements. We will apply certain limited procedures to this required supplementary information but will not express an opinion or provide any assurance on this information. In addition, you have informed us that you intend to prepare a Comprehensive Annual Financial Report (CAFR) and submit it for evaluation by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. Our association with the CAFR is to consist of technical review. The accompanying introductory and statistical sections of the CAFR are presented for the purpose of additional analysis and is not a required part of the basic financial statements. Accordingly, we will not express an opinion on this supplemental information.

We will also perform the audit of the City of Lawrence, Kansas as of December 31, 2018 so as to satisfy the audit requirements imposed by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); the provisions of the Single Audit Act; Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the U.S. Office of Management and Budget's (OMB) Compliance Supplement. Those standards, regulations, supplements or guides require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the City Commissioners (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the City and that are to be included as part of our audit are significantly the same as those listed in the December 31, 2017 Comprehensive Annual Financial Report. Any additional funds or deleted funds will be communicated by you upon commencement of fieldwork

The component units whose financial statements you have told us are to be included as part of the City's basic financial statements are listed here:

Blended component unit: eXplore Lawrence
Discretely presented component unit: Lawrence-Douglas County Housing Authority; Lawrence Memorial Hospital and Lawrence Public Library

There are no component units whose financial statements you have told us will be omitted from the basic financial statements.

The federal financial assistance programs and awards that you have told us that the City participates in and that are to be included as part of the single audit are significantly the same as those reported in the City's December 31, 2017 Schedule of Expenditures of Federal Awards (SEFA). Any changes to federal programs will be communicated by you upon commencement of fieldwork.

We are responsible for the compliance audit of major programs under the Uniform Guidance, including the determination of major programs, the consideration of internal control over compliance, and reporting responsibilities.

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and regulations identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program

questioned costs of which we become aware, consistent with requirements of the standards and regulations identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
4. For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
5. For report distribution; and
6. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

As part of our audit process, we will request from management and, when appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit, including among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the City complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any

allegations of fraud or abuse, or suspected fraud or abuse, affecting the entity received in communications from employees, former employees, analysts, regulators or others.

Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI and supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such RSI and supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

Because the audit will be performed in accordance with the Single Audit Act and the Uniform Guidance, management is responsible for (a) identifying all federal awards received and expended; (b) preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with Uniform Guidance requirements; (c) internal control over compliance; (d) compliance with federal statutes, regulations, and the terms and conditions of federal awards; (e) making us aware of significant vendor relationships where the vendor is responsible for program compliance; (f) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings and a corrective action plan; and (g) submitting the reporting package and data collection form.

The City Commissioners are responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the City.

Our association with an official statement is a matter for which separate arrangements will be necessary. The City agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the City seeks such consent, we will be under no obligation to grant such consent or approval.

The City agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the City agrees to contact us before it includes our reports, or otherwise makes reference to us, in any public or private securities offering.

Records and Assistance

If circumstances arise relating to the condition of the City's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the City's books and records. The City will determine that all such data, if necessary, will be so reflected. Accordingly, the City will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by City personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Danielle Buschkoetter, Interim Finance Director. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including the preparation of a CAFR draft. The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the City, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. The City has agreed that Jeremy Willmoth, Finance Director possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. Accordingly, the management of the City agrees to the following:

1. The City has designated Jeremy Willmoth, Finance Director as a senior member of management who possesses suitable skill, knowledge and experience to oversee the services;
2. Jeremy Willmoth, Finance Director will assume all management responsibilities for subject matter and scope of the preparation of the CAFR draft;
3. The City will evaluate the adequacy and results of the services performed; and
4. The City accepts responsibility for the results and ultimate use of the services.

GAS further requires that we establish an understanding with the City's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the City's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

Other Relevant Information

RSM US LLP may mention the City's name and provide a general description of the engagement in RSM US LLP's client lists and marketing materials.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may utilize financial information you have provided to us in connection with this engagement for purposes of creating benchmarking data to be used by RSM US LLP professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

In accordance with GAS, a copy of our most recent peer review report is enclosed for your information.

Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from City personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests
4. Timely communication of all significant accounting and financial reporting matters

5. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase.

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, RSM US LLP may, at its sole discretion, terminate this arrangement letter without further obligation to the City. Resumption of audit work following termination may be subject to our client acceptance procedures and, if resumed, will necessitate additional procedures not contemplated in this arrangement letter. Accordingly, the scope, timing and fee arrangement discussed in this arrangement letter will no longer apply. In order for RSM US LLP to recommence work, a new arrangement letter would need to be mutually agreed upon and executed.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. In the event we are requested or authorized by the City or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the City, the City will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses.

The documentation for this engagement is the property of RSM US LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of RSM US LLP audit personnel and at a location designated by our firm.

Reporting

We will issue a written report upon completion of our audit of the City's financial statements. Our report will be addressed to the City Commissioners of the City of Lawrence, Kansas. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on the City's financial statements, we will also issue the following types of reports:

1. A report on the fairness of the presentation of the City's schedule of expenditures of federal awards for the year ending December 31, 2018;
2. Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal control;
3. Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements and any noncompliance that could have a material effect, as defined by Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on each major program; and
4. An accompanying schedule of findings and questioned costs.

Exhibit B

Proposal to provide
professional auditing services

City of Lawrence, Kansas

September 14, 2018

Contact person:

RSM US LLP
4801 Main St., Suite 400
Kansas City, MO 64112
www.rsmus.com

Kristen Hughes, Senior Manager
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kristen.hughes@rsmus.com



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Suite 400
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September 14, 2018

Elizabeth Kennedy
Accountant
City of Lawrence, Kansas—Finance Department
6 East 6th St.
Lawrence, KS 66044

We appreciate the opportunity to provide the City of Lawrence, Kansas (the City) our qualifications to serve as your audit provider. We are prepared to give full attention to the areas of greatest importance to you and look forward to working with the City as a valued client of our firm. The following summarizes our understanding of your needs and provides an overview of our resources and capabilities to meet them.

As specified in your request for proposals, you are interested in the following services:

- Financial statement audit of the City for the fiscal year ending December 31, 2018, with the option for each of the three subsequent years. The audit shall be performed in accordance with the following:
 - Auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants and the standards for financial audits set forth by the Comptroller General of the United States and the *Government Auditing Standards*, as well as the Kansas Municipal Audit Guide
 - Provisions of the Single Audit Act of 1996, as amended and the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Grant Guidance)* and the related in-relation to opinion on the City's Schedule of Expenditures of Federal Awards
- Written communication to management and those charged with governance of significant deficiencies and material weaknesses identified in the audit and a management letter which will include suggestions of operational improvements
- A technical review of the Comprehensive Annual Financial Report (CAFR) for compliance with Government Finance Officers Association (GFOA) guidelines for obtaining the Certificate of Achievement for Excellence in Financial Reporting

We are committed to meet your timing requirements as outlined in your request for proposal.

