

PROFESSIONAL CONSULTANT SERVICES AGREEMENT

KPMG, LLP

[Accounting Services for Riverside Public Utilities (RPU) Overtime Audit]

THIS PROFESSIONAL CONSULTANT SERVICES AGREEMENT ("Agreement") is made and entered into this _____ day of _____, 2017 ("Effective Date"), by and between the CITY OF RIVERSIDE ("City"), a California charter city and municipal corporation and KPMG, LLP, a California limited liability partnership ("Consultant").

1. **Scope of Services.** City agrees to retain and does hereby retain Consultant and Consultant agrees to provide the services more particularly described in Exhibit "A," "Scope of Services" ("Services"), attached hereto and incorporated herein by reference, in conjunction with Accounting Services for Riverside Public Utilities (RPU) Overtime Audit ("Project").

2. **Term.** This Agreement shall be effective on the date first written above and shall remain in effect until June 30, 2018, unless otherwise terminated pursuant to the provisions herein.

3. **Compensation/Payment.** Consultant shall perform the Services under this Agreement for the total sum not to exceed Seventy-Five Thousand Dollars (\$75,000), payable in accordance with the terms set forth in Exhibit "B." Said payment shall be made in accordance with City's usual accounting procedures upon receipt and approval of an itemized invoice setting forth the services performed. The invoices shall be delivered to City at the address set forth in Section 4 hereof.

4. **Notices.** Any notices required to be given, hereunder shall be in writing and shall be personally served or given by mail. Any notice given by mail shall be deemed given when deposited in the United States Mail, certified and postage prepaid, addressed to the party to be served as follows:

To City

City Manager's Office
City of Riverside
Attn: Carlie Myers
3900 Main Street, 7th Floor
Riverside, CA 92522

To Consultant

KPMG, LLP
Attn: Douglas E. Farrow
550 South Hope Street, Suite 1500
Los Angeles, CA 90071

5. **Prevailing Wage.** If applicable, Consultant and all subcontractors are required to pay the general prevailing wage rates of per diem wages and overtime and holiday wages determined by the Director of the Department of Industrial Relations under Section 1720 et seq. of the California Labor Code and implemented by Resolution No. 13346 of the City Council of the City of Riverside. The Director's determination is available on-line at www.dir.ca.gov/dlsr/DPreWageDetermination.htm and is referred to and made a part hereof; the wage rates therein ascertained, determined, and specified are referred to and made a part hereof as though fully set forth herein.

6. **Contract Administration.** A designee of the City will be appointed in writing by the City Manager or Department Director to administer this Agreement on behalf of City and shall be referred to herein as Contract Administrator.

7. **Standard of Performance.** While performing the Services, Consultant shall exercise the reasonable professional care and skill customarily exercised by reputable members of Consultant's profession practicing in the Metropolitan Southern California Area, and shall use reasonable diligence and best judgment while exercising its professional skill and expertise.

8. **Personnel.** Consultant shall furnish all personnel necessary to perform the Services and shall be responsible for their performance and compensation. Consultant recognizes that the qualifications and experience of the personnel to be used are vital to professional and timely completion of the Services. The key personnel listed in Exhibit "C" attached hereto and incorporated herein by this reference and assigned to perform portions of the Services shall remain assigned through completion of the Services, unless otherwise mutually agreed by the parties in writing, or caused by hardship or resignation in which case substitutes shall be subject to City approval.

9. **Assignment and Subcontracting.** Neither party shall assign any right, interest, or obligation in or under this Agreement to any other entity without prior written consent of the other party. In any event, no assignment shall be made unless the assignee expressly assumes the obligations of assignor under this Agreement, in a writing satisfactory to the parties. Consultant acknowledges that any assignment may, at the City's sole discretion, require City Manager and/or City Council approval. Consultant shall not subcontract any portion of the work required by this Agreement without prior written approval by the responsible City Contract Administrator. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement, including without limitation, the insurance obligations set forth in Section 12. The Consultant acknowledges and agrees that the City is an intended beneficiary of any work performed by any subcontractor for purposes of establishing a duty of care between any subcontractor and the City.

10. **Independent Contractor.** In the performance of this Agreement, Consultant, and Consultant's employees, subcontractors and agents, shall act in an independent capacity as independent contractors, and not as officers or employees of the City of Riverside. Consultant acknowledges and agrees that the City has no obligation to pay or withhold state or federal taxes or to provide workers' compensation or unemployment insurance to Consultant, or to Consultant's employees, subcontractors and agents. Consultant, as an independent contractor, shall be responsible for any and all taxes that apply to Consultant as an employer.

