### 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
- MARCUS LLP

#### ADDRESS
- 680 HOOPER AVENUE, BUILDING B, SUITE 201
- 293 EISENHOWER PARKWAY, SUITE 170
- 201 N. ILLINOIS STREET, SUITE 700
- 350 WEST MOUNT PLEASANT AVENUE, SUITE 3310
- 53 STATE STREET, 17TH FLOOR
- TOMS RIVER, NJ 08753
- PARK RIDGE, NJ 07656
- LIVINGSTON, NJ 07039
- INDIANAPOLIS, NN 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
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- 609-922-3042
- 973-535-2880
- 317-383-4000
- 267-479-0060
- 617-807-5229

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- 215-545-4810
- 617-807-5001

#### E-MAIL
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- BCALLAHAN@BKD.COM
- JLESOVITZ@CITRINCOOPERMAN.COM
- JIMMY.PAPPAS@MARCUMLLP.COM

#### STOCHHOLDER DISCLOSURE STATEMENT
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED

#### EQUAL EMPLOYMENT OPPORTUNITY EXHIBIT A
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- 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
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED

#### NON-COLLUSION AFFIDAVIT
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED

#### AMERICANS WITH DISABILITIES ACT OF 1990 LANGUAGE
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED

#### ETHICS COMPLAINT DISCLOSURE
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED

#### DEBARMENT NOTICE
- INCLUDED
- INCLUDED
- INCLUDED
- INCLUDED
- 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
- CERT.#19606 EXP. 08/15/2022
- REQUIRED FROM AWARDED VENDOR
- 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
- INCLUDED

#### 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
- N/A
- 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
- $0.00-
- $30,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)
- $30,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)
- $30,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)
- $30,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)
- $300,000.00 TO $450,000.00 (SEE ATTACHED BREAKDOWN OF PRICING)

#### FATAL FLAW
- NONE
- NONE
- NONE
- NONE
- NONE
- NONE
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.

<table>
<thead>
<tr>
<th>Level</th>
<th>Forensic Hourly Rates</th>
<th>Court Room Testimony Hourly Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement Principal – Kevin P. Frenia</td>
<td>$200.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>Engagement Partner – Jerry W. Conaty</td>
<td>200.00</td>
<td></td>
</tr>
<tr>
<td>Supervisor – To Be Assigned</td>
<td>140.00</td>
<td></td>
</tr>
<tr>
<td>Senior – To Be Assigned</td>
<td>120.00</td>
<td></td>
</tr>
<tr>
<td>Staff Accountant – To Be Assigned</td>
<td>110.00</td>
<td></td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Estimated Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>$50,000</td>
</tr>
<tr>
<td>Phase II</td>
<td>Fees to be determined based on recommendations &amp; findings from Phase I</td>
</tr>
<tr>
<td>Phase III</td>
<td>Fees to be determined based on recommendations &amp; findings from Phase II</td>
</tr>
<tr>
<td>Phase IV</td>
<td>Fees to be determined based on recommendations &amp; findings from Phase III</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Professional Level</th>
<th>2020 Hourly Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners</td>
<td>$475 - $550</td>
</tr>
<tr>
<td>Managers</td>
<td>$350</td>
</tr>
<tr>
<td>Supervisors</td>
<td>$280</td>
</tr>
<tr>
<td>Staff</td>
<td>$175 - $200</td>
</tr>
<tr>
<td>Interns</td>
<td>$125</td>
</tr>
</tbody>
</table>

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 is 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:

<table>
<thead>
<tr>
<th>Proposed</th>
<th>Hours</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview of Current Water and Sewer Personnel</td>
<td>20.00</td>
<td>$4,310</td>
</tr>
<tr>
<td>Document Request and Review of Documents Submitted</td>
<td>24.00</td>
<td>$4,960</td>
</tr>
<tr>
<td>Review of Current Internal Controls</td>
<td>36.00</td>
<td>$6,920</td>
</tr>
<tr>
<td>Review of Current Accounting System</td>
<td>19.00</td>
<td>$3,670</td>
</tr>
<tr>
<td>Field Work and Analysis</td>
<td>219.50</td>
<td>$39,515</td>
</tr>
<tr>
<td>Meeting, Report Preparation and Presentation</td>
<td>43.00</td>
<td>$10,525</td>
</tr>
</tbody>
</table>

Proposed Hours and Pricing for RFP2020-40

361.50 $69,900

Engagement Partner

Date 8/24/2020
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.

<table>
<thead>
<tr>
<th>Proposed Engagement Team</th>
<th>Hourly Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bryan Callahan, Partner</td>
<td>$380</td>
</tr>
<tr>
<td>Robert Sprague, Managing Director</td>
<td>$370</td>
</tr>
<tr>
<td>Tom Haldiman, Director</td>
<td>$260</td>
</tr>
<tr>
<td>Senior Consultant (To Be Assigned)</td>
<td>$185</td>
</tr>
</tbody>
</table>

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
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**

<table>
<thead>
<tr>
<th>SERVICES</th>
<th>RATE</th>
<th>HOURS</th>
<th>FEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>$450</td>
<td>162</td>
<td>$72,900</td>
</tr>
<tr>
<td>Director / Manager</td>
<td>$300</td>
<td>276</td>
<td>$82,800</td>
</tr>
<tr>
<td>Senior / Staff</td>
<td>$250</td>
<td>496</td>
<td>$124,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>$279,700</strong></td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>LEVEL</th>
<th>STANDARD HOURLY RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>$450</td>
</tr>
<tr>
<td>Director / Manager</td>
<td>$300</td>
</tr>
<tr>
<td>Senior / Staff Senior Accountants</td>
<td>$250</td>
</tr>
</tbody>
</table>

**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**.