Why RSM?

Everything about us—our culture, our values, our offices in 85 cities, including Kansas City—is designed to help us understand your challenges, earn your trust and contribute to your success. We have a passion for meeting the specific needs of governmental entities. We provide our clients with a high level of commitment and the personal attention your City deserves. We also offer a full array of business consulting and other advisory services designed to help you succeed.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

The following are some features that make us qualified to serve your needs:

- **We understand your industry.** Nationally, we provide services to over 4,700 public sector entities and have developed a governmental practice with the primary goal of developing more specialization within the governmental niche so we can create higher value for our clients through better advice, more efficient audit processes and deeper knowledge of their organization.
- **We understand your business and operations.** The key members of your proposed engagement team serve a large number of governmental entities each year. This means that we understand the issues specific to municipal operations and will not require on-the-job training—from understanding the risks relating to funding sources to managing compliance with the grant programs. Working with people knowledgeable of your industry means we will hit the ground running and will provide the City with value-added insights, not just during the audit but throughout the entire year.
- **Exceptional level of service.** We take a team approach that is heavy on experienced partner involvement. With a partner-to-staff ratio of 1:13, you will not just meet the partner at the initial planning sessions; your partner is in contact with you regularly to help ensure we meet your delivery expectations. They will also challenge your thinking, offer potential solutions and provide sound business advice, when appropriate. We are structured to help ensure our clients receive a high amount of attention and involvement. Throughout the year, questions arise concerning accounting procedures, debt refinancing, tax matters, benefit plans, staffing, budgeting and other matters. We believe you will find it reassuring to be able to call experienced professionals and seek their advice whenever needed. We believe you will find our **responsive service** is different from what you will find with other accounting firms.
- **Our governmental practice has gained a national reputation for excellence.** Many of our governmental clients have been referred to us by regulators, among whom we have developed a reputation for providing quality auditing services. In addition, we have assisted many clients in receiving and maintaining the GFOA Certificate of Achievement for Excellence in Financial Reporting.

Our approach to the audit engagement will establish a delivery system for providing a truly exceptional level of service. Each element of that system, including team structure, staffing, audit approach, communication and coordination, has been examined and refined to fit the needs of the City. In the following pages, our goals are to demonstrate how the City will benefit from selecting our firm as your professional services provider, underscore our commitment to providing you a quality audit at a competitive fee and lay the foundation for an ongoing relationship. We look forward to contributing to the City's long-term success.

Kristen Hughes, senior manager, is entitled to represent, empowered to submit the offer and authorized to sign a contract with the City. Once you have had the opportunity to review the following response, we would be pleased to discuss your needs in greater detail or make a presentation to your team. Please feel free to contact us with any questions. This proposal is a firm and irrevocable offer for 2018.



Kristen Hughes
Senior Manager
816 751 4004



Kevin Smith
Partner
816 751 4027



Stevi Reid
Manager
816 751 1835

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INDEPENDENCE

We are independent with respect to the City and its component units, as that term is defined by Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants and the *Government Auditing Standards*. Those rules require that the firm and all of its partners be independent with respect to any clients (not only on local, but also on a national level) who engage RSM to express an opinion on the financial statements. Those rules specify that an auditor may not have, or be committed to acquire, a direct financial interest or material indirect financial interest in a client or any of the client's affiliates during the period of his or her engagement or at the time he or she expresses an opinion. Further, those rules specify that an auditor may not act in a capacity of promoter, underwriter, officer, director, voting trustee or employee of the audit client during the periods covered by his opinion.

We are not aware of any professional relationships involving the City in the past five years, except for the following. In 2016 and 2017, RSM provided rapid assessment consulting services specific to the City's miscellaneous billing services, as well as revenue billings for City properties. These professional services provided would not impair the independence of the auditing services in this request for proposal. RSM's primary contact with the City for these projects was Bryan Kidney, previous Finance Director, if you would like to discuss with him the quality of work performed by RSM, or the overall client experience.

We will give written notice to the City of any professional relationships entered into during the period of this agreement.

LICENSE TO PRACTICE IN KANSAS

RSM US LLP holds an active CPA firm license in Kansas.

RSM US and its individually licensed certified public accountants are regulated by a number of state and federal requirements. All partners in the firm are CPAs. All CPAs must be licensed in the state in which their office is located. Our licensing department ensures that our firm and its individual employees are in compliance with the licensing requirements in the states where active firm and individual licenses are held.

FIRM QUALIFICATIONS AND EXPERIENCE

RSM's purpose is to deliver the power of being understood to our clients, colleagues and communities through national audit, tax and consulting services focused on middle market businesses. The clients we serve are the engine of global commerce and economic growth, and we are focused on developing leading professionals and services to meet their evolving needs in today's ever-changing business environment.



National support, strong local presence

RSM US LLP is the leading provider of audit, tax and consulting services focused on the middle market, with nearly 10,000 professionals in 85 cities nationwide. RSM is the U.S. member of RSM International, a global network of independent audit, tax and consulting firms with more than 43,000 people in over 120 countries. RSM uses its deep understanding of the needs and aspirations of clients to help them succeed.

We combine the resources and quality of work performed of a large, national firm with the personal service and attention to detail of a small firm. Our engagement teams are composed of professionals who are optimally positioned to serve you, both geographically and in terms of relevant experience. The combination of local presence and national strength assures you will receive exceptional advice from professionals experienced in the governmental industry, prompt responses to your needs and questions, and timely and cost-effective delivery of services.

While our size affords us the national resources needed to serve complex industries, size by itself is not important. What is important are the factors that have resulted in our success. We believe RSM is qualified because while we possess the experience and quality services of a national firm, our client service philosophy matches that of a local accounting firm. Our growth has been the result of our ability to provide our clients with close, personal attention, continuity and accessibility of all professional personnel, including partners, and prompt quality services in a cost-effective and innovative manner.

Location of office from which work will be performed

Our work on behalf of the City will be staffed with full-time professionals from our Kansas City office, which has more than 170 professionals.

Your audit will be performed by individuals who spend the majority of their time auditing entities similar to the City. We anticipate staffing your engagement with a partner, senior manager, senior and two to three staff members. All professional staff assigned will be on a full-time basis.

Given RSM's strategic focus on the industry, we retain a deep pool of professionals nationwide who are qualified to work on such engagements. In addition, members of your engagement team work regularly with professionals who are committed to providing subject matter insight on issues of concern to municipalities like the City of Lawrence, Kansas throughout the firm and from all service areas.

Size of public sector practice

RSM has a national practice focused on serving government entities like the City. We serve the audit, compliance and consulting needs of more than 570 state and local governmental entities, including cities and towns, utilities, housing authorities, redevelopment agencies and transportation authorities. This translates into considerable knowledge of the environment in which government entities operate.

