

**PROPOSAL TO CONDUCT A FORENSIC AUDIT OR ANALYSIS
OF THE CITY OF BRIGHTON'S
WATER, WASTE WATER, AND STORM DRAINAGE UTILITIES**

RFP #19-027

September 12, 2019

Submitted by Brian Hill, CPA, CFE, MBA
Principal



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Letter of Interest

September 12, 2019

Ms. Amber Gibbs
City of Brighton
500 South 4th Avenue
Brighton, CO 80601

Dear Ms. Gibbs:

In response to the City of Brighton's Request for Proposal (RFP) to conduct a forensic audit or analysis of the Water, Waste Water, and Utilities programs, I am pleased to submit the enclosed proposal.

Two Hills Accounting and Consulting is a local C.P.A. firm whose experience in government performance auditing is unparalleled. As you will see from our proposal, the Two Hills team has years of experience auditing organizations in the public sector and is uniquely qualified to plan and conduct the City of Brighton utilities audit, develop written findings in accordance with the City's expectations, and write a value added final report. Our firm not only offers unique experience working in Colorado state and local government operations, but we bring exceptional experience performing audits in high profile environments. In addition, our team includes recognized experts in forensic accounting and legal matters. We can assure you that our work on this sensitive engagement will exceed your expectations.

In accordance with the RFP, I have read the relevant provisions of the Brighton Municipal Code relating to the prohibition of certain contracts and conflicts of interest associated therewith, and affirm and attest that the submittal of this proposal does not violate any applicable provisions thereof.

Brian Hill, CPA, CFE, MBA
Principal
1601 Arapahoe St. Box 11
Denver, CO 80202
(303) 517-6342
brian.hill@twohillscpas.com

Please do not hesitate to contact me if you have any questions. We welcome the opportunity to work with you.

Sincerely,

Brian Hill, CPA, CFE, MBA
Principal

PROJECT UNDERSTANDING

The City of Brighton operates the Water, Waste Water, and Storm Drainage funds as enterprise funds. The Water fund accounts for financial activities associated with the provision of water. The Waste Water fund accounts for the financial activities associated with the provision of waste water services. The storm drainage fund accounts for the activities associated with the storm drainage services. Because these services benefit governmental functions, each of these funds are included as government activities in the Comprehensive Annual Financial Report (CAFR). Effectively, each of these funds are operated as business activities that provide services to the citizens of Brighton.

Operationally, the City Manager of Brighton oversees the infrastructure services, which includes the utilities and public works divisions. The Water and Waste Water facilities fall within the supervision of the utilities division.

Funding for the Water and Waste Water enterprises are generated from charges to customers for sales and services. For example, a portion of the revenues generated are from plant investment fees charged to builders of new homes for water taps. Operating expenses for these services include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The Water, Waste Water, and Storm Drainage utility funds accrued significant balances between the years 2008 through 2018. According to the 2018 CAFR, the total current assets balance for enterprise funds as of December 31, 2018 was \$66.0M. Total expenditures for enterprise funds in 2018 for acquisition and construction of capital assets were \$22.0M.

The City of Brighton would like an independent forensic accountant to review the accrual of customer collections to ensure they were appropriately recorded in the Water and Waste Water funds. The City also wants to determine if the expenditures for the acquisition and construction of capital assets were in accordance with Brighton Municipal code.

FIRM'S APPROACH TO THE AUDIT

The Two Hills Advantage

Two Hills offers a team that is uniquely qualified to provide the services requested. Our firm's philosophy is to bring only highly experienced professionals to all engagements. The team we have proposed for the City of Brighton engagement is comprised of individuals with years of experience in performance auditing, oversight of programs and activities sponsored with governmental funds, forensic accounting, fraud investigations, automated systems/data mining, and/or evaluation of internal controls. We are skilled in working with large databases and legacy systems to extract information and identify trends, patterns and/or anomalies.

We ensure a thorough understanding of the engagement and the expectations of our clients prior to commencing any work. This is especially important in engagements involving complex and highly sensitive matters. As can be seen in this proposal, we have completed a substantial body of work on sensitive audits commissioned by elected officials and on matters involving fraud, waste, or abuse.

We work closely with our clients to ensure a value-added product. We understand the sensitive environment for this engagement and its significant responsibility to the City of Brighton and members of the public. We can assure you that we place a high value on strong communication and regular on-going meetings. We welcome feedback that helps us achieve the City's objectives. Developing unassailable findings, ensuring well-supported conclusions and observations, and preparing clear and well-written reports are our top priorities.