11. Indemnification.

11.1 Design Professional Defined. For purposes of this Agreement, “Design Professional” includes the following:

- A. An individual licensed as an architect pursuant to Chapter 3 (commencing with Section 5500) of Division 3 of the Business and Professions Code, and a business entity offering architectural services in accordance with that chapter.
- B. An individual licensed as a landscape architect pursuant to Chapter 3.5 (commencing with Section 5615) of Division 3 of the Business and Professions Code, and a business entity offering landscape architectural services in accordance with that chapter.
- C. An individual registered as a professional engineer pursuant to Chapter 7 (commencing with Section 6700) of Division 3 of the Business and Professions Code, and a business entity offering professional engineering services in accordance with that chapter.
- D. An individual licensed as a professional land surveyor pursuant to Chapter 15 (commencing with Section 8700) of Division 3 of the Business and Professions Code, and a business entity offering professional land surveying services in accordance with that chapter.

11.2 Defense Obligation For Design Professional Liability. Consultant agrees, at its cost and expense, to promptly defend the City, and the City’s employees, officers, managers, agents and council members (collectively the “Parties to be Defended”) from and against any and all claims, allegations, lawsuits, arbitration proceedings, administrative proceedings, regulatory proceedings, or other legal proceedings to the extent the same arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of Consultant, or anyone employed by or working under the Consultant or for services rendered to the Consultant in the performance of the Agreement, notwithstanding that the City may have benefited from its work or services and whether or not caused in part by the negligence of an Indemnified Party. Consultant agrees to provide this defense immediately upon written notice from the City, and with well qualified, adequately insured and experienced legal counsel acceptable to City. This obligation to defend as set forth herein is binding on the successors, assigns and heirs of Consultant and shall survive the termination of Consultant’s Services under this Agreement.

11.3 Indemnity For Design Professional Liability. When the law establishes a professional standard of care for Consultant’s services, to the fullest extent permitted by law, Consultant shall indemnify, protect and hold harmless the City and the City’s employees, officers, managers, agents, and Council Members (“Indemnified Parties”) from and against any and all claim for damage, charge, lawsuit, action, judicial, administrative, regulatory or arbitration proceeding, damage, cost, expense (including counsel and expert fees), judgment, civil fines and penalties, liabilities or losses of any kind or nature whatsoever to the extent the same arise out of, pertain to, or

relate to the negligence, recklessness or willful misconduct of Consultant, or anyone employed by or working under the Consultant or for services rendered to the Consultant in the performance of the Agreement, notwithstanding that the City may have benefited from its work or services and whether or not caused in part by the negligence of an Indemnified Party.

11.4 Defense Obligation For Other Than Design Professional Liability.

Consultant agrees, at its cost and expense, to promptly defend the City, and the City's employees, officers, managers, agents and council members (collectively the "Parties to be Defended") from and against any and all claims, allegations, lawsuits, arbitration proceedings, administrative proceedings, regulatory proceedings, or other legal proceedings which arise out of, or relate to, or are in any way connected with: 1) the Services, work, activities, operations, or duties of the Consultant, or of anyone employed by or working under the Consultant, or 2) any breach of the Agreement by the Consultant.

This duty to defend shall apply whether or not such claims, allegations, lawsuits or proceedings have merit or are meritless, or which involve claims or allegations that any or all of the Parties to be Defended were actively, passively, or concurrently negligent, or which otherwise assert that the Parties to be Defended are responsible, in whole or in part, for any loss, damage or injury. Consultant agrees to provide this defense immediately upon written notice from the City, and with well qualified, adequately insured and experienced legal counsel acceptable to City. This obligation to defend as set forth herein is binding on the successors, assigns and heirs of Consultant and shall survive the termination of Consultant's Services under this Agreement.

11.5 Indemnity For Other Than Design Professional Liability. Except as to the sole negligence or willful misconduct of the City, Consultant agrees to indemnify, protect and hold harmless the Indemnified Parties from and against any claim for damage, charge, lawsuit, action, judicial, administrative, regulatory or arbitration proceeding, damage, cost, expense (including counsel and expert fees), judgment, civil fine and penalties, liabilities or losses of any kind or nature whatsoever whether actual, threatened or alleged, which arise out of, pertain to, or relate to, or are a consequence of, or are attributable to, or are in any manner connected with the performance of the Services, work, activities, operations or duties of the Consultant, or anyone employed by or working under the Consultant or for services rendered to Consultant in the performance of this Agreement, notwithstanding that the City may have benefited from its work or services. This indemnification provision shall apply to any acts, omissions, negligence, recklessness, or willful misconduct, whether active or passive, on the part of the Consultant or anyone employed or working under the Consultant.

12. Insurance.

12.1 General Provisions. Prior to the City's execution of this Agreement, Consultant shall provide satisfactory evidence of, and shall thereafter maintain during the term of this Agreement, such insurance policies and coverages in the types, limits, forms and ratings required herein. The rating and required insurance policies and coverages may be modified in writing by the City's Risk Manager or City Attorney, or a designee, unless such modification is prohibited by law.

