



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: March 15, 2018

Staff Contact: Laura Rader and Jason Link

Agenda Title: For Possible Action: To approve Contract No. 1718-136 External Audit Services with Piercy Bowler Taylor & Kern pursuant to NRS 354.624 for a not to exceed annual amount of \$98,750 and an annual contingency amount of \$22,000 (if needed for auditing additional major federal grant programs) for the audits of fiscal years 2018, 2019 & 2020 to be funded from the various funds and to designate Piercy Bowler Taylor and Kern as the auditing firm for FY 2017-2018. (Laura Rader; Lrader@carson.org and Jason Link JLink@carson.org).

Staff Summary: NRS 354.624 requires Carson City to designate the auditor or audit firm no later than three months prior to the close of the fiscal year (March 31, 2018). Carson City must notify the Nevada Department of Taxation of the designation. The Evaluation Committee evaluated six proposals and selected Piercy Bowler Taylor & Kern based on their professional qualifications, experience with Nevada cities and counties, and audit approach. The total amount of the three year contract is a not to exceed amount of \$362,250.

Agenda Action: Formal Action/Motion

Time Requested: 5 minutes

Proposed Motion

I move to approve Contract No. 1718-136 External Audit Services with Piercy Bowler Taylor & Kern pursuant to NRS 354.624 for a not to exceed annual amount of \$98,750 and an annual contingency amount of \$22,000 (if needed for auditing additional major federal grant programs) for the audits of fiscal years 2018, 2019 & 2020 to be funded from the various funds and to designate Piercy Bowler Taylor and Kern as the auditing firm for FY 2017-2018.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

NRS 354.624 (3) The governing body may, without requiring competitive bids, designate the auditor or firm annually. The auditor or firm must be designated, and notification of the auditor or firm designated must be sent to the Department of Taxation not later than 3 months before the close of the fiscal year for which the audit is to be made.

A formal Request for Statement of Qualifications (SOQ) was released on January 11, 2018 and proposals were accepted through 2pm on February 1, 2018. Six proposals were submitted and four firms were shortlisted to provide oral presentation/interviews. The evaluation committee is recommending Piercy Bowler Taylor & Kern for the City's external auditors.

At the February 28, 2018 Audit Committee meeting, the Committee approved the evaluation committee's recommendation to award the External Auditor contract to Piercy Bowler Taylor & Kern.

Applicable Statute, Code, Policy, Rule or Regulation

NRS 354.624

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

		Base	Contingency	Total
General Fund	101-0701-415.03-12	\$42,462	\$11,398	\$53,860
Group Medical Insurance	570-0706-415.03-12	1,975		1,975
Workers' Compensation	580-0704-415.03-12	1,975		1,975
Fleet Management	560-3025-419.03-12	1,975		1,975
Insurance	590-0745-415.03-12	1,975		1,975
Water	520-3502-435.03-12	19,750	5,301	25,051
Sewer	510-3201-434.03-12	19,750	5,301	25,051
Ambulance	501-2525-422.03-12	2,962		2,962
Cemetery	530-5067-443.03-12	987		987
Building Permit	525-3014-424.03-12	1,975		1,975
Landfill	101-6804-441.03-12	1,975		1,975
Storm Water Drainage	505-3702-437.03-12	987		987
	TOTAL	\$98,750	\$22,000	\$120,750

The base fee of \$98,750 includes the single audit of 2 major federal programs. The contingency of \$22,000 would cover single audit of four additional programs. For FY 2017 and FY 2016, the City had three and four, respectively, major programs subject to the Single Audit Act.

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: Amounts will be included in FY 2019 Budget

Alternatives

Do not approve contract and provide alternative direction to staff.

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)

INDEPENDENT CONTRACTOR AGREEMENT

Contract No.1718-136

Title: External Audit Services

THIS CONTRACT is made and entered into this _____ day of _____, 2018, by and between Carson City, a consolidated municipality, a political subdivision of the State of Nevada, hereinafter referred to as "CITY", and Piercy Bowler Taylor & Kern, hereinafter referred to as "CONTRACTOR".

WITNESSETH:

WHEREAS, the Purchasing and Contracts Administrator for **CITY** is authorized pursuant to Nevada Revised Statutes (hereinafter referred to as "NRS") 332 and Carson City Purchasing Resolution #1990-R71, to approve and accept this Contract as set forth in and by the following provisions; and

WHEREAS, CONTRACTOR'S compensation under this agreement (does ___) (does not __X__) utilize in whole or in part money derived from one or more federal grant funding source(s); and

WHEREAS, it is deemed necessary that the services of **CONTRACTOR** for **CONTRACT No.1718-136** (hereinafter referred to as "Contract") are both necessary and in the best interest of **CITY**; and

NOW, THEREFORE, in consideration of the aforesaid premises, and the following terms, conditions and other valuable consideration, the parties mutually agree as follows:

1. REQUIRED APPROVAL:

This Contract shall not become effective until and unless approved by the Carson City Board of Supervisors.

2. SCOPE OF WORK (Incorporated Contract Documents):

2.1 **CONTRACTOR** shall provide and perform the following services set forth in **SOQ #1718-136 titled External Audit Services** and in **Exhibit A**, which shall all be attached hereto and incorporated herein by reference for and on behalf of **CITY** and hereinafter referred to as the "SERVICES".

2.2 **CONTRACTOR** represents that it is duly licensed by **CITY** for the purposes of performing the SERVICES.

2.3 **CONTRACTOR** represents that it is duly qualified and licensed in the State of Nevada for the purposes of performing the SERVICES.

2.4 **CONTRACTOR** represents that it and/or the persons it may employ possess all skills and training necessary to perform the SERVICES described herein and required hereunder. **CONTRACTOR** shall perform the SERVICES faithfully, diligently, in a timely and professional manner, to the best of its ability, and in such a manner as is customarily performed by a person who is in the business of providing such services in similar circumstances. **CONTRACTOR** shall be responsible for the professional quality and technical accuracy of all SERVICES furnished by **CONTRACTOR** to **CITY**.

For P&C Use Only
CCBL expires _____
NVCL expires <u> n/a </u>
GL expires _____
AL expires _____
WC expires _____

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2.5 **CONTRACTOR** represents that neither the execution of this Contract nor the rendering of services by **CONTRACTOR** hereunder will violate the provisions of or constitute a default under any other contract or agreement to which **CONTRACTOR** is a party or by which **CONTRACTOR** is bound, or which would preclude **CONTRACTOR** from performing the SERVICES required of **CONTRACTOR** hereunder, or which would impose any liability or obligation upon **CITY** for accepting such SERVICES.

2.6 Before commencing with the performance of any SERVICES under this Contract, **CONTRACTOR** shall obtain all necessary permits and licenses as may be necessary. Before and during the progress of work under this Contract, **CONTRACTOR** shall give all notice and comply with all the laws, ordinances, rules and regulations of every kind and nature now or hereafter in effect promulgated by any Federal, State, County, or other Governmental Authority, relating to the performance of work under this Contract. If **CONTRACTOR** performs any work that is contrary to any such law, ordinance, rule or regulation, it shall bear all the costs arising therefrom.

2.7 It is expressly understood and agreed that all SERVICES done by **CONTRACTOR** shall be subject to inspection and acceptance by **CITY** and approval of SERVICES shall not forfeit the right of **CITY** to require correction, and nothing contained herein shall relieve **CONTRACTOR** of the responsibility of the SERVICES required under the terms of this Contract until all SERVICES have been completed and accepted by **CITY**.

3. **CONTRACT TERM:**

3.1 This Contract shall be effective from April 1, 2018, subject to Carson City Board of Supervisors' approval (anticipated to be March 15, 2018) to March 31, 2021, unless sooner terminated by either party as specified in **Section 7** (CONTRACT TERMINATION).

4. **NOTICE:**

4.1 Except any applicable bid and award process where notices may be limited to postings by **CITY** on its Bid Opportunities website (www.carson.org), all notices or other communications required or permitted to be given under this Contract shall be in writing and shall be deemed to have been duly given if delivered personally in hand, by e-mail, by regular mail, by telephonic facsimile with simultaneous regular mail, or by certified mail, return receipt requested, postage prepaid on the date posted, and addressed to the other party at the address specified below.

