

**RFP2020-40 SPECIAL FORENSIC ACCOUNTING AUDIT SERVICES FOR THE CITY OF TRENTON, DEPARTMENT OF WATER AND SEWER  
PROPOSALS OPENED 8/25/2020 AT 11:00AM**

RFP2020-40 SPECIAL FORENSIC ACCOUNTING AUDIT SERVICES FOR THE CITY OF TRENTON, DEPARTMENT OF WATER AND SEWER						
NUMBER OF RESPONDENTS:	6					
NAME OF BIDDER	HOLMAN FRENIA ALLISON, P.C.	GRASSI & CO., CPAS, P.C.	PKF O'CONNOR DAVIES, LLP	BKD, LLP	CITRIN COOPERMAN	MARCUM, LLP
ADDRESS	680 HOOPER AVENUE, BUILDING B, SUITE 201	PARK RIDGE	293 EISENHOWER PARKWAY, SUITE 170	201 N. ILLINOIS STREET, SUITE 700	290 WEST MOUNT PLEASANT AVENUE, SUITE 3310	53 STATE STREET, 17TH FLOOR
CITY, STATE, ZIP	TOMS RIVER, NJ 08753	PARK RIDGE, NJ 07656	LIVINGSTON, NJ 07039	INDIANAPOLIS, IN 46244-0998	LIVINGSTON, NJ 07039	BOSTON, MA 02109
CONTACT NAME	JERRY W. CONATY	JAMES O'BRIEN, CPA, CFF	RICHARD J. CORCORAN III	BRYAN CALLAHAN	JOSEPH LESOVITZ	JIMMY S. PAPPAS
TELEPHONE	732-797-1333	609-922-3042	973-535-2880	317-383-4000	267-479-0060	617-807-5229
FAX	732-797-1022	201-808-9829	732-629-8614	317-383-4200	215-545-4810	617-807-5001
E-MAIL	<a href="mailto:JCONATY@HFACCPAS.COM">JCONATY@HFACCPAS.COM</a>	<a href="mailto:JOBRIEN@GRASSICCPAS.COM">JOBRIEN@GRASSICCPAS.COM</a>	<a href="mailto:RCORCORAN@PKFOD.COM">RCORCORAN@PKFOD.COM</a>	<a href="mailto:BCALLAHAN@BKD.COM">BCALLAHAN@BKD.COM</a>	<a href="mailto:JLESOVITZ@CITRINCOOPERMAN.COM">JLESOVITZ@CITRINCOOPERMAN.COM</a>	<a href="mailto:JIMMY.PAPPAS@MARCUMLLP.COM">JIMMY.PAPPAS@MARCUMLLP.COM</a>
STOCKHOLDER DISCLOSURE STATEMENT	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
EQUAL EMPLOYMENT OPPORTUNITY EXHIBIT A	INCLUDED	INCLUDED	INCLUDED	REQUIRED FROM AWARDED VENDOR	REQUIRED FROM AWARDED VENDOR	INCLUDED
REQUIRED EVIDENCE EEO/AFFIRMATIVE ACTION REGULATIONS QUESTIONNAIRE	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
ACKNOWLEDGEMENT OF RECEIPT OF ADDENDA	N/A	N/A	N/A	N/A	N/A	N/A
NJ BUSINESS REGISTRATION CERTIFICATE	INCLUDED	REQUIRED FROM AWARDED VENDOR	INCLUDED	INCLUDED	REQUIRED FROM AWARDED VENDOR	INCLUDED
NON-COLLUSION AFFADAVIT	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
AMERICANS WITH DISABILITIES ACT OF 1990 LANGUAGE	INCLUDED	INCLUDED	INCLUDED	INCLUDED	REQUIRED FROM AWARDED VENDOR	INCLUDED
ETHICS COMPLAINT DISCLOSURE	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
DEBARMENT NOTICE	INCLUDED	INCLUDED	INCLUDED	REQUIRED FROM AWARDED VENDOR	INCLUDED	INCLUDED
CERTIFICATION AND DISCLOSURE OF POLITICAL CONTRIBUTIONS	INCLUDED	INCLUDED	INCLUDED	REQUIRED FROM AWARDED VENDOR	INCLUDED	INCLUDED
DISCLOSURE OF INVESTED ACTIVITIES IN IRAN	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
CITY OF TRENTON RESIDENT EMPLOYMENT POLICY	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
EIC	CERT.#7168 EXP. 03/15/2023	REQUIRED FROM AWARDED VENDOR	CERT.#19606 EXP. 08/15/2022	REQUIRED FROM AWARDED VENDOR	REQUIRED FROM AWARDED VENDOR	REQUIRED FROM AWARDED VENDOR
CERTIFICATE OF INSURANCE	REQUIRED FROM AWARDED VENDOR	REQUIRED FROM AWARDED VENDOR	REQUIRED FROM AWARDED VENDOR	REQUIRED FROM AWARDED VENDOR	REQUIRED FROM AWARDED VENDOR	REQUIRED FROM AWARDED VENDOR
60-DAY EXTENSION COMPLIANCE	YES	N/A	N/A	N/A	YES	YES
PROVIDE PRIORITY EMERGENCY SERVICES	YES	N/A	N/A	N/A	YES	YES
REFERENCES	N/A	N/A	INCLUDED	N/A	N/A	N/A
W-9	N/A	N/A	N/A	N/A	INCLUDED	INCLUDED
EXCEPTIONS (IF ANY)	NONE	NONE	NONE	NONE	NONE	NONE
AUDIT SERVICES	\$40,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)	\$50,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)	\$69,900.00 (SEE ATTACHED BREAKDOWN OF PRICING)	\$151,000.00-\$182,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)	\$279,700.00 (SEE ATTACHED BREAKDOWN OF PRICING)	\$350,000.00 TO \$450,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)
FATAL FLAW	NONE	NONE	NONE	NONE	NONE	NONE