12.1.1 Limitations. These minimum amounts of coverage shall not constitute any limitation or cap on Consultant's indemnification obligations under Section 11 hereof.

12.1.2 **Ratings.** Any insurance policy or coverage provided by Consultant or subcontractors as required by this Agreement shall be deemed inadequate and a material breach of this Agreement, unless such policy or coverage is issued by insurance companies authorized to transact insurance business in the State of California with a policy holder's rating of A or higher and a Financial Class of VII or higher.

12.1.3 **Cancellation.** The policies shall not be canceled unless thirty (30) days' prior written notification of intended cancellation has been given to City by certified or registered mail, postage prepaid.

12.1.4 **Adequacy.** The City, its officers, employees and agents make no representation that the types or limits of insurance specified to be carried by Consultant pursuant to this Agreement are adequate to protect Consultant. If Consultant believes that any required insurance coverage is inadequate, Consultant will obtain such additional insurance coverage as Consultant deems adequate, at Consultant's sole expense.

12.2 **Workers' Compensation Insurance.** By executing this Agreement, Consultant certifies that Consultant is aware of and will comply with Section 3700 of the Labor Code of the State of California requiring every employer to be insured against liability for workers' compensation, or to undertake self-insurance before commencing any of the work. Consultant shall carry the insurance or provide for self-insurance required by California law to protect said Consultant from claims under the Workers' Compensation Act. Prior to City's execution of this Agreement, Consultant shall file with City either 1) a certificate of insurance showing that such insurance is in effect, or that Consultant is self-insured for such coverage, or 2) a certified statement that Consultant has no employees, and acknowledging that if Consultant does employ any person, the necessary certificate of insurance will immediately be filed with City. Any certificate filed with City shall provide that City will be given ten (10) days' prior written notice before modification or cancellation thereof.

12.3 **Commercial General Liability and Automobile Insurance.** Prior to City's execution of this Agreement, Consultant shall obtain, and shall thereafter maintain during the term of this Agreement, commercial general liability insurance and automobile liability insurance as required to insure Consultant against damages for personal injury, including accidental death, as well as from claims for property damage, which may arise from or which may concern operations by anyone directly or indirectly employed by, connected with, or acting for or on behalf of Consultant. The City, and its officers, employees and agents, shall be named as additional insureds under the Consultant's insurance policies.

12.3.1 Consultant's commercial general liability insurance policy shall cover both bodily injury (including death) and property damage (including, but not limited to, premises operations liability, products-completed operations liability, independent contractor's liability, personal injury liability, and contractual liability) in an amount not less than \$1,000,000 per occurrence and a general aggregate limit in the amount of not less than \$2,000,000.

12.3.2 Consultant's automobile liability policy shall cover both bodily injury and property damage in an amount not less than \$1,000,000 per occurrence and an aggregate limit of

not less than \$1,000,000. All of Consultant's automobile and/or commercial general liability insurance policies shall cover all vehicles used in connection with Consultant's performance of this Agreement, which vehicles shall include, but are not limited to, Consultant owned vehicles, Consultant leased vehicles, Consultant's employee vehicles, non-Consultant owned vehicles and hired vehicles.

12.3.3 Prior to City's execution of this Agreement, copies of insurance policies or original certificates along with additional insured endorsements acceptable to the City evidencing the coverage required by this Agreement, for both commercial general and automobile liability insurance, shall be filed with City and shall include the City and its officers, employees and agents, as additional insureds. Said policies shall be in the usual form of commercial general and automobile liability insurance policies, but shall include the following provisions:

It is agreed that the City of Riverside, and its officers, employees and agents, are added as additional insureds under this policy, solely for work done by and on behalf of the named insured for the City of Riverside.

12.3.4 The insurance policy or policies shall also comply with the following provisions:

- a. The policy shall be endorsed to waive any right of subrogation against the City and its sub-consultants, employees, officers and agents for services performed under this Agreement.
- b. If the policy is written on a claims made basis, the certificate should so specify and the policy must continue in force for one year after completion of the services. The retroactive date of coverage must also be listed.
- c. The policy shall specify that the insurance provided by Consultant will be considered primary and not contributory to any other insurance available to the City and Endorsement No. CG 20010413 shall be provided to the City.

12.4 **Errors and Omissions Insurance.** Prior to City's execution of this Agreement, Consultant shall obtain, and shall thereafter maintain during the term of this Agreement, errors and omissions professional liability insurance in the minimum amount of \$1,000,000 to protect the City from claims resulting from the Consultant's activities.

12.5 **Subcontractors' Insurance.** Consultant shall require all of its subcontractors to carry insurance, in an amount sufficient to cover the risk of injury, damage or loss that may be caused by the subcontractors' scope of work and activities provided in furtherance of this Agreement, including, but without limitation, the following coverages: Workers Compensation, Commercial General Liability, Errors and Omissions, and Automobile liability. Upon City's request, Consultant shall provide City with satisfactory evidence that Subcontractors have obtained insurance policies and coverages required by this section.