4.2 Notice to **CONTRACTOR** shall be addressed to:

L. Ralph Piercy
Piercy Bowler Taylor & Kern
6100 Elton Ave., Suite 1000
Las Vegas, NV 89107
704-384-1120
rbowler@pbtck.com

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4.3 Notice to **CITY** shall be addressed to:

Carson City Purchasing and Contracts Department
Laura Rader, Purchasing & Contracts Administrator
201 North Carson Street, Suite 2
Carson City, NV 89701
775-283-7362
Lrader@carson.org

5. COMPENSATION:

5.1 The parties agree that **CONTRACTOR** will provide the SERVICES specified in **Section 2** (SCOPE OF WORK) and **CITY** agrees to pay **CONTRACTOR** the Contract's compensation based upon Time and Materials and the Scope of Work Fee Schedule for a not to exceed maximum annual amount of Ninety Eight Thousand Seven Hundred Fifty Dollars and 00/100 (\$98,750.00) and an annual contingency amount of Twenty Two Thousand Dollars and 00/100 (\$22,000.00) (if needed for auditing additional major federal grant programs), and hereinafter referred to as "Contract Sum".

5.2 Contract Sum represents full and adequate compensation for the completed SERVICES, and includes the furnishing of all materials; all labor, equipment, tools, and appliances; and all expenses, direct or indirect, connected with the proper execution of the SERVICES.

5.3 **CITY** does not agree to reimburse **CONTRACTOR** for expenses unless otherwise specified.

6. TIMELINESS OF BILLING SUBMISSION:

6.1 The parties agree that timeliness of billing is of the essence to this Contract and recognize that **CITY** is on a fiscal year which is defined as the period beginning July 1 and ending June 30 of the following year. All billings for dates of service prior to July 1 must be submitted to **CITY** no later than the first Friday in August of the same year. A billing submitted after the first Friday in August will subject **CONTRACTOR** to an administrative fee not to exceed \$100.00. The parties hereby agree this is a reasonable estimate of the additional costs to **CITY** of processing the billing as a stale claim and that this amount will be deducted from the stale claim payment due to **CONTRACTOR**.

7. CONTRACT TERMINATION:

7.1 Termination Without Cause:

7.1.1 Any discretionary or vested right of renewal notwithstanding, this Contract may be terminated upon written notice by mutual consent of both parties or unilaterally by either party without cause.

7.1.2 **CITY** reserves the right to terminate this Contract for convenience whenever it considers termination, in its sole and unfettered discretion, to be in the public interest. In the event that the Contract is terminated in this manner, payment will be made for SERVICES actually completed. If termination occurs under this provision, in no event shall **CONTRACTOR** be entitled to anticipated profits on items of SERVICES not performed as of the effective date of the termination or compensation for any other item, including but not limited to, unabsorbed overhead. **CONTRACTOR** shall require that all subcontracts which it enters related to this Contract likewise contain a termination for convenience clause which precludes the ability of any subcontractor to

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make claims against **CONTRACTOR** for damages due to breach of contract, lost profit on items of SERVICES not performed, or unabsorbed overhead, in the event of a convenience termination.

7.2 Termination for Nonappropriation:

7.2.1 All payments and SERVICES provided under this Contract are contingent upon the availability of the necessary public funding, which may include various internal and external sources. In the event that Carson City does not acquire and appropriate the funding necessary to perform in accordance with the terms of the Contract, the Contract shall automatically terminate upon **CITY'S** notice to **CONTRACTOR** of such nonappropriation, and no claim or cause of action may be based upon any such nonappropriation.

7.3 Cause Termination for Default or Breach:

7.3.1 A default or breach may be declared with or without termination.

7.3.2 This Contract may be terminated by either party upon written notice of default or breach to the other party as follows:

7.3.2.1 If **CONTRACTOR** fails to provide or satisfactorily perform any of the conditions, work, deliverables, goods, or any SERVICES called for by this Contract within the time requirements specified in this Contract or within any granted extension of those time requirements; or

7.3.2.2 If any state, county, city or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by **CONTRACTOR** to provide the goods or SERVICES or any services required by this Contract is for any reason denied, revoked, debarred, excluded, terminated, suspended, lapsed, or not renewed; or

7.3.2.3 If **CONTRACTOR** becomes insolvent, subject to receivership, or becomes voluntarily or involuntarily subject to the jurisdiction of the bankruptcy court; or

7.3.2.4 If **CITY** materially breaches any material duty under this Contract and any such breach impairs **CONTRACTOR'S** ability to perform; or

7.3.2.5 If it is found by **CITY** that any quid pro quo or gratuities in the form of money, services, entertainment, gifts, or otherwise were offered or given by **CONTRACTOR**, or any agent or representative of **CONTRACTOR**, to any officer or employee of **CITY** with a view toward securing a contract or securing favorable treatment with respect to awarding, extending, amending, or making any determination with respect to the performing of such contract; or

7.3.2.6 If it is found by **CITY** that **CONTRACTOR** has failed to disclose any material conflict of interest relative to the performance of this Contract.

7.4 Time to Correct (Declared Default or Breach):

7.4.1 Termination upon a declared default or breach may be exercised only after providing seven (7) calendar days written notice of default or breach, and the subsequent failure of the defaulting or breaching party, within five (5) calendar days of providing that default or breach notice, to provide evidence satisfactory to the aggrieved party demonstrating that the declared default or breach has been corrected. Time to correct shall run concurrently with any notice of

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default or breach and such time to correct is not subject to any stay with respect to the nonexistence of any Notice of Termination. Untimely correction shall not void the right to termination otherwise properly noticed unless waiver of the noticed default or breach is expressly provided in writing by the aggrieved party. There shall be no time to correct with respect to any notice of termination without cause or termination for nonappropriation.

7.5 Winding Up Affairs Upon Termination:

7.5.1 In the event of termination of this Contract for any reason, the parties agree that the provisions of this **Subsection 7.5** survive termination:

7.5.1.1 The parties shall account for and properly present to each other all claims for fees and expenses and pay those which are undisputed and otherwise not subject to set off under this Contract. Neither party may withhold performance of winding up provisions solely based on nonpayment of fees or expenses accrued up to the time of termination; and

7.5.1.2 **CONTRACTOR** shall satisfactorily complete SERVICES in progress at the agreed rate (or a pro rata basis if necessary) if so requested by **CITY**; and

7.5.1.3 **CONTRACTOR** shall execute any documents and take any actions necessary to effectuate an assignment of this Contract if so requested by **CITY**; and

7.5.1.4 **CONTRACTOR** shall preserve, protect, and promptly deliver into **CITY** possession all proprietary information in accordance with "**Section 19**".

7.6 Notice of Termination:

7.6.1 Unless otherwise specified in this Contract, termination shall not be effective until seven (7) calendar days after a party has provided written notice of default or breach, or notice of without cause termination. Notice of Termination may be given at the time of notice of default or breach, or notice of without cause termination. Notice of Termination may be provided separately at any time after the running of the 7-day notice period, and such termination shall be effective on the date the Notice of Termination is provided to the party unless a specific effective date is otherwise set forth therein. Any delay in providing a Notice of Termination after the 7-day notice period has run without a timely correction by the defaulting or breaching party shall not constitute any waiver of the right to terminate under the existing notice(s).

8. **REMEDIES:**

Except as otherwise provided for by law or this Contract, the rights and remedies of the parties shall not be exclusive and are in addition to any other rights and remedies provided by law or equity, including, without limitation, actual damages, and to a prevailing party reasonable attorney's fees and costs. The parties agree that, in the event a lawsuit is filed and a party is awarded attorney's fees by the court, for any reason, the amount of recoverable attorney's fees shall not exceed the rate of \$125 per hour. **CITY** may set off consideration against any unpaid obligation of **CONTRACTOR** to **CITY**.

9. **LIMITED LIABILITY:**

CITY will not waive and intends to assert available NRS Chapter 41 liability limitations in all cases. Contract liability of both parties shall not be subject to punitive damages. Liquidated damages shall not apply unless otherwise expressly provided for elsewhere in this Contract. Damages for any **CITY** breach shall never exceed the amount of funds appropriated for payment under this Contract, but not yet paid to **CONTRACTOR**, for the fiscal year budget in existence at the time of the breach. **CONTRACTOR'S** tort liability shall not be limited.

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10. FORCE MAJEURE:

Neither party shall be deemed to be in violation of this Contract if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including, without limitation, earthquakes, floods, winds, or storms. In such an event the intervening cause must not be through the fault of the party asserting such an excuse, and the excused party is obligated to promptly perform in accordance with the terms of this Contract after the intervening cause ceases.

11. INDEMNIFICATION:

11.1 To the extent permitted by law, including, but not limited to, the provisions of NRS Chapter 41, each party shall indemnify, hold harmless and defend, not excluding the other's right to participate, the other party from and against all liability, claims, actions, damages, losses, and expenses, including but not limited to reasonable attorney's fees and costs, arising out of any alleged negligent or willful acts or omissions of the indemnifying party, its officers, employees and agents. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of the indemnity which would otherwise exist as to any party or person described in this Section.