Within our public sector practice, we have approximately 160 partners and principals, 140 directors and over 460 additional professionals who are committed to serving state and local governments. Our practitioners leverage their experience to create meaningful value for clients through a strong knowledge base and efficient processes. In working with RSM, the City will also benefit from our dedicated resources that closely monitor public sector developments and provide regular communications on accounting, auditing and regulatory pronouncements pertinent to state and local governments.

State and local government services provided

State and local governments are being challenged by a broader range of constituencies to deliver more transparency, efficiency and accountability than ever before. Leaders are under considerable pressure to help ensure that government entities function like an efficient business—delivering quality services, implementing efficient processes and setting new standards that can withstand examination. At the same time, in the face of ever-changing economic and political conditions, state and local governments must function productively and show results, all while focused on achieving a higher mission: to preserve and protect the public interest.

At RSM, we work together with governmental entities to address a variety of challenges, including:

- Reporting, including compliance requirements
- Risk and internal controls
- Business process re-engineering and operational transformation
- Technology consulting

The City deserves to work with a service provider that understands your objectives and can help you address challenges and anticipate future changes. Leveraging the experience and perspectives of our 760 public sector professionals who serve state and local governments, RSM can assist the City in meeting responsibility and accountability expectations, which will help the City achieve the technical, regulatory and cultural changes required to meet your evolving goals.

Available services that we provide to governmental entities include the following:

- Financial and compliance audit and attestation engagements
- Operational reviews
- Internal control reviews
- Technology consulting, including cyber security assessments
- Long-range planning and financial analysis
- Cost-of-service studies
- User charge/rate analysis
- Accounting policies and procedures manuals
- Interim controllership and/or financial management assistance
- Accounting and reporting assistance
- Litigation support services

Results of federal or state desk reviews or field reviews during previous three years

RSM performs approximately 1,000 audits annually in accordance with *Government Auditing Standards*, approximately 600 of which are single audits. Every year, certain of these engagements are selected for either desk or quality control reviews by state or federal cognizant/oversight agencies.

When any issues arise, our national director of public sector services (who has over 35 years of compliance audit experience) is required to be consulted. He works directly with the engagement teams to mitigate any issues raised in connection with these reviews. All issues raised during the last three years have been resolved to the satisfaction of the oversight agencies involved.

Our own system of quality control also requires that the RSM national director of public sector services be consulted to mitigate any issues that might be internally identified relative to the quality of any prior audits performed by the firm. Any such issues identified in the last three years have also been resolved, when applicable, to the satisfaction of our national director and the oversight agencies involved.

Disciplinary action against firm and personnel during past three years

Like other professional services firms, RSM US LLP engages in matters with legal and regulatory implications as a part of doing business. Therefore, we maintain a system of quality control that is structured to provide reasonable assurance that our personnel comply with applicable professional standards and applicable regulatory and legal requirements.

RSM does not release information pertaining to disciplinary actions against the firm or our personnel. However, there are no pending disciplinary matters, nor have there been any such matters in the past three years, that could reasonably be expected to impact our ability to serve our clients generally, or to provide the services contemplated by this proposal, specifically.

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

Key personnel assigned to the engagement

RSM is geared to providing you the seasoned professionals and personalized service the City deserves. We are committed to providing the highest quality work. We provide talented, bright professionals for the engagement, all of which are licensed to practice public accounting in the state of Kansas, exceed the minimum professional education requirements of the *Government Auditing Standards* and are independent of the City.

The following professionals would be responsible for the City's audit. The full biographies, including memberships in professional organizations and continuing professional education hours of the team members, are provided in Appendix A.

Team member, engagement role

Kristen Hughes

Senior Manager

kristen.hughes@rsmus.com

816 751 4004

Engagement leader: As your engagement leader, Kristen will be responsible for your complete satisfaction with the services we provide. She will be responsible for assuring the quality of services and continuity of the client service team and will also have ultimate responsibility for the overall quality of the audit. She will help ensure the professional services are delivered in a timely and efficient manner.

Stevi Reid

Manager

stevi.reid@rsmus.com

816 751 1835

Engagement manager: As your engagement manager, Stevi will make the determination of specific audit steps, communicate strengths and weaknesses of financial information to the engagement leader and monitor all phases of the audit to promote timely completion. She will directly supervise the performance of audit fieldwork and will be responsible for carrying out the audit plan.

Kevin Smith

Partner

kevin.smith@rsmus.com

816 751 4027

Quality assurance and concurring review partner: Kevin is the industry leader for RSM's central region governmental practice and has over 18 years of experience. Kevin will serve as the quality control partner reviewer ensuring the content of the reports is appropriate and that state, professional and regulatory standards have been met.

In addition to the team members listed above, one senior and two to three full-time professional staff will be assigned to the engagement team and will be staffed from our government team. These assistants are college graduates and work on governmental engagements throughout the year and have varying audit experience.

Equal Employment Opportunity and Affirmative Action policies

RSM maintains written policies with respect to Equal Employment Opportunity and Affirmative Action. We set goals for specific job groups within each of our offices and monitor progress on an ongoing basis in addition to a formal review each year. While most of our offices meet or exceed these goals, management and human resources personnel take targeted hiring and retention measures, as needed, to address underrepresentation.

Equal Employment Opportunity policy

Equal Employment Opportunity has been and will continue to be a fundamental principle of our organization, where employment is based upon personal capabilities and qualifications without discrimination because of race, color, religion, sex, age, national origin, disability, pregnancy, citizenship status, veteran status, sexual orientation, marital status, genetic information or any other characteristic protected by federal, state or local law. Equal opportunity and equal consideration will be afforded to all applicants and employees in personnel actions, which include recruiting and hiring, compensation, benefits, training, promotion, transfer, termination, and all other terms and conditions of employment.

Each employee is responsible for adhering to this policy, with the understanding that willful violation may result in disciplinary action. Our firm's Employee Relations department has overall responsibility for this policy and maintains reporting and monitoring procedures.

Affirmative Action policy

RSM is committed to the policy of providing equal employment opportunities for all employees and applicants without regard to age, race, color, religion, sex, sexual orientation, disability, veteran status, pregnancy, citizenship status, national origin, genetic information or any other category protected under federal, state or local law. The policy applies to all terms and conditions of employment including, but not limited to, hiring, promotion, transfer, termination, compensation, benefits and training.

To further the principles of Equal Employment Opportunity, RSM has an Affirmative Action programs for females, minorities, individuals with disabilities, and covered veterans. RSM is committed to the principles of Equal Employment Opportunity and Affirmative Action.

Our staff continuity commitment

We recognize the impact staffing changes have on clients and are committed to maintaining continuity and team stability as much as possible.

Our policy is to maintain the integrity of the client service team from year to year. While we cannot guarantee that every member of the service team will return each year, we provide staffing consistency whenever possible. In addition, we make every effort to mitigate disruption when staffing changes occur.