13. **Business Tax.** Consultant understands that the Services performed under this Agreement constitutes doing business in the City of Riverside, and Consultant agrees that Consultant will register for and pay a business tax pursuant to Chapter 5.04 of the Riverside Municipal Code and keep such tax certificate current during the term of this Agreement.

14. **Time of Essence.** Time is of the essence for each and every provision of this Agreement.

15. **City's Right to Employ Other Consultants.** City reserves the right to employ other Consultants in connection with the Project. If the City is required to employ another consultant to complete Consultant's work, due to the failure of the Consultant to perform, or due to the breach of any of the provisions of this Agreement, the City reserves the right to seek reimbursement from Consultant.

16. **Accounting Records.** Consultant shall maintain complete and accurate records with respect to costs incurred under this Agreement. All such records shall be clearly identifiable. Consultant shall allow a representative of City during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

17. **Confidentiality.** All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other materials either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant, except as otherwise directed by City's Contract Administrator. Nothing furnished to Consultant which is otherwise known to the Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use City's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production, website, or other similar medium without the prior written consent of the City.

18. **Ownership of Documents.** All reports, maps, drawings and other contract deliverables prepared under this Agreement by Consultant shall be and remain the property of City. Consultant shall not release to others information furnished by City without prior express written approval of City.

19. **Copyrights.** Consultant agrees that any work prepared for City which is eligible for copyright protection in the United States or elsewhere shall be a work made for hire. If any such work is deemed for any reason not to be a work made for hire, Consultant assigns all right, title and interest in the copyright in such work, and all extensions and renewals thereof, to City, and agrees to provide all assistance reasonably requested by City in the establishment, preservation and enforcement of its copyright in such work, such assistance to be provided at City's expense but without any additional compensation to Consultant. Consultant agrees to waive all moral rights relating to the work developed or produced, including without limitation any and all rights of

identification of authorship and any and all rights of approval, restriction or limitation on use or subsequent modifications.

20. **Conflict of Interest.** Consultant, for itself and on behalf of the individuals listed in Exhibit “C,” represents and warrants that by the execution of this Agreement, they have no interest, present or contemplated, in the Project affected by the above-described Services. Consultant further warrants that neither Consultant, nor the individuals listed in Exhibit “C” have any real property, business interests or income interests that will be affected by this project or, alternatively, that Consultant will file with the City an affidavit disclosing any such interest.

21. **Solicitation.** Consultant warrants that Consultant has not employed or retained any person or agency to solicit or secure this Agreement, nor has it entered into any agreement or understanding for a commission, percentage, brokerage, or contingent fee to be paid to secure this Agreement. For breach of this warranty, City shall have the right to terminate this Agreement without liability and pay Consultant only for the value of work Consultant has actually performed, or, in its sole discretion, to deduct from the Agreement price or otherwise recover from Consultant the full amount of such commission, percentage, brokerage or commission fee. The remedies specified in this section shall be in addition to and not in lieu of those remedies otherwise specified in this Agreement.

22. **General Compliance With Laws.** Consultant shall keep fully informed of federal, state and local laws and ordinances and regulations which in any manner affect those employed by Consultant, or in any way affect the performance of services by Consultant pursuant to this Agreement. Consultant shall at all times observe and comply with all such laws, ordinances and regulations, and shall be solely responsible for any failure to comply with all applicable laws, ordinances and regulations. Consultant represents and warrants that Consultant has obtained all necessary licenses to perform the Scope of Services and that such licenses are in good standing. Consultant further represents and warrants that the services provided herein shall conform to all ordinances, policies and practices of the City of Riverside.

23. **Waiver.** No action or failure to act by the City shall constitute a waiver of any right or duty afforded City under this Agreement, nor shall any such action or failure to act constitute approval of or acquiescence in any breach thereunder, except as may be specifically, provided in this Agreement or as may be otherwise agreed in writing.

24. **Amendments.** This Agreement may be modified or amended only by a written agreement and/or change order executed by the Consultant and City.

25. **Termination.** City, by notifying Consultant in writing, shall have the right to terminate any or all of Consultant’s services and work covered by this Agreement at any time. In the event of such termination, Consultant may submit Consultant’s final written statement of the amount of Consultant’s services as of the date of such termination based upon the ratio that the work completed bears to the total work required to make the report complete, subject to the City’s rights under Sections 15 and 26 hereof. In ascertaining the work actually rendered through the termination date, City shall consider completed work, work in progress and complete and incomplete reports and other documents only after delivered to City.