11.2 Except as otherwise provided in Subsection 11.4 below, the indemnifying party shall not be obligated to provide a legal defense to the indemnified party, nor reimburse the indemnified party for the same, for any period occurring before the indemnified party provides written notice of the pending claim(s) or cause(s) of action to the indemnifying party, along with:

11.2.1 a written request for a legal defense for such pending claim(s) or cause(s) of action; and

11.2.2 a detailed explanation of the basis upon which the indemnified party believes that the claim or cause of action asserted against the indemnified party implicates the culpable conduct of the indemnifying party, its officers, employees, and/or agents.

11.3 After the indemnifying party has begun to provide a legal defense for the indemnified party, the indemnifying party shall not be obligated to fund or reimburse any fees or costs provided by any additional counsel for the indemnified party, including counsel through which the indemnified party might voluntarily choose to participate in its defense of the same matter.

11.4 After the indemnifying party has begun to provide a legal defense for the indemnified party, the indemnifying party shall be obligated to reimburse the reasonable attorney's fees and costs incurred by the indemnified party during the initial thirty (30) day period of the claim or cause of action, if any, incurred by separate counsel.

12. INDEPENDENT CONTRACTOR:

12.1 **CONTRACTOR**, as an independent contractor, is a natural person, firm or corporation who agrees to perform SERVICES for a fixed price according to his or its own methods and without subjection to the supervision or control of the **CITY**, except as to the results of the SERVICES, and not as to the means by which the SERVICES are accomplished.

12.2 It is mutually agreed that **CONTRACTOR** is associated with **CITY** only for the purposes and to the extent specified in this Contract, and in respect to performance of the contracted SERVICES pursuant to this Contract. **CONTRACTOR** is and shall be an independent contractor and, subject only to the terms of this Contract, shall have the sole right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Contract.

12.3 Nothing contained in this Contract shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for **CITY** whatsoever with respect to the indebtedness, liabilities, and obligations of **CONTRACTOR** or any other party.

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12.4 **CONTRACTOR**, in addition to **Section 11** (INDEMNIFICATION), shall indemnify and hold **CITY** harmless from, and defend **CITY** against, any and all losses, damages, claims, costs, penalties, liabilities, expenses arising out of or incurred in any way because of, but not limited to, **CONTRACTOR'S** obligations or legal duties regarding any taxes, fees, assessments, benefits, entitlements, notice of benefits, employee's eligibility to work, to any third party, subcontractor, employee, state, local or federal governmental entity.

12.5 Neither **CONTRACTOR** nor its employees, agents, or representatives shall be considered employees, agents, or representatives of **CITY**.

13. **INSURANCE REQUIREMENTS (GENERAL):**

13.1 NOTICE: The following general insurance requirements shall apply unless these general requirements are altered by any specific requirements set forth in CITY'S solicitation for bid document, the adopted bid or other document incorporated into this Contract by the parties.

13.2 **CONTRACTOR**, as an independent contractor and not an employee of **CITY**, must carry policies of insurance in amounts specified and pay all taxes and fees incident hereunto. **CITY** shall have no liability except as specifically provided in this Contract.

13.3 **CONTRACTOR** shall not commence work before: (1) **CONTRACTOR** has provided the required evidence of insurance to **CITY** Purchasing and Contracts, and (2) **CITY** has approved the insurance policies provided by **CONTRACTOR**.

13.4 Prior approval of the insurance policies by **CITY** shall be a condition precedent to any payment of consideration under this Contract and **CITY'S** approval of any changes to insurance coverage during the course of performance shall constitute an ongoing condition subsequent this Contract. Any failure of **CITY** to timely approve shall not constitute a waiver of the condition.

13.5 *Insurance Coverage (13.6 through 13.23):*

13.6 **CONTRACTOR** shall, at **CONTRACTOR'S** sole expense, procure, maintain and keep in force for the duration of this Contract the following insurance conforming to the minimum requirements specified below. Unless specifically specified herein or otherwise agreed to by **CITY**, the required insurance shall be in effect prior to the commencement of work by **CONTRACTOR** and shall continue in force as appropriate until the later of:

13.6.1 Final acceptance by **CITY** of the completion of this Contract; or

13.6.2 Such time as the insurance is no longer required by **CITY** under the terms of this Contract.

13.6.3 Any insurance or self-insurance available to **CITY** under its coverage(s) shall be in excess of and non-contributing with any insurance required from **CONTRACTOR**. **CONTRACTOR'S** insurance policies shall apply on a primary basis. Until such time as the insurance is no longer required by **CITY**, **CONTRACTOR** shall provide **CITY** with renewal or replacement evidence of insurance no less than thirty (30) calendar days before the expiration or replacement of the required insurance. If at any time during the period when insurance is required by this Contract, an insurer or surety shall fail to comply with the requirements of this Contract, as soon as **CONTRACTOR** has knowledge of any such failure, **CONTRACTOR** shall immediately notify **CITY** and immediately replace such insurance or bond with an insurer meeting the requirements.

13.7 *General Insurance Requirements (13.8 through 13.23):*

13.8 **Certificate Holder:** Each certificate shall list Carson City c/o Carson City Purchasing and Contracts, 201 N. Carson Street, Suite 2, Carson City, NV 89701 as a certificate holder.

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13.9 **Additional Insured:** By endorsement to the general liability insurance policy evidenced by **CONTRACTOR**, The City and County of Carson City, Nevada, its officers, employees and immune contractors shall be named as additional insureds for all liability arising from this Contract.

13.10 **Waiver of Subrogation:** Each liability insurance policy, except for professional liability, shall provide for a waiver of subrogation in favor of City.

13.11 **Cross-Liability:** All required liability policies shall provide cross-liability coverage as would be achieved under the standard ISO separation of insureds clause.

13.12 **Deductibles and Self-Insured Retentions:** Insurance maintained by **CONTRACTOR** shall apply on a first dollar basis without application of a deductible or self-insured retention unless otherwise specifically agreed to by **CITY**. Such approval shall not relieve **CONTRACTOR** from the obligation to pay any deductible or self-insured retention. Any deductible or self-insured retention shall not exceed \$5,000.00 per occurrence, unless otherwise approved by **CITY**.

13.13 **Policy Cancellation:** Except for ten (10) calendar days' notice for non-payment of premium, premium, **CONTRACTOR** or its insurers must provide thirty (30) calendar days prior written notice to Carson City Purchasing and Contracts if any policy will be canceled, non-renewed or if required coverage and /or limits reduced or materially altered, and shall provide that notices required by this paragraph shall be sent by mail to Carson City Purchasing and Contracts, 201 N. Carson Street, Suite 2, Carson City, NV 89701. When available, each insurance policy shall be endorsed to provide thirty (30) days' notice of cancellation, except for ten (10) days' notice for non-payment of premium, to City.

13.14 **Approved Insurer:** Each insurance policy shall be issued by insurance companies authorized to do business in the State of Nevada or eligible surplus lines insurers under federal and Nevada law and having agents in Nevada upon whom service of process may be made, and currently rated by A.M. Best as "A-VII" or better.

13.15 **Evidence of Insurance:** Prior to commencement of work, **CONTRACTOR** must provide the following documents to Carson City Purchasing and Contracts, 201 North Carson Street, Suite 3, Carson City, NV 89701:

13.16 **Certificate of Insurance:** **CONTRACTOR** shall furnish City with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth herein. The Acord 25 Certificate of Insurance form or a form substantially similar must be submitted to Carson City Purchasing and Contracts to evidence the insurance policies and coverages required of **CONTRACTOR**.

13.17 **Additional Insured Endorsement:** An Additional Insured Endorsement (CG20 10 or C20 26), signed by an authorized insurance company representative, must be submitted to Carson City Purchasing and Contracts to evidence the endorsement of **CITY** as an additional insured per **Subsection 13.9** (Additional Insured).

13.18 **Schedule of Underlying Insurance Policies:** If Umbrella or Excess policy is evidenced to comply with minimum limits, a copy of the Underlying Schedule from the Umbrella or Excess insurance policy may be required.

13.19 **Review and Approval:** Documents specified above must be submitted for review and approval by **CITY** Purchasing and Contracts prior to the commencement of work by **CONTRACTOR**. Neither approval by **CITY** nor failure to disapprove the insurance furnished by **CONTRACTOR** shall relieve **CONTRACTOR** of **CONTRACTOR'S** full responsibility to provide the insurance required by this Contract. Compliance with the insurance requirements of this Contract shall not limit the liability of **CONTRACTOR** or its sub-contractors, employees or agents to **CITY** or others, and shall be in addition to and not in lieu of any other remedy available to **CITY** under this Contract or otherwise. **CITY** reserves the right to request and review a copy of any required insurance policy or endorsement to assure compliance with these

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requirements.