We take full advantage of comprehensive automated analytical procedures to guide our work. Depending on client needs, we are well prepared to extract and analyze the data necessary to conduct risk assessments and forensic tests. As can be seen later in this proposal, we offer substantial technological expertise.

Requested Services

The City of Brighton is interested in conducting a forensic audit/analysis of the Water, Waste Water, and storm drainage funds. The objective of the audit is to determine whether there is evidence that fraud, abuse, or waste occurred in the activities from 2008 through 2018.

Services must include, at a minimum:

- Confirm the December 31, 2018 ending fund balances for the Water, Waste Water, and Storm Drainage Utility funds.
- Analyze source of funds (operating or rate revenue vs. plant investment fees) for the years 2008 through 2018 in the Water, Waste Water, and Storm Drainage Utility.
- Analyze source of funds (operating or rate revenue vs. plant investment fees) for the period January 1, 2019 through June 30, 2019 in the Water, Waste Water, and Storm

Drainage Utility.

- Prepare a report which details discrepancies in recorded revenue by year, if any.
- Analyze use of funds (operating expenses vs. growth or expansion expenses) for the years 2008 through 2018 in the Water, Waste Water, and Storm Drainage Utility.
- Analyze use of funds for the period January 1, 2019 through June 30, 2019 in the Water, Waste Water, and Storm Drainage Utility. Confirm use of funds ties to the City's general ledger revenue detail for the same period.
- Analyze operating and capital budgets for the years 2008 through 2018, and the period January 1, 2019 through June 30, 2019 in the Water, Waste Water, and Storm Drainage Utility to determine if use of funds by year were authorized per City Council's appropriation
- Prepare a report which details discrepancies or questioned costs by year, if any.
- Prepare a report which details budgeted operating expenses vs. actual operating expenses and budgeted capital projects vs. amount spent on capital projects by year for the years 2008 through 2018 and for the period January 1, 2019 through June 30, 2019.
- Present final reports and findings, if any, at a Council Study Session once work is complete.

This section of the proposal addresses the RFP's required elements. We have included an outline of the process we will use to conduct the fraud risk assessment and prepare the written work plan; and the approaches, work steps, analytics, and methodologies we will use to achieve the audit objective.

Overview of the Work Planned

We will develop a work plan that allows us to obtain reasonable assurance that there is sufficient and appropriate evidence to support our findings and conclusions. We will be mindful that our approved work plan may require modification, as test work reveals areas that need greater emphasis. We will clear significant recommended changes to the fieldwork plan with the appointed representative of the City of Brighton.

We note that much of the information required for these analyses is available through the City website. Where possible, we will rely on relevant public information. To obtain the relevant electronic data, we anticipate coordinating with the City's information technology resources. To obtain the relevant documentation, we anticipate coordinating with the City's accounting and finance staff.

The City's RFP includes several discrete tasks, each addressed individually below.

Confirm the December 31, 2018 Fund Balances

In addition, we will request the City auditor's workpapers surrounding the published December 31, 2018, ending fund balances. We will also request the City's bank statements and other relevant documents to test and confirm these balances. Using the

above described analyses and other procedures as we deem necessary, we will confirm the December 31, 2018 ending fund balances and include this within our report.

A. Analyze source of funds prior to 2019

To complete this analysis, we will begin by reviewing the Comprehensive Annual Financial Reports and summarizing the relevant portions, namely the source of funds within the Water, Waste Water, and Storm Drainage Funds. We will then interview the City's accounting department to understand the City's receipt process and procedures; we will also request and review process and procedure documentation. We will review relevant sections of the City's Municipal Code, specifically those sections specifying the plant investment and residential fees and will compare these sections to the relevant accounting records. We will further compare the City's accounting records to other corroborating sources to confirm the reported amounts. Corroborating sources may include the auditor's workpapers (if available), bank statements, payment records from third parties such as developers, and other documentation. We will judgmentally select a sample of approximately 100 revenue transactions to ensure that transactions have been properly recorded, supported, and approved.

B. Analyze source of funds for 2019

We will request an electronic extract of the relevant portions of the City's general ledger. We will then conduct analysis to see if reported funds tie to the detailed general ledger on an annual basis. In addition, we will dovetail this analysis with the analysis described above in (A). The sampling analysis described above will include testing of the transactions as recorded in the general ledger.

C. Prepare a report which details discrepancies in recorded revenue by year, if any.

We will prepare reports for each fund describing our findings for the above analyses. Our report will include a written description of our findings along with schedules summarizing the relevant figures.