25.1 Other than as stated below, City shall give Consultant thirty (30) days' prior written notice prior to termination.

25.2 City may terminate this Agreement upon fifteen (15) days' written notice to Consultant, in the event:

25.2.1 Consultant substantially fails to perform or materially breaches the Agreement; or

25.2.2 City decides to abandon or postpone the Project.

26. **Offsets.** Consultant acknowledges and agrees that with respect to any business tax or penalties thereon, utility charges, invoiced fee or other debt which Consultant owes or may owe to the City, City reserves the right to withhold and offset said amounts from payments or refunds or reimbursements owed by City to Consultant. Notice of such withholding and offset, shall promptly be given to Consultant by City in writing. In the event of a dispute as to the amount owed or whether such amount is owed to the City, City will hold such disputed amount until either the appropriate appeal process has been completed or until the dispute has been resolved.

27. **Successors and Assigns.** This Agreement shall be binding upon City and its successors and assigns, and upon Consultant and its permitted successors and assigns, and shall not be assigned by Consultant, either in whole or in part, except as otherwise provided in paragraph 9 of this Agreement.

28. **Venue.** Any action at law or in equity brought by either of the parties hereto for the purpose of enforcing a right or rights provided for by this Agreement shall be tried in a court of competent jurisdiction in the County of Riverside, State of California, and the parties hereby waive all provisions of law providing for a change of venue in such proceedings to any other county. In the event either party hereto shall bring suit to enforce any term of this Agreement or to recover any damages for and on account of the breach of any term or condition of this Agreement, it is mutually agreed that each party will bear their own attorney's fees and costs.

29. **Nondiscrimination.** During Consultant's performance of this Agreement, Consultant shall not discriminate on the grounds of race, religious creed, color, national origin, ancestry, age, physical disability, mental disability, medical condition, including the medical condition of Acquired Immune Deficiency Syndrome (AIDS) or any condition related thereto, marital status, sex, genetic information, gender, gender identity, gender expression, or sexual orientation, in the selection and retention of employees and subcontractors and the procurement of materials and equipment, except as provided in Section 12940 of the California Government Code. Further, Consultant agrees to conform to the requirements of the Americans with Disabilities Act in the performance of this Agreement.

30. **Severability.** Each provision, term, condition, covenant and/or restriction, in whole and in part, of this Agreement shall be considered severable. In the event any provision, term, condition, covenant and/or restriction, in whole and/or in part, of this Agreement is declared invalid, unconstitutional, or void for any reason, such provision or part thereof shall be severed from this

Agreement and shall not affect any other provision, term, condition, covenant and/or restriction of this Agreement, and the remainder of the Agreement shall continue in full force and effect.

31. **Authority.** The individuals executing this Agreement and the instruments referenced herein on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions hereof and thereof.

32. **Entire Agreement.** This Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement, and supersedes all prior and contemporaneous understandings or agreements of the parties. Neither party has been induced to enter into this Agreement by and neither party is relying on, any representation or warranty outside those expressly set forth in this Agreement.

33. **Interpretation.** City and Consultant acknowledge and agree that this Agreement is the product of mutual arms-length negotiations and accordingly, the rule of construction, which provides that the ambiguities in a document shall be construed against the drafter of that document, shall have no application to the interpretation and enforcement of this Agreement.

33.1 Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of the Agreement or any of its terms. Reference to section numbers, are to sections in the Agreement unless expressly stated otherwise.

33.2 This Agreement shall be governed by and construed in accordance with the laws of the State of California in effect at the time of the execution of this Agreement.

33.3 In the event of a conflict between the body of this Agreement and Exhibit "A" - Scope of Services hereto, the terms contained in Exhibit "A" shall be controlling.

34. **Exhibits.** The following exhibits attached hereto are incorporated herein to this Agreement by this reference:

Exhibit "A" - Scope of Services

Exhibit "B" - Compensation

Exhibit "C" - Key Personnel

IN WITNESS WHEREOF, City and Consultant have caused this Agreement to be duly executed the day and year first above written.

CITY OF RIVERSIDE, a California
charter city and municipal corporation
a California corporation

KPMG, LLP
a California limited liability partnership

By: _____
City Manager

By: _____

[Printed Name]

[Title]

Attest: _____
City Clerk

Certified as to Availability of Funds:

By: _____

By: _____
Finance Director

[Printed Name]

[Title]

Approved as to Form:

By: _____
Assistant City Attorney

EXHIBIT “A”

SCOPE OF SERVICES



Response to

City of Riverside

Proposal

**Forensic Accounting Services
Overtime Earnings – Public Utilities
Department**

June 30, 2017

kpmg.com



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Los Angeles, CA 90071-2629

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Internet www.us.kpmg.com

June 30, 2017

Cheryl Johannes
Internal Audit Manager
City of Riverside
3900 Main Street
Riverside, CA 92522

Re: Proposal of KPMG to the City of Riverside, Office of the City Manager, for Services Related to Forensic Review of Overtime Earnings – Public Utilities Department

Dear Ms. Johannes,

On behalf of KPMG LLP (KPMG), thank you for the opportunity to present our proposal to provide forensic advisory services to the City of Riverside, Office of the City Manager, (collectively the City), in response to the solicitation for review of Overtime Earnings – Public Utilities Department. As a professional services firm dedicated to serving Public Sector clients, KPMG understands the importance of this project. We are excited to submit the attached approach document and price proposal for the City's consideration. We believe our proposal offers the City the right combination of skills and experience.