13.20 COMMERCIAL GENERAL LIABILITY INSURANCE:

CONTRACTOR shall maintain commercial general liability (CGL) and, if necessary, commercial umbrella insurance with a limit of not less than \$1,000,000 each occurrence.

13.20.1 *Minimum Limits required:*

13.20.2 Two Million Dollars (\$2,000,000.00) - General Aggregate.

13.20.3 Two Million Dollars (\$2,000,000.00) - Products & Completed Operations Aggregate.

13.20.4 One Million Dollars (\$1,000,000.00) - Each Occurrence.

13.20.5 CGL insurance shall be written on ISO occurrence form CG 00 01 04 13 (or a substitute form providing equivalent coverage) and shall cover liability arising from premises, operations, products-completed operations, personal and advertising injury, and liability assumed under an insured contract [(including the tort liability of another assumed in a business contract)].

13.20.6 City and County of Carson City, Nevada, its officers, employees and immune contractors shall be included as an insured under the CGL, using ISO additional insured endorsement CG 20 10 or CG 20 26, or a substitute providing equivalent coverage, and under the commercial umbrella, if any.

13.20.7 This insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to City There shall be no endorsement or modification of the CGL to make it excess over other available insurance; alternatively, if the CGL states that it is excess or pro rata, the policy shall be endorsed to be primary with respect to the additional insured.

13.20.8 There shall be no endorsement or modification of the CGL limiting the scope of coverage for liability assumed under a contract.

13.20.9 Contractor waives all rights against City and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the commercial general liability or commercial umbrella liability insurance maintained pursuant to this Contract. Insurer shall endorse CGL policy as required to waive subrogation against City with respect to any loss paid under the policy.

13.21 BUSINESS AUTOMOBILE LIABILITY INSURANCE:

13.21.1 *Minimum Limit required:*

13.21.2 Contractor shall maintain automobile liability and, if necessary, commercial umbrella liability insurance with a limit of not less than \$1,000,000 each accident for bodily injury and property damage.

13.21.3 Such insurance shall cover liability arising out of owned, hired, and non-owned autos (as applicable). Coverage as required above shall be written on ISO form CA 00 01, CA 00 05, CA 00 25, or a substitute form providing equivalent liability coverage.

13.21.4 Contractor waives all rights against City and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by

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the automobile liability or other liability insurance obtained by **CONTRACTOR** pursuant this Contract.

13.22 PROFESSIONAL LIABILITY INSURANCE

13.22.1 *Minimum Limit required:*

13.22.2 **CONTRACTOR** shall maintain professional liability insurance applying to all activities performed under this Contract with limits not less than One Million Dollars (\$1,000,000.00) and Two Million Dollars (\$2,000,000) in the aggregate.

13.22.3 Retroactive date: Prior to commencement of the performance of this Contract.

13.22.4 **CONTRACTOR** will maintain professional liability insurance during the term of this Contract and for a period of three (3) years after termination of this Contract unless waived by the City. In the event of non-renewal or other lapse in coverage during the term of this Contract or the three (3) year period described above, **CONTRACTOR** shall purchase Extended Reporting Period coverage for claims arising out of **CONTRACTOR's** negligence acts, errors and omissions committed during the term of the Professional Liability Policy. The Extended Reporting Period shall continue through a minimum of three (3) years after termination date of this Contract.

13.22.5 A certified copy of this policy may be required.

13.23 WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE:

13.23.1 **CONTRACTOR** shall provide workers' compensation insurance as required by NRS Chapters 616A through 616D inclusive and Employer's Liability insurance with a minimum limit not less than \$1,000,000 each accident for bodily injury by accident or \$1,000,000 each employee for bodily injury by disease.

13.23.2 **CONTRACTOR** may, in lieu of furnishing a certificate of an insurer, provide an affidavit indicating that **CONTRACTOR** is a sole proprietor; that **CONTRACTOR** will not use the services of any employees in the performance of this Contract; that **CONTRACTOR** has elected to not be included in the terms, conditions, and provisions of NRS Chapters 616A-616D, inclusive; and that **CONTRACTOR** is otherwise in compliance with the terms, conditions, and provisions of NRS Chapters 616A-616D, inclusive.

13.23.3 **CONTRACTOR** waives all rights against City and its agents, officers, directors, and employees for recovery of damages to the extent these damages are covered by the workers' compensation and employer's liability or commercial umbrella liability insurance obtained by Contractor pursuant to this Contract. Contractor shall obtain an endorsement equivalent to WC 00 03 13 to affect this waiver.

14. BUSINESS LICENSE:

14.1 **CONTRACTOR** shall not commence work before **CONTRACTOR** has provided a copy of his Carson City business license to Carson City Purchasing and Contracts.

14.2 The Carson City business license shall continue in force until the later of: (1) final acceptance by **CITY** of the completion of this Contract; or (2) such time as the Carson City business license is no longer required by **CITY** under the terms of this Contract.

INDEPENDENT CONTRACTOR AGREEMENT

Contract No.1718-136

Title: External Audit Services

15. COMPLIANCE WITH LEGAL OBLIGATIONS:

CONTRACTOR shall procure and maintain for the duration of this Contract any state, county, city, or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by **CONTRACTOR** to provide the goods or SERVICES or any services of this Contract.

CONTRACTOR will be responsible to pay all government obligations, including, but not limited to, all taxes, assessments, fees, fines, judgments, premiums, permits, and licenses required or imposed by law or a court. Real property and personal property taxes are the responsibility of **CONTRACTOR** in accordance with NRS Chapter 361 generally and NRS 361.157 and 361.159, specifically regarding for profit activity. **CONTRACTOR** agrees to be responsible for payment of any such government obligations not paid by its subcontractors during performance of this Contract. **CITY** may set-off against consideration due any delinquent government obligation.

If the CITY was required by NRS 332.039(1) to advertise or request a proposal for this Agreement, by signing this Agreement, the **CONTRACTOR** provides a written certification that the **CONTRACTOR** is not currently engaged in, and during the Term shall not engage in, a Boycott of Israel. The term "Boycott of Israel" has the meaning ascribed to that term in Section 3 of Nevada Senate Bill 26 (2017). The **CONTRACTOR** shall be responsible for fines, penalties, and payment of any State of Nevada or federal funds that may arise (including those that the CITY pays, becomes liable to pay, or becomes liable to repay) as a direct result of the **CONTRACTOR's** non-compliance with this Section.

16. WAIVER OF BREACH:

Failure to declare a breach or the actual waiver of any particular breach of this Contract or its material or nonmaterial terms by either party shall not operate as a waiver by such party of any of its rights or remedies as to any other breach.

17. SEVERABILITY:

If any provision contained in this Contract is held to be unenforceable by a court of law or equity, this Contract shall be construed as if such provision did not exist and the nonenforceability of such provision shall not be held to render any other provision or provisions of this Contract unenforceable.

18. ASSIGNMENT / DELEGATION:

To the extent that any assignment of any right under this Contract changes the duty of either party, increases the burden or risk involved, impairs the chances of obtaining the performance of this Contract, attempts to operate as a novation, or includes a waiver or abrogation of any defense to payment by **CITY**, such offending portion of the assignment shall be void, and shall be a breach of this Contract. **CONTRACTOR** shall neither assign, transfer nor delegate any rights, obligations or duties under this Contract without the prior written approval of **CITY**. The parties do not intend to benefit any third party beneficiary regarding their respective performance under this Contract.

19. CITY OWNERSHIP OF PROPRIETARY INFORMATION:

Any files, reports, histories, studies, tests, manuals, instructions, photographs, negatives, blue prints, plans, maps, data, system designs, computer programs, computer codes, and computer records (which are intended to be consideration under this Contract), or any other documents or drawings, prepared or in the course of preparation by **CONTRACTOR** (or its subcontractors) in performance of its obligations under this Contract shall be the exclusive property of **CITY** and all such materials shall be delivered into **CITY** possession by **CONTRACTOR** upon completion, termination, or cancellation of this Contract. **CONTRACTOR** shall not use, willingly allow, or cause to have such materials used for any purpose other than performance of **CONTRACTOR'S** obligations under this Contract without the prior written consent of **CITY**. Notwithstanding the foregoing, **CITY** shall have no proprietary interest in any materials licensed for use by **CITY** that are subject to patent, trademark or copyright protection.

20. PUBLIC RECORDS:

Pursuant to NRS 239.010, information or documents received from **CONTRACTOR** may be open to public inspection and copying. **CITY** will have the duty to disclose unless a particular record is made confidential by law

INDEPENDENT CONTRACTOR AGREEMENT

Contract No.1718-136

Title: External Audit Services

or a common law balancing of interests. **CONTRACTOR** may clearly label specific parts of an individual document as a "trade secret" or "confidential" in accordance with NRS 332.061, provided that **CONTRACTOR** thereby agrees to indemnify and defend **CITY** for honoring such a designation. The failure to so label any document that is released by **CITY** shall constitute a complete waiver of any and all claims for damages caused by any release of the records.