If a change in key personnel should arise, partners and managers on your account will transfer specific knowledge about the City to new team members, helping to bridge any gaps and avoid interruptions in the performance of services. We recognize the City's right to approve or reject replacements.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

References

A list of five clients served by your proposed engagement team, including contact information for references and a description of the engagement, is included below:

City of Overland Park, Kansas

David Scott, Chief Financial Officer
dave.scott@opkansas.org

Phone: 913 895 6154

Partner: Kevin Smith

Senior manager: Kristen Hughes

GFOA Certificate Holder

Approximate hours: 800

Scope: Engagement includes the audit of the City's December basic financial statements and related component units, a convention center audit, a development corporation audit, and the audit of federal programs in accordance with the Single Audit Act. The City is currently an audit client and has been since 2008.

Shawnee County, Kansas

Jennifer Sauer, Deputy Financial Administrator
jennifer.sauer@snco.us

Phone: 785 251 4076

Engagement leader: Kristen Hughes

Manager: Stevi Reid

Approximate hours: 700

Scope: Engagement includes the audit of the December 31 basic financial statements and the audit of federal programs in accordance with the Single Audit Act. The County is currently an audit client and has been since 2016.

City of Roeland Park, Kansas

Jennifer Jones-Lacy, Assistant City Administrator/Finance Director
jjoneslacy@roelandpark.org

Phone: 913 722 2600

Engagement leader: Kristen Hughes

Manager: Stevi Reid

GFOA Certificate Holder

Approximate hours: 340

Scope: Engagement includes the audit of the December 31 basic financial statements. The scope also includes tax increment financing districts (TIF). The City is currently an audit client and has been since 2002.

City of Blue Springs, Missouri

Christine Cates, Assistant City Administrator—Finance & Administrative Services
 ccates@bluespringsgov.com

Phone: 816 228 0140

Engagement leader: Kristen Hughes

Manager: Stevi Reid

GFOA Certificate Holder

Approximate hours: 450

Scope: Engagement includes the audit of the City's September 30 basic financial statements and related component units and audit of federal programs in accordance with the Single Audit Act. The scope also includes tax increment financing districts (TIF) and community improvement districts (CID), including separately issued audit reports for these districts. The City is currently an audit client and has been since 2012.

City of Columbia, Missouri

Janet Frazier, Controller
 janet@gocolumbiamo.com

Phone: 573 874 7368

Partner: Kevin Smith

Senior Manager: Kristen Hughes

GFOA Certificate Holder

Approximate hours: 1,000

Scope: Engagement includes the audit of the City's September 30 basic financial statements and related component units and audit of federal programs in accordance with the Single Audit Act. The City is currently an audit client and has been since 2009.

The engagement team assigned to the City has a substantial portfolio of governmental clients. See a complete listing of governmental clients served by our region below.

Auditing experience with governmental entities								
Client name	Service years	Single audit	GFOA certificate	Water utility	Waste-water	Other utilities	Electric utility	
City and county governments								
City of Overland Park, Kansas	2007–present	√	√					
City of Roeland Park, Kansas	2002–2017		√					
Shawnee County, Kansas	2016–present	√						
City of Columbia, Missouri	2009–present	√	√	√	√	√	√	
City of Independence, Missouri	2012–present	√	√	√	√	√	√	√
City of Blue Springs, Missouri	2012–present		√	√	√	√		
City of Excelsior Springs, Missouri	2008–present		√	√	√	√		
City of Riverside, Missouri	2007–present		√					
City of North Kansas City, Missouri	2004–2010 and 2015–present	√		√	√	√		
Platte County, Missouri	2011–present	√						
Clay County, Missouri	2015–present	√						
City of Springfield, Missouri	2016–present	√	√		√			

Auditing experience with governmental entities							
Client name	Service years	Single audit	GFOA certificate	Water utility	Waste-water	Other utilities	Electric utility
City and county governments (continued)							
City of Cedar Rapids, Iowa	1996–present	√	√	√	√	√	
City of Davenport, Iowa	2010–present	√	√		√	√	
City of Bettendorf, Iowa	1987–present	√	√		√	√	
City of Des Moines, Iowa	2004–present	√	√		√		
City of Des Moines, Iowa Municipal Housing Agency	2009–present						
City of Waterloo, Iowa	2008–present	√	√	√	√	√	
City of Johnston, Iowa	2015–2017						
City of Maquoketa, Iowa	2011–present						
Polk County, Iowa	2005–2009 and 2015–present	√	√				
Rock Island County, Illinois	2002–present	√	√				
City of Fort Collins, Colorado	2009–2017	√	√	√	√	√	√
City of Northglenn, Colorado	2014–present		√	√	√	√	
City of Thornton, Colorado	2017–present	√	√	√	√		
City of Tulsa, Oklahoma	2010–present	√	√	√	√	√	
City of Duncan, Oklahoma	2011–present			√	√	√	√
City of Enid, Oklahoma	2013–present	√		√	√	√	
City of Owasso, Oklahoma	2006–present			√	√	√	
City of Midwest City, Oklahoma	2008–present	√		√	√	√	
Special districts/authorities/other							
Des Moines Water Works, Iowa	2004–present			√			
Des Moines Wastewater Reclamation Authority, Iowa	2009–present						
Polk County Health Services	2015–present						
Polk County Wells Fargo Arena	2015–present						
Metropolitan Airport Authority, Illinois	1978–present						
TaxSlayer Center, Illinois	1996–present						
Kansas City Area Transportation Authority, Missouri	2006–present	√					
Metropolitan Utilities District, Nebraska	2014–present			√		√	
Lincoln Water and Wastewater, Nebraska	2014–present			√	√		
Tulsa Airports Improvement Trust	2010–present	√					
Tulsa Metropolitan Utility Authority	2010–present			√	√		
Tulsa Public Facilities Authority	2010–present						
Metropolitan Tulsa Transit Authority	2010–present	√					
Tulsa Authority for Recovery of Energy	2010–present					√	
Tulsa Performing Arts Center Trust	2010–present						
Tulsa Parking Authority	2010–present						
Emergency Medical Services Authority	2010–2016	√					
Regional Metropolitan Utility Authority	2010–present					√	
Oklahoma Lottery Commission	2006–present		√				
Commissioners of the Land Office	2015–present						
Oklahoma Student Loan Authority	2011–present	√					
Oklahoma Capitol Improvement Authority	2005–present						
Tulsa Development Authority	2010–present						
Overland Park Development Corp, Kansas	2007–present						
Overland Park Convention Center, Kansas	2007–present						
Parker Water and Sanitation District	2013–present			√	√		
Poudre Fire Authority	2009–2017						
Poudre River Public Library District	2009–2017						
Colorado Housing and Finance Authority	2015–present						
Colorado River Conservation District	2007–present	√					
School districts							
Des Moines Independent Community School District, Iowa	2003–present	√	√				
Iowa City Community School District, Iowa	2004–present	√	√				
Cedar Rapids School District, Iowa	2009–present	√	√				
School District of Kansas City, Missouri	2007–present	√					
Colorado Springs School District No. 11, Colorado	2008–2017	√	√				
Douglas County School District RE-1, Colorado	2012–2017	√	√				
Moline-Coal Valley School District No. 40, Illinois	2001–present						
Mandaree Public School District No. 36, North Dakota	2009–present	√					
Oklahoma City Public Schools	2006–present	√					
Tulsa Public Schools	2009–present	√	√				
Union Public Schools	2004–present	√	√				
Francis Tuttle Technology Center	2014–present	√					
Tribes							
Sac & Fox Tribe of the Mississippi in Iowa	1998–present						
Otoe-Missouria Tribe	2012–present						