We appreciate the opportunity to propose on this project. This proposal is subject to mutual negotiation of terms and conditions by the City and KPMG (Contractor). We have attached our standard terms and conditions for State and Local governmental entities for your consideration. Should you require any additional information, please do not hesitate to contact me directly at (213) 955-8389 or dfarrow@kpmg.com.

Very truly yours,

KPMG LLP
Douglas Farrow
Forensic Partner

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 Standard Terms and Conditions (Government) for Advisory and Tax Services (Attachment)	

This proposal is made by KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

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KPMG's Qualifications and Approach

Qualifications

Introduction to KPMG

KPMG LLP (KPMG) provides a wide range of audit, tax, and advisory services from 90 offices in 50 states. KPMG is the U.S. member firm of KPMG International Cooperative (KPMG International). KPMG International operates in 152 countries and has more than 189,000 professionals working in member firms around the world. Member firms aim to provide clients with a globally consistent set of multidisciplinary services based on deep industry knowledge. Our industry focus helps KPMG professionals develop a rich understanding of clients' businesses and the insight, skills, and resources required to address industry-specific issues and opportunities.

One of KPMG's principal strengths is our organizational structure, which combines the extensive research and other capabilities of a large firm with the individual commitment to client service typical of a small firm. Our professionals are organized into service sets that emphasize particular skills and experience, and then align with market-based structure that provides dedicated resources for each line of business. This allows our client service professionals to focus on industry-specific issues. KPMG recognizes that each of its clients operates in a distinctive environment requiring products and services tailored to their needs. We believe that specific industry knowledge is critical to assessing, recommending, and delivering successful business services.

Leadership in Governmental Services

KPMG has long held a leadership role in the evolution of government auditing, assessments, and government accounting. KPMG is a leader in auditing Federal government entities, as measured by the size of our Federal practice, market share, involvement in professional organizations, and thought leadership in the industry. KPMG has a large federal audit practice among the Big Four CPA firms.

State and Local Government Services

We recognize that state and local government managers face diverse and unique challenges. They are called upon to deliver "private-sector quality services" efficiently and effectively, allocate and enhance resources and comply with increasing federal regulations. KPMG has made government a key focus of our business and our future. By combining our deep sector insight, valuable global leading practices, and extensive local experience, we consistently provide tailored and effective approaches for the public sector. For over 85 years, this practice assists clients of all types, including federal and state agencies, municipal and county departments, housing authorities, public hospitals, and virtually all other types of institutions that serve the public interest.

KPMG Forensic Services

KPMG Forensic, a part of KPMG Advisory services, is a global practice comprising over 2,200 multidisciplinary professionals from member firms of KPMG International that assist clients in achieving a high level of business integrity through the prevention, detection, and investigation of fraud and misconduct and by avoiding and resolving disputes. Our professionals not only help clients discover the facts underlying concerns about fraud and misconduct, but they also assist our clients in assessing and mitigating the vulnerabilities to such activities.

Our services include:

- **Investigations** – assist legal counsel, audit committees, Boards of Directors, and management in gaining a clearer understanding of the facts necessary to determine whether there has been fraud or misconduct (e.g. financial reporting, misappropriation of assets, anti-bribery and corruption);
- **Dispute Advisory Services** – assist clients in dealing with threatened or pending claims, disputes, and litigation. Engagements include assisting with privileged consulting, and expert witness testimony;
- **Compliance and Monitoring** – assist clients with their efforts to prevent and respond appropriately to regulatory or contractual requirements (e.g. Foreign Corrupt Practice Act, life sciences regulatory services, real estate and construction services);
- **Forensic Technology** – help our clients identify, collect, and analyze records and information for production and evaluation for litigation, investigation, or regulatory proceedings; and
- **Corporate Intelligence** – assist clients with establishing consistent due diligence protocols to screen existing and/or new third-party intermediaries. Our global corporate intelligence network utilizes consistent methodologies while leveraging local experience to provide consistent, seamless, and quality reporting of non-transparent information that enables our clients to make better informed assessments of risk with their relationships.