21. CONFIDENTIALITY:

CONTRACTOR shall keep confidential all information, in whatever form, produced, prepared, observed or received by **CONTRACTOR** to the extent that such information is confidential by law or otherwise required by this Contract.

22. FEDERAL FUNDING: Intentionally omitted

23. LOBBYING:

23.1 The parties agree, whether expressly prohibited by federal law, or otherwise, that no funding associated with this Contract will be used for any purpose associated with or related to lobbying or influencing or attempting to lobby or influence for any purpose the following:

23.1.1 Any federal, state, county or local agency, legislature, commission, council or board;

23.1.2 Any federal, state, county or local legislator, commission member, council member, board member, or other elected official; or

23.1.3 Any officer or employee of any federal, state, county or local agency; legislature, commission, council or board.

24. GENERAL WARRANTY:

CONTRACTOR warrants that it will perform all SERVICES required hereunder in accordance with the prevailing standard of care by exercising the skill and care normally required of individuals performing the same or similar SERVICES, under the same or similar circumstances, in the State of Nevada.

25. PROPER AUTHORITY:

The parties hereto represent and warrant that the person executing this Contract on behalf of each party has full power and authority to enter into this Contract. **CONTRACTOR** acknowledges that this Contract is effective only after approval by the Carson City Board of Supervisors and only for the period of time specified in this Contract. Any SERVICES performed by **CONTRACTOR** before this Contract is effective or after it ceases to be effective is performed at the sole risk of **CONTRACTOR**.

26. GOVERNING LAW / JURISDICTION:

This Contract and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Nevada, without giving effect to any principle of conflict-of-law that would require the application of the law of any other jurisdiction. **CONTRACTOR** consents and agrees to the jurisdiction of the courts of the State of Nevada located in Carson City, Nevada for enforcement of this Contract.

27. ENTIRE CONTRACT AND MODIFICATION:

This Contract and its integrated attachment(s) constitute the entire Contract of the parties and such are intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other Contracts that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Contract specifically displays a mutual intent to amend a particular part of this Contract, general conflicts in language between any such attachment and this Contract shall be construed consistent with the terms of this Contract. Unless otherwise expressly authorized by the terms of this Contract, no modification or amendment to this Contract shall be binding upon the parties unless the same is in writing and signed by the respective parties hereto and approved by the Carson City Board of Supervisors. Conflicts in language between

INDEPENDENT CONTRACTOR AGREEMENT

Contract No.1718-136

Title: External Audit Services

this Contract and any other agreement between **CITY** and **CONTRACTOR** on this same matter shall be construed consistent with the terms of this Contract. The parties agree that each has had their respective counsel review this Contract which shall be construed as if it was jointly drafted.

28. ACKNOWLEDGMENT AND EXECUTION:

This Contract may be executed in counterparts. The parties hereto have caused this Contract to be signed and intend to be legally bound thereby as follows:

CITY

Chief Financial Officer
Attn: Laura Rader, Purchasing & Contracts Administrator
Purchasing and Contracts Department
201 North Carson Street, Suite 2
Carson City, Nevada 89701
Telephone: 775-283-7362
Fax: 775-887-2286
Lrader@carson.org

CITY'S LEGAL COUNSEL

Carson City District Attorney

I have reviewed this Contract and approve as to its legal form.

By: _____
Jason Link, Chief Financial Officer

By: _____
Deputy District Attorney

Dated _____

Dated _____

CONTRACTOR will not be given authorization to begin work until this Contract has been signed by Purchasing and Contracts

BY: Laura Rader, CPPB
Purchasing & Contracts Administrator

Account #101-0701-415.03-12
plus various other accounts

By: _____

Dated _____

INDEPENDENT CONTRACTOR AGREEMENT

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Undersigned deposes and says under penalty of perjury: That he/she is **CONTRACTOR** or authorized agent of **CONTRACTOR**; that he/she has read the foregoing Contract; and that he/she understands the terms, conditions and requirements thereof.

CONTRACTOR

BY: L. Ralph Piercy

TITLE: Audit Shareholder

FIRM: Piercy Bowler Taylor & Kern

Address: 6100 Elton Ave., Suite 1000

City: Las Vegas **State:** NV **Zip Code:** 89107

Telephone: 702-384-1120

E-mail Address: rbowler@pbt.com

(Signature of Contractor)

DATED _____

STATE OF _____)

)ss

County of _____)

Signed and sworn (or affirmed before me on this _____ day of _____, 20__.

(Signature of Notary)

(Notary Stamp)

INDEPENDENT CONTRACTOR AGREEMENT

Contract No.1718-136

Title: External Audit Services

CONTRACT ACCEPTANCE AND EXECUTION:

The Board of Supervisors for Carson City, Nevada at their publicly noticed meeting of March 15, 2018 approved the acceptance of the attached Contract hereinbefore identified as **CONTRACT No. 1718-136**. Further, the Board of Supervisors authorizes the Mayor of Carson City, Nevada to set his hand to this document and record his signature for the execution of this Contract in accordance with the action taken.

CARSON CITY, NEVADA

ROBERT L. CROWELL, MAYOR

DATED this 15th day of March, 2018.

ATTEST:

SUSAN MERRIWETHER, CLERK-RECORDER

DATED this 15th day of March, 2018.

INDEPENDENT CONTRACTOR AGREEMENT

Contract No.1718-136

Title: External Audit Services

SAMPLE INVOICE

Invoice Number: _____

Invoice Date: _____

Invoice Period: _____

Invoice shall be submitted to:

Carson City Finance Department
Attn: Alana Mills
201 N. Carson St. #3
Carson City NV 89701

Line Item #	Description	Unit Cost	Units Completed	Total \$\$
Total for this invoice				

Original Contract Sum \$ _____
Less amount previously billed \$ _____
= contract sum prior to this invoice \$ _____
Less this invoice \$ _____
=Dollars remaining on Contract \$ _____

ENCLOSE COPIES OF RECEIPTS & INVOICES FOR EXPENSES & OUTSIDE SERVICES



Exhibit A

MASTER



P B T K
**PIERCY BOWLER
 TAYLOR & KERN**
 Certified Public Accountants
 Business Advisors



PROPOSAL PREPARED FOR:
The City of Carson City

SOQ 1718-136

EXTERNAL AUDIT SERVICES
 FOR THE YEARS ENDING June 30
 2018-2020

PBTK CONTACT:
 L. Ralph Piercy

(702) 384-1120
rbowler@pbtck.com

6100 Elton Avenue
 Suite 1000
 Las Vegas, Nevada 89107

Due Feb 1, 2018



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**SOQ 1718-136
INTRODUCTORY COVER LETTER**

February 1, 2018

Laura Rader, CPPB
Purchasing and Contracts Administrator
Purchasing and Contracts
201 N. Carson Street, Suite 2
Carson City, NV 89701

Dear Ms. Rader:

Thank you for the opportunity to submit our proposal to provide annual financial statement and single audit and agreed-upon procedures services as described in your request for statement of qualifications for the City of Carson City, Nevada (the City) for the years ending June 30, 2018 through June 30, 2020. We believe we are the City's best choice for these services because we are the only Nevada-based firm that truly maintains technical resources and excellence at least on the level of the large national firms while providing superior professional service with a personal touch that only a less bureaucratic firm can achieve. In addition, we would consider the City to be among our top-tier clients, and accordingly, the City would receive priority in scheduling, staffing and other resource requirements to meet timely its objectives. We would strive every day to exceed management's service quality expectations. In addition, the undersigned, Reno-based shareholder would be onsite for the majority of fieldwork.

As you may know, we currently have several government audit engagements in northern Nevada serviced from a combination of our Reno, Las Vegas, and Salt Lake City offices.

We believe that our detailed response to the request for proposal demonstrates that:

- We have extensive experience in local government accounting and auditing in Nevada and Utah.
- We are the largest Nevada-owned firm performing audits and advisory services for local governments and governmental agencies in Nevada;
- We understand the service requirements evidenced by currently being the independent auditors for the Cities of Reno, Las Vegas, North Las Vegas, Henderson, and Boulder City, and also Douglas County;
- We are committed to provide the City with technical excellence and superior service. Our principals and managers will be onsite throughout the engagement, not just a day or two at the beginning and end.

As you read our proposal, you will see that we have the necessary experience, technical expertise and other resources required for an engagement of this magnitude. Also, please ask us about our ability to prepare your CAFR and ease the substantial burden from your staff by using our automated, proprietary practice aid like many of our clients.