SPECIFIC AUDIT APPROACH

Designed for organizations like the City, the RSM audit methodology allows your engagement team to use professional judgment in planning an overall audit strategy.

Smooth transition

We fully understand that the City would like the transition from your prior firm to be smooth and orderly—and to involve the fewest possible distractions. While any change of this nature will result in some disruption, your team will draw on extensive experience in succeeding other accounting firms to streamline the process. The transition for the City will emphasize early planning, with partners and managers taking an active role.

Together, we will develop strategies for handling information-gathering requirements, identifying key areas of operations and navigating potential problem areas. We will then put in place an audit road map that includes an audit calendar and agreed-upon milestones and deadlines for successful, on-time completion of the audit.

No surprises

In serving the City, we will communicate with you frequently throughout the audit process and throughout the year to address and resolve issues, new accounting standards and changes in your operations.

Key steps in the RSM audit process

UNDERSTAND THE CLIENT	RISK ASSESSMENT	FURTHER AUDIT PROCEDURES	EVALUATION	DELIVERY
<ul style="list-style-type: none"> · Business objectives · Financial performance · Accounting policies · Internal control 	<ul style="list-style-type: none"> · Risks of material misstatement (error or fraud) · Significant risks · Control deficiencies 	<ul style="list-style-type: none"> · Tests of controls · Substantive analytical procedures · Substantive tests of details 	<ul style="list-style-type: none"> · Audit evidence · Uncorrected misstatements 	<ul style="list-style-type: none"> · Issue reports

- **Understand the client.** We learn as much as possible about your business up front in order to properly understand the account balances, classes of transactions and disclosures relevant to your activities.
- **Risk assessment.** We assess the risk that errors or fraud may cause a material misstatement of financial statements. We next decide whether the identified risks relate to specific relevant assertions related to significant account balances, classes of transactions or disclosures, or whether they relate to the financial statements taken as a whole and potentially affect many relevant assertions. We then determine which of the identified risks of material misstatement are significant risks that require special audit consideration. We also identify internal control deficiencies as part of our risk assessment process.

- **Further audit procedures.** We next determine the nature, timing and extent of tests of controls and substantive procedures necessary to address the risks identified. We select transactions for testing using various approaches, which may include specific identification of transactions or may involve sampling. When audit evidence obtained from the audit procedures results in identification of previously unidentified risks of material misstatement or contradicts planned risk assessment procedures, we revise the assessment and plan and perform additional audit procedures to reduce risk of material misstatement related to those assertions to an acceptably low level.
- **Evaluation.** At the conclusion of the audit, we evaluate the sufficiency and appropriateness of the audit evidence obtained and whether the assessments of the risks of material misstatement at the relevant assertion level remain appropriate. We may redesign planned audit procedures based on our evaluation. We also evaluate the effects, both individually and in the aggregate, of factual, judgmental and projected misstatements that are not corrected by the organization. We communicate all misstatements identified during the audit, other than those we believe to be trivial, to management and city council on a timely basis.
- **Delivery.** Our audit culminates with the issuance of a report on the financial statements and single audit (if applicable), report on internal control over financial reporting and report to the city council.

Proposed segmentation of the engagement

- **Acceptance/re-evaluation.** Prior to accepting or continuing an engagement, we perform certain procedures to evaluate the prospective client. Our due diligence procedures for audits include discussions with the predecessor audit firm and review of prior audit workpapers, among other procedures.
- **Preplanning.** This step of the audit involves meeting with management of the City to clearly identify the lines of communication, perform a risk analysis, discuss any concerns and set expectations. During this time, we will discuss and coordinate the materials that we would expect the City to prepare, and discuss the level of support and types of activities that will be expected of the City and related entities, including approximate time requirements of staff. We would anticipate the level of support and schedules requested to be generally consistent with that of the past (including preparation of confirmation letters, preparation of workpapers, providing supporting documentation, etc.), yet we are open to changes the City believes would improve the audit process. We also will establish a preliminary timetable to help with a smooth audit process.
- **Interim fieldwork.** The next step in the audit process will be the performance of interim fieldwork by the audit senior and audit staff. This will likely take place at some point before year-end, at the convenience of the City, and will consist of documenting the City's system of internal controls over financial reporting and testing these controls as we deem appropriate. A progress meeting would be held by the engagement manager and audit senior with management at the end of this period for the purpose of communicating any internal control deficiencies and/or findings identified at that time.
- **Final fieldwork.** Final fieldwork is the largest part of the audit process and includes our substantive test of details and variance analyses. Throughout the fieldwork phase, our audit team will dialogue with the appropriate City personnel to review the progress of the audit to help ensure the audit remains on track and the progress has been communicated to management and those charged with governance.

- **Reviews.** During the conduct of our audit, every phase of the engagement is supervised and reviewed. The policies established by our firm provide reasonable assurance that engagements are properly supervised and reviewed to meet professional standards. These reviews are performed by the engagement leader, manager and audit senior while in the field. We will also review the Comprehensive Annual Financial Report for compliance with the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program.
- **Resolution of accounting issues.** Because we communicate frequently with you throughout the year, we expect few, if any, last-minute major accounting-related issues to arise. Most accounting issues arise from a misunderstanding of the facts, circumstances and complexities specific to an organization and its industry. Rather than analyze the transaction after the fact, we will help management and the finance department as accounting issues arise.
- **Audit conclusion.** At the conclusion of the audit process, the engagement team will have an exit conference with management of the City to summarize the results of fieldwork and review significant findings. In our written report, we will communicate to management and those charged with governance any control deficiencies identified during the audit that, upon evaluation, are considered significant deficiencies or material weaknesses. In the course of the engagement, our professionals may also observe opportunities for the City to modify or improve your practices or procedures. We will communicate those suggestions in a management letter that will be issued at the conclusion of the audit. We will be happy to assist you in addressing or implementing any of the suggestions that are communicated in our management letter. We will also advise you of any new accounting pronouncements that have been or may be issued and indicate their potential impact on you. The engagement team would be happy to meet with city council at the conclusion of the audit to discuss the results of our work and present the audited financial statements and related deliverables.