Our understanding of your requirements and scope

A. Analysis of Overtime Earnings – Public Utilities Department

Background and Objective

KPMG understands that the City is seeking services from a highly experienced and well qualified certified public accounting firm with demonstrated experience in providing forensic accounting services. The City intends to contract for services for a single engagement to perform an analysis of overtime earnings relative to the City Public Utilities Department (PUD). The objective of the forensic analysis is to assess compliance with City overtime policy and procedures and the adequacy of internal controls over authorization and approval of overtime earnings. The analysis would cover a period of five (5) years. The City has issued a solicitation for informal quotes from qualified vendors to provide the aforementioned services.

Our Approach

Our approach to performing forensic advisory services is a process that is focused on the following activities:

- Detailed planning and scoping, which helps ensure key workflows and timeframes for executing are clearly delineated.
- Regular, targeted communication with key stakeholders to help ensure they have appropriate input and are informed on process and outcomes.

Communication between stakeholders is a critical success factor. The guiding principle for our approach is transparent and efficient communication between the KPMG project team and City staff.

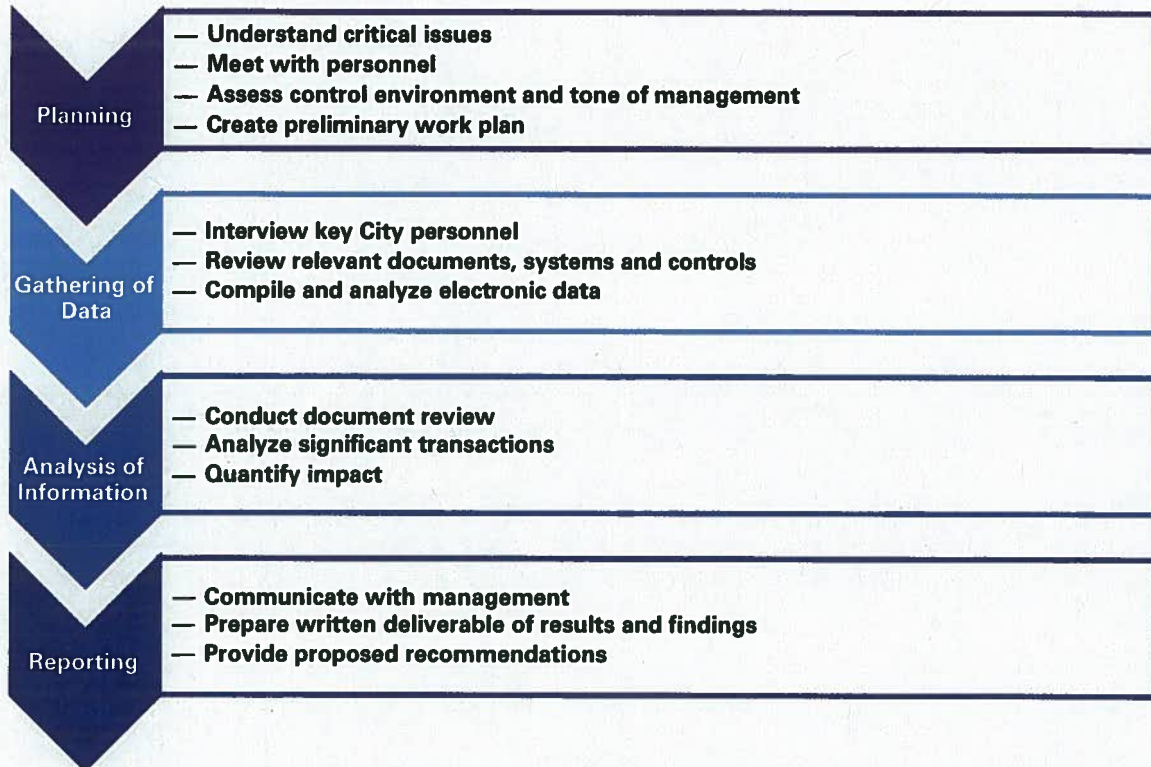
Our analysis of the City's PUD overtime earnings will be conducted in proposed phases:

- Phase I – Project Planning
- Phase II – Gathering of Data
- Phase III – Analysis of Information
- Phase IV – Reporting

These project phases are discussed in further detail in the following section: Proposed Approach

Proposed approach

KPMG proposes an integrated phased-approach that emphasizes team work, careful planning and quality control processes to deliver on your requirements. To demonstrate how we would assess the City's needs, below are descriptions of the various phases to the project.



Phase I

Our recommended approach will start with a kick-off meeting to gain a detailed understanding of the nature and background of PUD overtime earnings. Following this initial meeting, KPMG will finalize a project plan for commencement of the analysis.

Phase II

We will work with the City to gather relevant data and documents from the financial accounting system for the time period under review. KPMG will then perform testing to confirm that the compiled data reflects the full population of data within scope. We will then determine the analysis to be performed based on data availability and identified areas of focus.

Throughout this phase, we will simultaneously conduct document analysis and inquiries/interviews to gain insights into the transactions history as reflected in the data.