Thank you in advance for your consideration.



L. Ralph Piercy, Audit Shareholder

B. Relevant Experience

PBTK – THE RIGHT CHOICE FOR TECHNICAL EXCELLENCE AND SUPERIOR SERVICE

“Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of several alternatives ...” - Will A. Foster

This is not only our motto, but also the objective of everything we do. We have the experience, technical expertise and other resources typically only found in large national firms, and provide superior service with a personal touch that only a less bureaucratic firm can achieve.

Piercy Bowler Taylor & Kern (referred to herein as “PBTK” or “the Firm”) has offices in Reno, Las Vegas, and Salt Lake City and is the largest Nevada-owned accounting firm in Nevada. Our Las Vegas office is the second largest office of any firm in the Las Vegas area. Currently, we have a staff of approximately 75, including approximately 30 CPAs and approximately 30 auditors trained in performing single audits for government and not-for-profit entities. We currently have eight audit principals, some with over 40 years of experience in government audit engagements. As a result, we have extensive experience in virtually every aspect of governmental accounting and auditing engagements.

Our proposed carefully selected engagement team possesses the necessary technical skills, governmental and single audit experience to provide the City with superior service. The proposed engagement team includes six licensed Nevada CPAs, including four shareholding audit principals.

FIRM QUALIFICATIONS AND EXPERIENCE

Talent, Experience and Technical Resources. Technical excellence and superior service is the objective of everything we do and we back these ideals with talented and experienced professionals. Our goal is to put more knowledge and experience on each assignment than our competitors, unlike most national firms that plan to push tasks to the lowest staff level or smaller firms that have not made adequate investment in resources.

In other words, our business strategy is to be the best with quality assurance processes designed to achieve that result. As opposed to the typical “pyramid” personnel structure of the large national firms, ours looks more like a cylinder. Instead of having a large number of inexperienced staff per principal, we have a similar number of personnel in three level categories, principals (our highest technical designation) and managers, mid-managers (referred to as “senior associates”) and less experienced staff (referred to as “associates”).

Howard B. Levy, our Director of Technical Services, is one example of our investment in technical resources. Mr. Levy co-authored a risk-based audit manual commercially marketed to and used by many firms throughout the United States and elsewhere in the world. He has also served on standard-setting committees of the AICPA and provided technical consulting services to the United States Government Accountability Office (GAO), among others.

Our human resources policies are designed find, hire, and retain the best and the brightest. Periodic performance evaluations of associates through principals, competitive compensation, accelerated advancement for high achievers, matching technical talents and personal characteristics to engagement requirements, and timely continuing professional education and on-the-job training are key elements of these policies.

The primary focuses of our accounting and auditing practice for more than 20 years has been government, not-for-profit, construction, and gaming industries in Nevada and Utah. Prospective clients are screened to ensure that the principals meet our high standards of integrity and business ethics. We believe that the image of our Firm is reflected in the image of our individual clients.

Government Audit Staff. The Firm currently has 19 principals, many established and practicing in Nevada for periods up to 45 years and are listed as follows:

L. Ralph Piercy	Angela Go	Michael W. Kern	Thomas Green
Scott W. Taylor	James Andrus	James W. Wilcox	Ryan Whitman
Thomas M. Donohue	Richard H. Bowler	Jeffrey B. Edwards	Troy Crowther
Martha Ford	William M. Nelson	Howard B. Levy	David Porter
Mark Hashimoto	Lisa Cross	Michael L. Rosten	

The Firm and/or its individual principals have the following affiliations, among others:

American Institute of Certified Public Accountants (AICPA)	The Center for Public Company Audit Firms
The Public Company Accounting Oversight Board (PCAOB)	The AICPA Center for Audit Quality (CAQ)
The Government Finance Officers Association (GFOA)	The Nevada Society of Certified Public Accountants (NSCPA)
The Government Audit Quality Center (GAQC)	

Members of the Firm have conducted seminars, undertaken speaking engagements for numerous organizations, and have served on committees concerned with governmental accounting and auditing for the AICPA, the NSCPA and the GFOA.

Number and Nature of Professional Staff (full time and part time). Each principal and member of our professional staff is required to participate in a minimum of 40 hours of continuing professional education each year. As required by government auditing standards, those individuals directly involved with planning and supervising government audits are required to receive specialized training (24 hours every 2 years) relating to the government environment and government auditing.

Our current audit personnel complement and those who participate in government audits are as follows:

<u>Current personnel complement</u>		<u>Governmental audit staff</u>	
Principals	19	Principals	11
Managers	6	Managers	5
Associates	40	Associates	<u>23</u>
Administrative / IT staff	<u>10</u>		
	<u><u>75</u></u>		<u><u>39</u></u>

Quality control policies and procedures. Our quality control policies and procedures were thoroughly reevaluated in 2009 to ensure conformance with the then recently issued Statement on Quality Control Standards No. 7, *A Firm's System of Quality Control (SQCS 7)* of the American Institute of Certified Public Accountants. SQCS 7 defines six separate elements of quality control that must be addressed in a firm's quality control policies and procedures, which we have addressed, including:

Leadership responsibilities for quality	Relevant ethical requirements
Acceptance and continuance of client relationships	Human resources
Engagement performance	Policies and procedures monitoring

To assure the ongoing effectiveness of our quality control policies and procedures, we have implemented monitoring processes under the direction of our Director of Technical Services (DTS).

An engagement quality review (EQR) is completed when mandated by law (eg. SEC issuers) and other audits that are conducted under PCAOB auditing standards, or is otherwise required by our other internal policies. For instance, audits of municipalities that have plans to raise new capital and have outstanding bonds typically require an EQR, performed by a qualified principal having no other significant responsibility for the engagement. The EQR provides an objective evaluation of the significant judgments the engagement team made and the conclusions they reached in formulating our report.

As required under SQCS 7, the Firm maintains and complies with practice monitoring policies and procedures to reasonably assurance that

our other quality control policies and procedures are relevant, adequate, suitably designed and effectively complied with whenever applicable in our practice.

External quality control review. PBTk is a member of both the Governmental Audit Quality Center and the Center for Public Company Audit Firms of the AICPA, and a registered firm with the Public Companies Accounting Oversight Board. Accordingly, the Firm is subject to the most intensive practice monitoring (peer review and inspection) programs. The Firm's latest triannual peer review was completed in June 2016. We are proud to report that for the entire history of the Firm we received reports that our quality control system over our accounting and auditing practice provided us with reasonable assurance of compliance with all applicable professional standards. In addition, our latest PCAOB inspection completed during 2016, did not identify any audit performance issues or other adverse findings in its report. Copies of both the latest peer review report and the PCAOB inspection report are posted on our website (www.pbt.com.) The peer review included several government engagements as required by our membership in the Government Audit Quality Center.

Qualifying experience. Our Firm has had considerable experience in providing services to state and local government organizations throughout Nevada and Utah. Six of our more significant government audit clients (ranked by total hours) that are similar to the City or have similar operating characteristics, to varying degrees, for which we currently perform audit services and related references follow:

<u>Client / Relative Size</u>	<u>Scope of Work</u>	<u>Date</u>	<u>Engagement Principal</u>	<u>Total Hours</u>	<u>Client Reference</u>
City of Las Vegas, Nevada	FS Audit/Federal Compliance audit	FY 6/30/17 and prior 5 years	Thomas Donohue	1,400	Gary Ameling 702-229-6280
City of Henderson, Nevada	FS Audit/Federal Compliance audit	Y/E 6/30/17 and prior 7 years	Thomas Donohue	1,250	Richard Derrick (702) 267-1708
City of North Las Vegas, Nevada	FS Audit/Federal Compliance audit	Y/E 6/30/17 and prior 18 years	Angela Go	1,100	Jon Lee 702-633-1007
City of Reno, Nevada	FS Audit/Federal Compliance Audit	Y/E 6/30/11 and prior six years	L. Ralph Piercy	1,000	Lynette Hamilton 775-334-2142
Boulder City, Nevada	FS Audit/Federal Compliance Audit	Y/E 6/30/17 and 5 prior years	Richard Bowler	800	Doug Honey 702-293-9252
Sandy City, Utah	FS Audit/Federal Compliance audit	Y/E 6/30/17 and prior 8 years	James Andrus	600	Helen Kurtz (801) 568-7142

The foregoing, among others, are all recipients of the GFOA certificate of achievement for excellence in financial reporting, and we have been involved in reviewing and certifying information in official statements for their bond issues as well as assisting them with the conversion to GASB 34 and adoption of GASB 54 and GASB 68.