Staff level assigned to the engagement

Based on your needs for this project, we have developed the following timeline in connection with the services.

Audit services	Timing
Audit of the City's financial statements and single audit	
Entrance conference with the City and interim fieldwork	By December 31
Detailed audit plan provided	By January 31
Final fieldwork	Completed by April 15
CAFR review and drafts of audit deliverables	Available for review by May 17
Issuance of final audit deliverables	By May 31
Presentation to the City Council	June

Staff level to be assigned to various tasks

Fieldwork segment	Number of hours anticipated				
	Partner	Manager	In-Charge	Other Staff	Total
Planning and interim fieldwork	5	15	45	15	80
Final fieldwork	25	40	135	270	470
Wrap up and financial statement delivery	15	20	10	5	50
Total	45	75	190	290	600

Audit innovation

We continually invest in audit innovation because audit quality is paramount to what we do, and we want to perform audits in the most productive manner possible. Technology automates certain audit procedures and the flow of audit documentation; this automation, in turn, enables our auditors to more intently focus on what really matters—the design and results of audit procedures related to the areas with the highest risk.



Computer-assisted audit tools we use to achieve a more effective and efficient audit are summarized below:

CaseWare, for sharing and managing workpapers via the cloud. We use CaseWare software to share and manage workpapers and audit programs through an online cloud database, which results in increased audit productivity. This tool streamlines audit work by enabling more efficient documentation and review of a comprehensive, standardized audit file. As part of building our knowledge of your business, we focus on obtaining an understanding of the internal control over financial reporting that is sufficient to identify and assess the risks of material misstatement. We then develop an audit plan that is responsive to those risks. CaseWare efficiently facilitates our documentation of:

- Your financial processes and internal control procedures
- Our testing for an understanding of the actual operation of these processes and controls

IDEA®, for digging deep into big data. We use IDEA as our data mining and extraction tool to analyze big data and gain audit insights from that underlying data. IDEA improves audit efficiency in many functions, such as: (a) sampling, including selection and evaluation for systematic, random, stratified random, monetary unit and attribute sampling; (b) field manipulation that allows fields to be appended for calculations and recomputations, facilitates account reconciliations and analyzes the population for major or unusual transactions; and (c) field statistics that display and print statistics about transactions.

IDEA also can:

- Search complete data sets, such as when probing for fraudulent journal entry characteristics during journal entry testing
- Perform data combinations, such as when pulling general ledger information into one file or comparing accounts payable to disbursements

RSM Collaborate, to connect teams and simplify workflow. Our proprietary RSM Collaborate tool—a secure, internet-based platform designed to optimize engagement management and accountability—enables RSM and client teams to stay in touch and simplify the work-flow process. City stakeholders can leverage Collaborate to stay in touch with your engagement team from any location. Collaborate enables us to collect, organize and track your documents. The impact: Collaborate drives efficiencies and enhances productivity in the timing of our audit of those documents. The City and RSM will benefit through an efficient exchange of files and a reduced risk of unauthorized access to data.

Other Collaborate features include:

- Engagement calendars to track milestones
- Functionality to assign tasks and due dates and track related progress
- Protocols to manage document iterations, assisting with version control
- Safeguards to enable secure transfer of files, centralization of data and protection of confidential and sensitive information
- Ability to control information access with respect to distinct tasks
- Capability of issuing updates, alerts and notifications of pending deadlines

Data visualization, to see the big picture. Data visualization converts complex raw data into a visual form, reducing the volume of data to a manageable size and allowing auditors to focus on crucial data points. Visual elements help auditors better analyze complex information because they can see connections that would be more difficult to notice using text alone. Our engagement teams use charts and graphs in Excel spreadsheets in many areas of audit testing to help gain insights, draw conclusions and convey information gained to stakeholders.

Use of statistical auditing sampling

Effective use of sampling generally allows us to achieve audit objectives in a more efficient manner. The approach we use for sampling is consistent with our professional standards and guidance found in the AICPA Audit Guide, Audit Sampling.

RSM does not rely solely on the results of a single procedure to reach a conclusion on an assertion relating to an account balance, class of transactions, or the operating effectiveness of controls. Rather, our audit conclusions are usually based on evidence obtained from several sources as a result of applying a number of procedures. The combined evidence obtained from the various procedures is considered in reaching an opinion about whether the financial statements are free of material misstatement.

Our professional standards provide guidance for planning, performing and evaluating audit samples. Such standards include guidance related to sampling risk, sampling in substantive tests of details, and sampling in tests of controls, as well as discussion of dual-purpose samples.

Type and extent of analytical procedures to be used in the engagement

Systematic analysis and comparison of related figures, trends and ratios is performed to identify mutual consistency or inconsistency. Apparent inconsistencies revealed by analytical procedures require further investigation and, until resolved, raise doubt as to the reliability of previously gathered evidential matter bearing on the same audit objective.

Analytical procedures may be used as substantive procedures that contribute to all the objectives of substantive tests, but particularly those of existence or occurrence, valuation or allocation, and completeness. Well-designed analytical procedures often can detect fictitious additions to the recorded amounts, inadvertent or deliberate omissions from the recorded amounts, improper valuation of assets or liabilities, or improper allocation of revenues, expenses, gains and losses.

Because analytical procedures can be applied to almost every financial statement account and are often more efficient to apply than tests of details, it is desirable to employ them to the extent possible. The required extent of substantive tests of details is then varied inversely with the degree of assurance already obtained.

The process of applying analytical procedures includes the following steps:

- Identify the factors on which a given accounting result should depend
- Determine the relationship between the accounting result and those underlying factors
- Predict what the current result should be if that relationship continued
- Compare the actual current result to the prediction
- Investigate and corroborate significant variances between the actual current result and the prediction
- Reach a conclusion as to the reasonableness of the reported result

Analytical procedures require the development and evaluation of plausible relationships between the financial data being examined and other data (either other financial data or nonfinancial data) which have a logical or predictable relationship to the financial data. Predictive estimates must be based on plausible and logical relationships between account balances or transaction streams.

Approach to be taken to gain and document an understanding of the City's internal control structure

A solid understanding of the City's systems of internal controls will be the foundation of our audit process. Our assessment of internal control is concentrated in the following areas:

- Inquiries of appropriate entity personnel regarding the design and/or application of a relevant internal control policy or procedure including the classes of transactions to which the policy or procedure applies; how it is applied and by whom; and the disposition of exceptions detected by the policy or procedure;
- Inspection of documents and/or reports evidencing the design and/or application of the relevant policy or procedure by the City personnel; noting how the policy or procedure is applied and by whom; the classes of transactions to which it applies; and the disposition of exceptions detected by the policy or procedure;
- Observation by the auditor of the performance of the relevant policy or procedure by the City personnel; noting how the policy or procedure is applied and by whom; the classes of transactions to which it applies; and the disposition of exceptions detected by the policy or procedure; and/or
- Re-performance of the application of the policy or procedure by the auditor and comparison between the results obtained by the auditor and the results obtained by the entity personnel.