11

# PRICE PROPOSAL



## Pricing Structure & Fees

We continually strive to keep our fees at the lowest level consistent with the highest professional standards and your requirements for timely service.

The fee below assumes that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary as a result of errors, omissions, misstatements, or other inadequacies in the financial records or as a result of a discovery of material weaknesses in the internal controls, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

The total compensation and expenses for the audit service outlined in this proposal for the City of Trenton will not exceed **\$40,000.**

Name of Firm: HFA

Certification: We hereby certify that the individual signing this proposal, Jerry W. Conaty, C.P.A., C.F.E., R.M.A., P.S.A., is entitled and authorized to sign a contract with the City of Trenton.

The hourly fees quoted below include all out of pocket, travel, administrative and miscellaneous expenses.

Level	Forensic Hourly Rates	Court Room Testimony Hourly Rates
Engagement Principal – Kevin P. Frenia	\$200.00	\$200.00
Engagement Partner – Jerry W. Conaty	200.00	
Supervisor – To Be Assigned	140.00	
Senior – To Be Assigned	120.00	
Staff Accountant – To Be Assigned	110.00	



Our extensive experience performing forensic accounting services will provide you with a high degree of confidence that your operations are sound, and the organization is on the right path. Our clients typically view our fees as investments upon which they will receive a return, either in the form of cost savings and/or a higher degree of comfort that the project is being managed properly and efficiently. Our estimate of the necessary investment to perform this work is as follows:

ESTIMATED FEES	
<b>Phase I</b>	\$50,000
<b>Phase II</b>	<i>Fees to be determined based on recommendations &amp; findings from Phase I</i>
<b>Phase III</b>	<i>Fees to be determined based on recommendations &amp; findings from Phase II</i>
<b>Phase IV</b>	<i>Fees to be determined based on recommendations &amp; findings from Phase III</i>

Our professionals will be available to answer questions relative to the engagement. This value-added service is included. However, providing consultation (answers to questions involving research or incremental dedicated hours) for Management or Staff will be considered additional and charged accordingly. The fees listed for the services above do not include Grassi's initial investment in start-up costs, which we will absorb as an investment in strengthening the trust and working relationship between our organizations.