C. Resumes of Key Audit Team Leaders

Staffing philosophy and affirmative action. It is PBTk's philosophy to provide our clients with technical excellence and superior service. To accomplish this objective, we carefully assign personnel to audit engagements based on relevant experience and skills, and our engagement principals are extensively involved during all phases of the engagement. As a reflection of our Firm's commitment to affirmative action, please note that the engagement manager (a principal planned to function as the engagement manager) is a female of Asian descent. In addition, two other key members of the engagement team are women, one of Asian and one of Mexican descent.

Key engagement personnel. The following personnel will be assigned on a full-time basis to your engagement. Each assigned professional is familiar with the requirements of Nevada Revised Statute (NRS) 350, *Municipal Obligations* and NRS 354, *Local Financial Administration*, and was carefully selected based upon our analysis of that individual's qualifications to meet the City's needs:

Level

Principal-in-Charge
Consulting Principal
Engagement Quality Reviewer
Principal functioning as Senior Manager
Senior Associates

Name(s)

L. Ralph Piercy, CPA
Thomas M Donohue, CPA
Richard H. Bowler, CPA
Angela Go, CPA
Ariane Tesdal, CPA and Tingting Wong, CPA

Summaries of the qualifications and experience of the supervisory personnel listed above are as follows:



L. Ralph Piercy, CPA, CGMA (Consulting Principal). Mr. Piercy, one of the Firm's founders, has been with the Firm since its inception and has been extensively involved in all areas of the Firm's accounting and auditing practice, specializing in government and gaming audit engagements.

Mr. Piercy's experience includes single audits in accordance with *Government Auditing Standards* and compliance with standards relative to federal awards. His experience also includes preparation of the Comprehensive Annual Financial Report (CAFR) for a variety of governmental organizations, including compiling data for the statistical section.

Mr. Piercy serves on the Nevada State Board of Accountancy, is a member of the American Institute of Certified Public Accountants (AICPA) and the Nevada Society of CPAs, and is licensed to practice in the states of Nevada, California, and other states. Mr. Piercy graduated from the University of Nevada, Las Vegas, with a BS in Business Administration (accounting emphasis).

Mr. Piercy has been involved with following government entities (partial listing):

City of North Las Vegas, NV*
City of Reno, NV*
Sandy City, UT*

Park City Municipal Corporation, UT*
Las Vegas Convention and Visitors Authority*
City of Las Vegas, NV*

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Thomas M. Donohue, CPA, CIA (Consulting Principal). Mr. Donohue has been with the Firm for 19 years and has been extensively involved in all areas of the Firm's accounting and auditing practice, specializing in government and gaming audit engagements.

Mr. Donohue's experience includes single audits in accordance with *Government Auditing Standards* and compliance with standards relative to federal awards. His experience also includes preparation of the Comprehensive Annual Financial Report (CAFR) for a variety of governmental organizations, including compiling data for the statistical section.

Mr. Donohue is a member of the American Institute of Certified Public Accountants (AICPA), the Nevada and California Societies of Certified Public Accountants and the Institute of Internal Auditors (IIA) and is a certified public accountant licensed to practice in the states of Nevada, California and Minnesota.

Mr. Donohue graduated from the University of Nevada, Las Vegas, with a BS in Business Administration (accounting emphasis). He has also been a guest lecturer on accounting and auditing topics for Crowe Horwath International. Mr. Donohue has been involved with following governmental and not-for-profit entities, among others:

City of Henderson, NV*
City of North Las Vegas, NV*
Southern Nevada Health District*
City of Boulder City, NV*

Las Vegas Valley Water District*
Southern Nevada Water Authority*
City of Las Vegas, NV*

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Richard H. Bowler, CPA (Engagement Quality Reviewer). Mr. Bowler is one of the Firms founding Principals. Richard is a Certified Public Accountant in Nevada, Utah and Arizona with over 45 years of experience, and is the Firm's practice leader for serving government and not-for-profit clients. Mr. Bowler will serve as the quality review principal for the proposed engagements.

Mr. Bowler was one of the founding members of the board of directors of the Las Vegas chapter of Big Brothers and Big Sisters of Southern Nevada. In this capacity, he assisted with hiring the first executive director, establishing fiscal policies, and establishing procedures for interviewing of big brother/sister candidates.

His extensive volunteer service over many years has included membership on the board of directors and the executive board of Citizens for Responsible Government and the Nevada Opera Theatre. Mr. Bowler is on the Advisory Board of the Boulder Dam Area Council, Boy Scouts of America, has served as its treasurer and is currently a member of the investment committee.

Professionally, Mr. Bowler is a member of the Government Finance Officers Association, the Association of Government Accountants, and the American Institute of Certified Public Accountants. He is a member, and former President, of the Nevada Society of Certified Public Accountants, has served as a member of the Local Government Advisory Committee to the Nevada State Department of Taxation and taught "Governmental Accounting" at the University of Nevada, Las Vegas. He is a graduate of Brigham Young University and holds an MBA from the University of Nevada, Las Vegas.

Mr. Bowler has been involved with the following government and not-for-profit entities, among others:

- | | |
|---|--|
| Clark County Department of Aviation* | City of Boulder City, Nevada* |
| Colorado River Commission* | Nevada Society of Certified Public Accountants |
| Las Vegas – Clark County Library District* | Nevada Legal Services |
| City of North Las Vegas, Nevada* | Meadows School |
| City of Henderson, Nevada* | City of Reno, Nevada |
| Las Vegas Convention and Visitors Authority | Nevada State Education Association |

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Angela Go (Manager). Angela Go is a Principal in the Firm (but will be functioning as a Senior Manager on the Carson City engagement) in the audit department and has been with Piercy Bowler Taylor & Kern since September 2006. Ms. Go is involved in audit, review, compilation, and other attest services for a wide-range of clients in the government, not-for-profit and casino resort industries.

Ms. Go graduated from the University of Phoenix, Las Vegas, with a BS in Business Administration (accounting emphasis) – Cum Laude.

Her experience includes single audits in accordance with *Government Auditing Standards* and compliance with OMB Circulars relative to federal awards, and includes the following governmental and not-for-profit clients:

- | | |
|---|----------------------------------|
| City of North Las Vegas, Nevada* | Southern Nevada Water Authority* |
| Las Vegas Convention & Visitor's Authority* | University Medical Center |
| Las Vegas Valley Water District* | |

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Ariane Tesdal, CPA, MBA (Senior Associate), is a Senior Associate in the audit department and has been with Piercy Bowler Taylor & Kern since June 2015. Ms. Tesdal is involved in audit, review, compilation, and other attest services for a wide-range of clients in the government, not-for-profit and casino resort industries.

Ms. Tesdal graduated from the University of Montana, with a Masters of Accountancy and Business Administration. Her experience includes single audits in accordance with *Government Auditing Standards* and compliance with federal award requirements, and includes the following governmental and not-for-profit clients:

Douglas County, Nevada*

Las Vegas Convention & Visitor's Authority*

Community Counseling of Southern Nevada

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.



Tingting Wong, CPA has been with Piercy Bowler Taylor & Kern since September 2016 as part of the audit department. She completes audit, review, compilation, and other attest services for a wide range of government and private clients. She is also involved in the internal audit function regarding compliance with the Minimum Internal Control Standards instituted by the Nevada Gaming Control Board.

Her experience includes single audits in accordance with *Government Auditing Standards* and compliance with federal award requirements, and includes the following governmental and not-for-profit clients:

City of North Las Vegas *

Las Vegas Convention & Visitor's Authority*

*Recipient of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

D. Certifications of Team Members

All audit team members designated as assigned to your engagement (not including the associate level) are Certified Public Accountants licensed to practice in the state of Nevada.

E. References

Please see table on page 4.

F. Audit Methodology, Computer Assisted Audit Techniques and Communication Methods

Effective communication. The most important factor in a successful audit is the interaction between the audit team and the client. Effective communication among management, our engagement team and those charged with governance and financial oversight through all stages of the engagement is critical to performing a risk-based audit effectively and efficiently. To be effective, communication must be open, non-adversarial, and timely. There should be no surprises, especially near a deadline.

Throughout the audits, we would hold progress conferences with key finance department personnel to discuss the progress of the audit and any matters that might require additional audit procedures. Once our fieldwork is complete, however, we would arrange a formal conference at which we would review with your personnel draft financial statements, notes thereto and our accountants' report. In addition, we would have available a draft of our required communications letter, which would discuss suggested improvements to your internal control, recommendations to help improve operational efficiency and other comments. We would review the letter with your personnel and seek their input prior to finalizing our comments.

We would also be present to answer any questions during the presentation of the CAFR or the Single Audit Report to any City oversight bodies.