Our audit approach is based on our gaining a solid understanding of your internal control systems. This understanding, along with testing the significant control areas, will allow us to reduce substantive testing procedures, focus the audit approach to risk areas and gain efficiencies as we audit the City. We will also draw on this understanding to provide feedback in our management letter about opportunities you may have to strengthen controls or streamline processes.

Approach to be taken in determining laws and regulations that will be subject to audit test work

The City is subject to various laws and regulations that could impact the nature, timing and extent of audit procedures performed over the financial statements. Our audit approach encompasses an understanding of these laws and regulations, including the requirements of the City's federal funding and student enrollment, how they impact the financial statements, and devises appropriate audit procedures to assess the City's compliance with these laws and regulations.

Use of statistical sampling for compliance audits

We may employ audit sampling to obtain sufficient appropriate audit evidence in a compliance audit of federal and/or state awards. It should be noted, however, that the compliance audit environment differs from sampling in a financial statement audit.

To meet compliance-related objectives, we gather sufficient appropriate evidence related to auditee compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program. In addition to the standards and guidance referenced above, we apply the sampling guidance found in the AICPA Audit Guide, Government Auditing Standards and Uniform Guidance when the audit is also performed to address compliance audit requirements of federal and state awards.

Our familiarity with sampling, the standards, and relevant audit guides has allowed our firm to develop certain tools that facilitate the efficient and effective use of sampling in both the financial and compliance audit environment.

CAFR experience

We congratulate the City on being awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for 26 consecutive years. Recognizing that you would like to maintain this tradition, we are pleased to underscore our experience in this area. Members of your proposed engagement team have assisted numerous entities in receiving and maintaining their GFOA awards. In addition, the engagement leader, engagement manager and quality control partner are reviewers for the GFOA's program and review numerous reports throughout the year for compliance. The City's CAFR will be reviewed for compliance with this program and we will work with the City on addressing any comments received from the previous year's review.

Important factors in a successful audit

We understand that a successful audit is a joint effort by both the City and our firm. We feel that having up-front and continuous communication throughout the entire audit process helps create a foundation for a successful audit. In addition, a successful audit is one in which all reviews and issues are completed in the field by the end of fieldwork and which all City deadlines and expectations are met.

Resources and tools

It is one thing to say we are committed to the success of your organization—it is another to show it. One of the ways we show it is by providing tools at no additional cost that give you an added perspective and keep you up-to-date on the latest rules and regulations.



Accounting research

To help ensure you and your staff have access to the most current audit and accounting information, RSM uses an online research manager tool. This web-based tool includes GASB Statements and Interpretations, AICPA Statements of Position and guidance on many other accounting standards and applications.

As your auditor, we are always available to provide the City's finance department with direction toward pertinent literature and pronouncements related to accounting and reporting matters being evaluated by management.

Audit and accounting insights

RSM's national office provides *Insights*, a monthly electronic newsletter designed to communicate recent accounting and auditing developments to our clients and other friends.

Award-winning publications

Muse is a newsletter focusing on governmental nonprofit organizations. It features the latest accounting, tax and business news impacting our public sector clients.

We also present on a variety of technical and industry-specific topics.

Financial Reporting Insights

Audit & Accounting Guide for state and local governments updated. The American Institute of Certified Public Accountants Audit & Accounting Guide, State and Local Governments, has been updated.

GASB proposes implementation guidance. A recent Exposure Draft provides guidance to clarify certain Governmental Accounting Standards Board Statements.

Webcasts

Governmental lease accounting. Get the latest information on the new lease standard that could affect your organization, including what and how to plan for implementation.

Annual governmental accounting update—What's new, what's next? Get the latest information on GASB standards that could affect your organization, including a detailed focus on the new OPEB standards.

Cybersecurity best practices and considerations for the public sector. Understand the risks internal employees can pose and learn what public sector entities can do to protect accidental breaches by insiders.

Client-service relationship

Our client-service relationship with the City will be based on certain nonnegotiable principles, including:

- An outstanding client service experience, focused on efficient and well-coordinated services
- Commitment to completing work within the agreed-upon timeframe
- Staffing of the engagement team based on industry-specific qualifications and technical experience
- Hands-on approach to planning, with management meetings held routinely to discuss changes to the business, industry issues, new accounting pronouncements, etc.
- Fees that are reasonable based on the scope of work
- Transparent approach to all aspects of our relationship, with clear communication and an emphasis on avoiding surprises

Quality control

RSM has a system of quality control for our audit practice that is structured to provide reasonable assurance that our personnel comply with applicable professional standards and applicable regulatory and legal requirements, and that our firm issues reports that are appropriate in the circumstances. Policies and procedures serving as the framework of this system encompass the following areas:

- Leadership responsibilities for quality within the firm
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring

Responsibility for the design, implementation and monitoring of RSM's quality control system rests with our firm's National Office of Risk Management. RSM develops and maintains a number of manuals and other guidance material to implement its quality control system. We monitor our quality control system through annual internal inspections.

Our commitment to auditor independence and integrity, which is reflected in our audit process and review, helps ensure that independence is not jeopardized. All of the reports for the City will be subject to a concurring review by an audit and accounting specialist who is not part of your day-to-day engagement team. Kevin Smith is an experienced quality control and governmental financial reporting partner and will fill the quality control review role on your engagement. He is independent of the personnel assigned to the engagement.

External quality control review

Our non-SEC audit practice is subject to the triennial peer review requirements of the American Institute of Certified Public Accountants. As specifically required by the standards for such reviews and our membership in the AICPA Governmental Audit Quality Center (GAQC), a representative sample of the approximately 1,000 audits that are performed annually in accordance with *Government Auditing Standards*, including approximately 600 single audits, were selected for review.

Our firm is subject to the triennial peer review requirements of the AICPA. The peer review focuses on the firm's non-SEC audit practice and is conducted by another licensed CPA firm. RSM US LLP's system of quality control for the accounting and auditing practice applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2016, was subject to peer review by the firm of BKD, LLP. Under the peer review standards, firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. RSM US LLP received a peer review rating of *pass*. A copy of our most recent peer review report is included in Appendix B.

APPENDICES

Appendix A—Engagement team biographies and continuing professional education



Kristen Hughes

Senior Manager, Audit Services
RSM US LLP
Kansas City, Missouri
kristen.hughes@rsmus.com
816 751 4004



Summary of experience

As an experienced professional committed to the public sector, Kristen focuses on providing audit, consulting and reporting services to governmental and nonprofit organizations. In her role as an experienced governmental professional, with over 15 years of professional experience serving this industry, she brings an in-depth understanding of governmental accounting, auditing and compliance reporting to her clients.