Additionally, the fees listed do not reflect a 2.25% charge invoiced for our expenses, which includes out-of-pocket costs and an administrative charge to cover items such as local travel expenses, document reproduction, postage/courier, supplies, computer and technology usage, data storage and security, software licensing, research and library databases and similar expense items.

#### **Hourly Rates**

As a firm policy, we do not present our clients with surprise bills. Any additional work that comes up during the course of your engagement will be discussed with you in advance of us performing any work beyond the scope of this engagement. The following is a chart indicating our standard hourly rates:

PROFESSIONAL LEVEL	2020 HOURLY RATES
Partners	\$ 475 - \$ 550
Managers	\$ 350
Supervisors	\$ 280
Staff	\$ 175 - \$ 200
Interns	\$125

Phase I billing has been capped at \$50,000 to provide the City of Trenton – Department of Water and Sewer with the flexibility to understand the investment necessary to kick-off the project and receive the recommendation of Grassi's experience Forensic Investigators on the highest and best use of the funds to invest in the forensic accounting process. Grassi's experience in this methodology provides the client the best opportunity to control costs and receive the highest value of service that is on target to identify, document and substantiate the appropriateness and/or inappropriateness of the transactional activity.

Grassi has firsthand knowledge on successfully implementing these type of recommendations on performing investigations similar to the services requested by the City of Trenton – Department of Water and Sewer.

Should you have any additional questions regarding fees, we would appreciate the opportunity to discuss them with you.

**City of Trenton****Department of Water and Sewer****RFP2020-40****Due Date August 25, 2020****Respondent's Price Proposal Submitted Separate from Proposal****PKF O'Connor Davies, LLP****Hourly Rates By Forensic Staff Level:**

Partner	\$	250
Manager	\$	205
Staff	\$	165
Average Hourly Rate	\$	207
Blended Hourly Rate	\$	193

Estimated time to complete from receipt of initial document request: 5 weeks**Initial Work Plan/Budget:**

Interview of Current Water and Sewer Personnel  
Document Request and Review of Documents Submitted  
Review of Current Internal Controls  
Review of Current Accounting System  
Field Work and Analysis  
Meeting, Report Preparation and Presentation

Proposed Hours and Pricing for RFP2020-40

<b>Proposed</b>		
<b>Hours</b>	<b>Cost</b>	
20.00	\$ 4,310	
24.00	\$ 4,960	
36.00	\$ 6,920	
19.00	\$ 3,670	
219.50	\$ 39,515	
43.00	\$ 10,525	
361.50	\$ 69,900	

---

Engagement Partner

Date



## Your Investment

BKD knows our clients do not like fee surprises. Neither do we. Our goal is to be candid and timely, and we want to answer your questions about fees upfront. We determine our fees by evaluating a number of variables: the complexity of the work, the project's scope, the time we will spend and the level of professional staff needed. The below estimate includes a fee approximation for the initial forensic procedures contemplated in the RFP. For additional procedures resulting from findings from these initial procedures, including any potential expert witness services, our rates would remain the same and a fee estimate will be presented if the City requests these additional services.

### Hourly Rates

Any work outside the scope of this engagement will be priced according to our hourly rates.

Proposed Engagement Team	Hourly Rates
Bryan Callahan, Partner	\$380
Robert Sprague, Managing Director	\$370
Tom Haldiman, Director	\$260
Senior Consultant (To Be Assigned)	\$185

### Estimated Fees

#### City of Trenton, New Jersey

Forensic Audit Services	\$151,000 – \$182,000
-------------------------	-----------------------

Our anticipated fees are based on the scope of services outlined in the RFP. In any forensic services project providing a fee estimate is difficult due to the uncertainty surrounding the quantity of total transactions in scope and the number of potential findings. We estimate our fees based on our performance of similar projects in the past. There can be no guarantee that our fee estimate will not change based on the facts and circumstances of this project. Variables that may contribute to changes in our fee estimate include but are not limited to the availability of data and documents subject to the scope of the forensic analysis, timing of the receipt of information that we request, any delays in receiving information, and significant changes in the volume of transactions requiring analysis. Our fee estimate assumes the following:

- ▶ That majority of data and other information will be available electronically
- ▶ That the City and Department will designate resources to work with BKD on our requests and questions as they arise
- ▶ Individuals will be available for interviews when requested



# FEES

We believe that fees should be commensurate with the time involved and the value of the services rendered. Our approach is designed to deliver value-added, cost-effective professional services. With all new clients, there are start-up costs related to planning, development of permanent file material, supervision, and administration. We absorb these costs as our commitment to building a long-term relationship.

At Citrin Cooperman, we practice a policy of “no surprises.” You will know our fee up front – without any hidden costs. Below are the proposed fees for the forensic accounting procedures necessary to identify, investigate, trace, examine, and quantify any and all abnormal contractual or financial activity, past or present relating to fiscal years 2010 through 2019, and the first two quarters of 2020. For additional services as detailed in the scope of services, under paragraphs 2, 3, and 4, the hourly rate is also reflected in the rates included in the table below.

## PROPOSED FEES

SERVICES	RATE	HOURS	FEES
Partner	\$450	162	\$72,900
Director / Manager	\$300	276	\$82,800
Senior / Staff	\$250	496	\$124,000
<b>TOTAL</b>			<b>\$279,700</b>

## ASSUMPTIONS AND EXPENSES

The fee quoted assumes the books and records of the City are in reasonably good order and that all documentation necessary to complete the examination are readily available.

If additional services are required that are not part of the original scope of services, Citrin Cooperman will develop a fee quote using our standard hourly rates as shown below.

LEVEL	STANDARD HOURLY RATES
Partner	\$450
Director / Manager	\$300
Senior / Staff Senior Accountants	\$250

## CLIENT ACCEPTANCE

Prior to accepting any clients, we are required by both the accounting profession and our own policies to perform certain pre-acceptance procedures. Although we do not anticipate any problems with the process, our acceptance of the City as a client is dependent upon the successful completion of these procedures, at which point we will issue our engagement letter.



## PROFESSIONAL FEES

Marcum will provide professional services pursuant to the above-referenced engagement approach at:

- A **blended rate of \$250 per hour**, regardless of the level of resources used. This applies to Paraprofessionals, Staff, Seniors, Supervisors, Managers, Senior Managers, Directors, Managing Directors, and Partners.
- Any out-of-pocket expenses relating to the engagement.

## ESTIMATE

- We estimate that **fees will range from \$350,000 to \$450,000**. We have estimated these amounts based on the following assumptions:
  - Marcum will perform testing, investigation, and analysis of potentially abnormal contractual or financial activity for the ten and a half year period of 2010 through the second quarter of 2020.
  - While we believe that this estimate is reasonable based on the currently known facts, we note that the amount of hours ultimately necessary for investigation and analysis cannot be reliably ascertained at this stage and is a function of: the pervasiveness of any abnormal contractual or financial activity, the state of records and supporting documentation, the complexity of financial transactions included in testing, and the number of individuals involved in any inappropriate conduct.

## ADDITIONAL SERVICES

- We understand that based on the results of our initial analysis, further forensic investigation may be requested by the City, or the scope of work may be further expanded or altered at our recommendation with written approval by the City.
  - Our fee for these services is a **blended rate of \$250 per hour**, regardless of the level of resources used.
- We understand that the lead engagement partner, Jimmy S. Pappas, must be available as an expert witness to support legal action for asset recovery, or restitution on behalf of the City of Trenton for the Trenton Department of Water and Sewer or either of their insurers.
  - For any time spent providing testimony or preparing for testimony by Jimmy S. Pappas, the fee for those services is **\$395 per hour**.
  - For any time spent by other Marcum team members in connection with these services, our fee is a **blended rate of \$250 per hour**.