Unlike many of our competitors that attempt to push most work to lower level staff, we believe that our clients pay for the expertise of our principals and managers. Accordingly, our principals and managers are actively involved throughout the engagement and frequently onsite. We have found that engagement performance decisions, including necessary adjustments to the nature and scope of procedures, are made timely, efficiently, and effectively when our principals and managers are onsite with our senior associates during critical stages of the assignment.

Risk-based Audit Approach. For the entire 26-year history of the Firm (decades ahead of the pack), we have utilized a rather sophisticated, risk-based auditing methodology grounded in statistical sampling theory. Howard B. Levy, our Director of Technical Services, is one of the original co-authors of the related commercially-marketed audit manuals used by the Firm and others domestically and internationally. Our highly customized proprietary practice aids incorporate this methodology. We have always integrated control testing when efficiencies could be achieved or effectiveness could be improved, while most other firms were simply "beating up" the balance sheet.

Engagement Planning. In the planning phase of the engagement, we gain a comprehensive understanding of the client's organization, management style and abilities, business activities, and industry influences. Inquires of management and financial statement variance analysis are used to assess risks and to identify areas requiring attention in developing audit scope details, including the determination of the right combination of tests of controls and primary and corroborative substantive procedures needed to gather sufficient evidence to enable us to express positive assurance that the financial statements are not materially misstated.

In the planning phase, we also evaluate significant management estimates that are identified in the client's financial statements and "deconstruct" the financial statements generally into eight operating cycles (revenue, conversion, expenditure, payroll, accruals / prepaid expenses, financial management (both treasury and fund balance / net asset functions), productive assets, and presentation and disclosure).

For cycles that we deem to be significant (as defined by the professional literature), we develop a client specific audit plan outline organized into six testing categories: (1) control tests, (2) tests of non-industry or client-specific matters, (3) tests involving the use of statistical sampling, (4) tests using third party confirmations, (5) other custom designed tests of details, and (6) substantive analytics. We also develop a list of "focus" procedures for cycles we deem to be less significant.

Our planning process also includes an entity-level control evaluation, including identification and documentation of "tone at the top," the

financial reporting process, information system general controls, and related risks associated with the control environment, management activities and segregation of duties, information processes, and monitoring processes.

We also evaluate overall inherent risk factors, including fraud risks. A critical aspect of the planning phase of an audit is determining quantitative materiality thresholds based on the perceived needs of the expected financial statements users.

Financial Statement Line-item Testing. For each opinion unit, every financial statement line item and related disclosures are tested, including in relation to other cycle accounts, based on perceived risk of material misstatement (the combination of Inherent Risk (IR) and Control Risk (CR)) and materiality by assertion. This phase of our audit process can be described simply as (1) determine what assertions are implicit in the financial statement amounts and disclosures and (2) gather sufficient evidence to conclude whether or not the assertions taken as a whole are fairly stated in all material respects.

We classify assertions into four major categories: (1) Existence, (2) Completeness, (3) Valuation, and (4) Disclosure and Presentation. There may be more than one assertion associated with any particularly financial statement line item that might warrant detailed testing. For example, implicit in the accounts receivable line item is that the amount represents valid claims against customers (Existence) and that the amount, net of allowances, is collectible (Valuation).

We use several different types of tests to gather evidence about the assertions, but first we make an overall inherent risk assessment by line item and assertion. In other words, based on the nature of the line item, its balance, volume and type of transactions, we evaluate the likelihood of material misstatement. For those where the inherent risk of misstatement is significant, we design and perform control testing, except if the controls are known to be unreliable or when we elect for efficiency purposes to take an all substantive approach. Our control tests first identify the key controls that are in place and, if operating effectively, would detect or prevent the misstatements. Then through document testing, inquiry of the client's personnel, and direct observation of the functioning controls, we test the operating effectiveness of such key controls. The nature and extent of additional tests of details are influenced by the outcome of the control tests. We never rely entirely on control tests alone when perceived inherent risk is significant. Some testing of details and / or primary predictive analytics will be performed and the particulars of each may vary from year to year so that our audit procedures are "non-predictive" by the client's personnel.

Extent of use of IT software in the engagement. Within the last decade, a considerable number of institutions, both large and small, have come to rely on advanced computer technology as a means for processing large volumes of accounting transactions on a daily basis. Because of this impact and the need to comply with applicable auditing standards, which require that the data processing system must be considered in the course of an audit whenever accounting applications are significant, an analysis of the City's automated accounting systems will be integrated into our audit plan and programs.

We use technology to make our audit process more effective and efficient and to protect the confidentiality of our clients' information. Some of the ways we use technology follows:

- **Remote access.** The Firm utilizes remote access technology (Citrix) to maximize efficiency during fieldwork. This technology affords us the opportunity to access the full resources of the Firm's servers (including email) while conducting on-site audit work. To fully utilize our remote access system, we require at least one high-speed internet connection in the area designated as the "audit room."
- **"Paperless" audit software.** The Firm has been using highly customized CaseWare audit documentation software for approximately 18 years. Because of our "paperless" audit approach, we request that all audit documentation be provided in an electronic format to the extent possible. Although the on-site engagement team is equipped with portable scanners, it is generally more efficient to receive documents electronically.
- **Computer assisted audit techniques / statistical sampling software.** The Firm currently utilizes IDEA Data Analysis Software, which allows us to receive, process and manipulate for audit purposes (data mining) extremely large amounts of data efficiently. The same software suite has a powerful statistical sampling module that allows us to easily pull samples as circumstances may dictate.
- **Online accounting / auditing research tools.** The Firm subscribes to various online accounting and auditing research tools, most

notably *PwC's Inform* and *CCH's Accounting Research Manager*[®]. These online research tools afford access to our engagement teams on-site during audit work so that potentially complex accounting issues are contemporaneously researched.

- **Information protection.** PBTK is committed to protecting your information systems and the related confidential and proprietary information.

Continuous operating effectiveness of IT security controls is assured through monitoring by our IT department. Our director of IT has been with the Firm since 1997, and has been heavily involved in the design and implementation of our current audit software (CaseWare), as well as our remote access system (Citrix). He attends continuing education courses and security conferences to maintain current knowledge of new computer threats and increased security measures. He also has completed and maintains the following certifications:

Certified Novell Administration (CNA)
Microsoft Certified Systems Engineer (MCSE)

Certified Novell Engineer (CNE)
Certified Comp TIA A+ Technician

G. Current Rates and Charges

Please see section H to follow.

H. Estimated Manpower and Expense Matrix

The work will be divided between two audit teams, one for the financial statement audit and the other for the federal grant compliance audit and the agreed-upon procedures, although all audit work and results will be coordinated to prevent duplication and assure consistency, where applicable. Consequently, both teams will be able to complete their procedures concurrently.

To complete the engagement, personnel will be assigned as follows:

Financial Statement Audit	<u>Principals</u>	<u>Manager</u>	<u>Seniors</u>	<u>Associates</u>	<u>Total</u>
Required hours					
Planning	20	30	40	20	110
Interim fieldwork	20	20	100	100	240
Final fieldwork	30	60	120	200	410
Report and financial statement preparation	30	50	40	35	150
	<u>100</u>	<u>160</u>	<u>470</u>	<u>355</u>	<u>915</u>
Hourly billing rates					
At standard	\$400	\$250	\$175	\$125	\$213
Courtesy discount	(200)	(125)	(85)	(75)	(120)
	<u>\$200</u>	<u>\$125</u>	<u>\$90</u>	<u>\$50</u>	<u>\$93</u>
Fee for Financial Statement Audit	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$27,000</u>	<u>\$17,750</u>	<u>\$84,750</u>
Federal Grant Compliance Audit					
Required hours					
Planning	1	3	5	4	13
Interim fieldwork	1	2	11	20	34
Final fieldwork	2	7	14	41	64
Report preparation	1	6	5	7	19
	<u>5</u>	<u>18</u>	<u>35</u>	<u>72</u>	<u>130</u>
Fee for Federal Grant Compliance Audit	<u>\$1,000</u>	<u>\$2,250</u>	<u>\$3,150</u>	<u>\$3,600</u>	<u>\$10,000</u>
Agreed-upon Procedures					
Required hours	<u>2</u>	<u>8</u>	<u>15</u>	<u>25</u>	<u>50</u>
Fee for Agreed-upon Procedures	<u>\$400</u>	<u>\$1,000</u>	<u>\$1,350</u>	<u>\$1,250</u>	<u>\$4,000</u>
Total Annual fees	<u>\$21,400</u>	<u>\$23,250</u>	<u>\$31,500</u>	<u>\$22,600</u>	<u>\$98,750</u>

We do not charge for travel and subsistence within the State of Nevada or other out-of-pocket costs.

Hours budgeted for the federal grant compliance audit are based on the assumption, as represented in your request for statement of qualifications, that only two major programs would require compliance testing.