Kristen has received specific training for governmental organizations and future governmental accounting standard changes, and has received the necessary continuing professional education to be considered Yellow Book certified. She is a reviewer for the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

Kristen also has experience with internal controls as she served as the senior lead on an engagement for a large accelerated public filer for three years, including the year of Sarbanes-Oxley implementation. Community involvement includes:

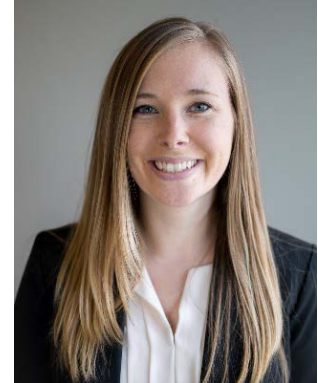
- United Way of Greater Kansas City Young Leaders Society
- Arts Tech Kansas City, Board Member

Professional affiliations and credentials

- Certified public accountant
- American Institute of Certified Public Accountants
- Government Finance Officers Association
- Missouri Society of Certified Public Accountants
- Kansas Government Finance Officers Association
- Government Finance Officers Association of Missouri

Education

- Master of Accountancy, Truman State University
- Bachelor of Science, accounting, Truman State University



Stevi Reid

Manager, Audit Services
RSM US LLP
Kansas City, Missouri
stevi.reid@rsmus.com
816 751 1835

Summary of experience

Stevi provides financial and compliance audit services to a variety of industries. She focuses primarily on cities, counties and general manufacturing organizations. Stevi has practiced public accounting for more than four years.

Stevi's experience includes audits performed under the Single Audit Act and Uniform Guidance in the governmental industry, as well as audits performed under Public Company Accounting Oversight Board standards in the manufacturing industry. She is considered Yellow Book certified due to completing the necessary continuing professional education.

In her current role, Stevi develops strong working relationships with clients built on understanding their businesses and challenges. She is responsible for performing and supervising substantive tests along with tests of internal controls focusing on quality, efficiency and accuracy.

Professional affiliations and credentials

- Certified public accountant
- American Institute of Certified Public Accountants

Education

- Master of Business Administration, Washburn University
- Bachelor of Business Administration, accounting, Washburn University



Kevin Smith

Partner, Audit Services
RSM US LLP
Kansas City, Missouri
kevin.smith@rsmus.com
+1 816 751 4027

Summary of experience

Kevin is a regional team leader for RSM's public sector practice and has over 17 years of experience serving this industry. As an experienced professional committed to the public sector, he focuses on providing audit, consulting and reporting services to governmental and nonprofit entities. In his role as a public sector professional and working with a wide variety of clients throughout the country, Kevin brings an in-depth understanding of governmental and nonprofit accounting, auditing and compliance reporting to his clients and consistently shares new ideas and best practices with them. In addition to directly serving clients, Kevin serves as concurring reviewer for governmental engagements throughout the firm. He is well-versed in the financial and compliance-related requirements of governmental entities and has extensive experience performing audits in accordance with Government Auditing Standards and Single Audits in accordance with Uniform Guidance (previously OMB Circular A-133).

Kevin is involved in teaching and developing professional education material at a national and local level. He has received specific training for governmental entities and future governmental accounting standard changes, and has received the necessary continuing professional education to be considered Yellow Book certified. In addition, Kevin is a reviewer for the national Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting program. Kevin's community involvement includes the following:

- United Way Young Leaders Society
- KIPP Endeavor Academy, board treasurer

Professional affiliations and credentials

- Certified public accountant
- American Institute of Certified Public Accountants
- Missouri Society of Certified Public Accountants
- Government Finance Officers Association
- Kansas Government Finance Officers Association
- Colorado Government Finance Officers Association
- Government Finance Officers Association of Missouri

Education

- Bachelor of Arts, accounting, St. Ambrose University

Kristen Hughes

Continuing professional education				
	2017	2016	2015	Total
CPE credits	106.0	92.5	86.5	285.0
A&A credits	44.0	39.5	59.5	143.0
Yellow Book	38.0	34.0	50.5	122.5

Stevi Reid

Continuing professional education				
	2017	2016	2015	Total
CPE credits	42.0	28.0	47.0	117.0
A&A credits	33.0	26.0	37.5	96.5
Yellow Book	24.0	*	15.5	39.5

Kevin Smith

Continuing professional education				
	2017	2016	2015	Total
CPE credits	72.0	55.5	98.5	226.0
A&A credits	47.0	41.0	78.5	166.5
Yellow Book	46.5	39.0	75.0	160.5

* Stevi Reid was employed by a different firm during this time.



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System Review Report

To the Partners of
RSM US LLP
and the National Peer Review Committee
of the American Institute of Certified
Public Accountants Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of RSM US LLP (the "firm") applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of RSM US LLP applicable to non-SEC issuers in effect for the year ended April 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. RSM US LLP has received a peer review rating of *pass*.

BKD, LLP

December 2, 2016



Appendix C—Respondent guarantees and warranties

APPENDIX B

RESPONDENT CERTIFIES

The proposer certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official:	<u>Kristen Hughes</u>
Name (typed):	<u>Kristen Hughes</u>
Title:	<u>Senior Manager</u>
Firm:	<u>RSM US LLP</u>
Date:	<u>September 14, 2018</u>

APPENDIX C

RESPONDENT CERTIFIES

- A. Proposer certifies that it is willing and able to comply with State of Kansas laws with respect to foreign (non-state of Kansas) corporations.
- B. Proposer certifies that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer certifies that it will not delegate or subcontract its responsibilities under an agreement without the express prior permission of the City of Lawrence.
- D. Proposer certifies that all information provided by it in connection with this submission is true and accurate.
- E. Proposer certifies that it understands it is required to adhere to the Contract requirements set forth in this RFP and all of the requirements of the RFP will be an attachment to the contract. *

Signature of Official: Kristen Hughes

Name (typed): Kristen Hughes

Title: Senior Manager

Firm: RSM US LLP

Date: September 14, 2018

* Please note that exceptions to the RFP and Contract terms have been included on the following page.

Appendix D—City of Lawrence, KS RFP—list of exceptions to contract terms

2(b). The FIRM requests the inclusion of language to reflect that the FIRM's indemnification obligations extend solely to the extent any Loss is found to have been caused by the willful or negligent acts or omissions of the FIRM.

3. The FIRM agrees to provide notice as requested, unless the cancellation or material change results in equal or greater coverage.

3(d). For clarity, the FIRM's professional liability coverage is in the amount of \$1,000,000 any one claim and in the aggregate.

Industry Ratings: The FIRM requests changes to reflect approval of insurance carriers with a Best's rating of A-/VII or better.



www.rsmus.com

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party.

For more information, visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

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