We will conduct ongoing discussions with process owners and/or appropriate City staff during fieldwork to discuss preliminary observations and documentation issues and obtain additional information as needed to complete the review.

Phase III

The data review and analysis phase is the core activity. Our procedures will focus on analysis of documentation supporting overtime earnings data and transactions relevant to the analysis for the time period under review.

Documents to be reviewed and evaluated may include the following:

- Examine City policies and procedures relevant to the authorization of overtime, including relevant provisions in union agreements and overtime approval practices;
- Examine payroll transactional data, including timesheets, and supporting documents related to overtime earnings;
- Evaluate the factors used in the determination of overtime earnings, assess whether amounts are authorized, substantiated and factors applied correctly.

To assist us in performing this analysis, we will work with the City to provide us access to data and documents. We will make all requests for access to electronic data through the City's designated contact person(s). Our ability to perform our procedures will depend in part on receiving from the City timely and accurate responses to our requests.

Phase IV

At the conclusion of the review, we will provide the City with a draft report to obtain the City's feedback on our observations. Our deliverable will include our analysis and observations (findings and gaps), in addition to recommendations for process enhancements or improvement opportunities, where applicable. At your discretion, we will be available to provide a briefing to the City to discuss our findings and facilitate a dialogue with respect to our noted opportunities for improvements. Once we receive your comments on our draft, we will work with the City to finalize the report and resubmit it in final form.

Our client service approach is built upon communication with the City throughout the project. Throughout the course of the project, observations and recommendations will be discussed with the City. KPMG's goal is for there to be "no surprises" during the project process. By avoiding surprises, we find that we typically are able to finalize our report without reservations. We facilitate this goal by holding face-to-face meetings during project preparation and again at regular intervals during the operational phase of the project.

EXHIBIT “B”
COMPENSATION

Proposed fees

Summary of Costs

We are pleased to present below our proposed fees to the City to conduct an analysis of the City's overtime earnings - PUD. **Our total fees estimate for this project is in a range of approximately \$55,000 – \$75,000.**

Professional Fees	Currency
\$55,000 - \$75,000	USD

KPMG will bill the City on a monthly basis based on time and materials. The effort estimated is based on assumptions as defined in the sections above. KPMG's project manager will closely monitor the milestones and time being spent on each activity and deliverable. KPMG will proactively inform the City regarding delays, if any and its impact on the effort estimated above.

Proposed Hourly Rate

Our professional fees will be based upon the specified skill level of the professionals providing the services and the amount of time and materials required to complete the project.

Professionals	Hourly Rate
Partners	\$400
Directors	\$375
Managers	\$325
Senior Staff	\$250
Staff	\$185

Our proposed rates encompass all burdens including, but not limited to, overhead and profit, general and administrative expenses, premium/overhead costs, other non-labor direct costs, direct costs, fringes, and fees. All prices/rates are quoted in U.S. dollars and exclusive of taxes. KPMG does not intend to use subcontractors on this project.

Although we will need additional information to finalize the expected hours and fees, we have **estimated total fees in the range of approximately \$55,000 – \$75,000** based on the solicitation requirements. Since the work will be conducted by professionals from our Los Angeles office, our actual travel and other out-of-pocket expenses will be minimal, if any.

	<u>Hours Range</u>	<u>Rate</u>	<u>Fees Range</u>
Partners	10 - 15	\$400	\$4,000 - \$6,000
Managers	50 - 75	\$325	16,250 - 24,375
Supervisory Staff	75 - 100	\$250	18,750 - 25,000
Staff	85 - 110	\$185	15,725 - 20,350
Total	220 - 300		\$54,725 - \$75,725

We are committed to providing a high level of service to you and timely delivery to meet the City's objectives. As you are aware, realization of the estimated hours and fees as stated above will depend on a variety of factors including, but not limited to, the adequacy and conditions of the records and the extent of the cooperation obtained. In light of our ultimate goal in supporting you in your efforts to effectively and efficiently manage this project, we will work closely with you to track and manage our hours and professional fees.

KPMG's fees and expenses are not contingent upon the final results, nor does KPMG guarantee any result or resolution in the above-referenced matter.

Proposed Timeframe

From the solicitation requirements, we understand that the City has requested the PUD overtime earnings analysis to commence as soon as reasonably possible as mutually determined by the City and KPMG. Based on our understanding of the scope of work, we will endeavor to perform the project within the City's time requirements.

We believe our proposed approach will allow for the time necessary to validate and clearly communicate our procedures performed and results of the review. Our approach is based on the assumption that the City will be closely involved in the project, designate a Project Sponsor or Manager, and will provide support (e.g., access to personnel, records and other information) and its feedback and decisions timely.

EXHIBIT “C”

KEY PERSONNEL

Douglas E. Farrow, Partner
Anna Lam, Manager