D. Analyze use of funds prior to 2019

Similar to the analysis described above in (A), we will begin by reviewing the Comprehensive Annual Financial Report and summarizing the relevant portions related to expenditures. We will request and analyze an extract from the City's accounting records that contains the detail for all expenditures during this period and compare this to the CAFRs. We will then seek to understand the City's processes and procedures surrounding expenditures for the relevant Funds. We will judgmentally select a sample of approximately 30 transactions to ensure that transactions have been properly recorded, supported, and approved according to the City's policies and procedures as well as the relevant sections of the City's Municipal Code.

E. Analyze use of funds for FY 2019

We will request an electronic extract of the relevant portions of the City's general ledger. We will request and analyze an extract from the City's accounting records that

contains the detail for all expenditures during this period and compare this to the City's general ledger. In addition, we will dovetail this analysis with the analysis described in response to (D) above. The sampling analysis described above will include testing of general ledger transactions.

F. Analyze operating and capital budgets

To analyze the budgets, we will create schedules summarizing the annual budgeted operating revenues and expenses and comparing them to the actual operating revenues and expenses, from the annual Comprehensive Annual Financial Reports and general ledger. We will verify the CAFR's include appropriate authorization language related to the budgets. We will also request and review minutes of the Council meetings related to the budgets to ensure that the budgets were approved and authorized as required within the Municipal Code.

G. Prepare a report for costs by year

We will prepare reports for each fund describing our findings, including any questioned costs, for the above analyses. Our report will include a written description of our findings along with schedules summarizing the relevant figures.

H. Prepare Budget vs Actual Reports

We will create a schedule that summarizes the annual budgeted operating revenues and expenses and compares them to the actual operating revenues and expenses, both taken from the annual Comprehensive Annual Financial Reports. We will include a written description of any significant departures from the budget.

I. Prepare a Final Report

We will prepare a final report summarizing the information obtained throughout the audit. The final report will be reviewed by City of Brighton management prior to issuance to the general public. We will present a summary of the final report to the City Council and answer questions regarding our analysis.

CAPABILITIES AND EXPERIENCE

The Two Hills team is comprised of highly qualified individuals with unparalleled experience in government performance audits, fraud risk assessments, and systems/technology. Our firm's philosophy is to employ highly experienced professionals.

As can be seen from the following highlights of engagement team members' backgrounds and the full resumes in Appendix A, our team members are uniquely qualified to assist the City of Brighton in conducting an outstanding audit. Our experience not only includes a substantial body of work in audits of governmental funds, but also significant experience in government forensic audits and fraud risk assessments. We offer unique experience in state-of-the-art data mining applications. We are skilled at producing well-received reports prepared for internal and/or external audiences.

Related Prior Engagements

Our team has provided services involving risk assessments, investigations, strengthening/establishing internal controls to prevent fraud, and detecting fraud schemes, all of which are relevant to the work required in the City of Brighton RFP.

Engagements include:

- Under contract with the State Auditor's office, Two Hills conducted a performance audit of the Regional Transportation District (RTD), where we identified and evaluated RTD's adherence to safety regulations. We identified and reviewed relevant government regulations in the areas of incidents and accidents, driver safety and hours restrictions, and other operator safety factors. We presented our findings and testified to our work to the Colorado Legislature Audit Committee.
- Under contract with the State Auditor's office, Two Hills conducted a performance audit of the Colorado Energy Office. Following the passage of the American Recovery and Reinvestment Act, the Energy Office experienced a significant increase in funding and subsequent audit identified a high risk of fraud, waste, or abuse. Two Hills was retained to conduct a performance audit of this office to specifically examine whether or not fraud, waste, or abuse occurred during the period in question. We testified to our work to the Colorado Legislature.
- An investigation of a campus bookstore theft with a follow-up engagement designed to develop and implement adequate controls to prevent reoccurrence. The follow-up included developing policies and procedures, evaluating systems and procurement/inventory practices and training staff.
- An investigation of allegations regarding inappropriate contract relationships and asset misappropriation in a Fire Protection District. Work included forensic interviews and analysis of computer information.
- An investigation at a hospital regarding allegations of inappropriate contracting relations and asset misappropriation by management. Work was comprised of extensive data analytics, document review, and interviews and concluded with written reports. Needed improvements in internal controls were identified.

- A review of school district practices contributing to asset misappropriation by financial staff. The engagement concluded in written reports and recommendations for operational improvements, including an assessment of the district's information technology processes and procedures.
- A review of the contributing causes to an embezzlement perpetrated by financial management at one of Colorado's colleges. The work resulted in a conviction and significant improvements in the college's systems and internal controls.
- A review of credit card abuse perpetrated in one of Colorado's quasi-governmental entities. The engagement resulted in numerous recommendations for strengthening financial systems and internal controls.

Team Highlights

Matt Lausten, Engagement Manager, is a Certified Public Accountant (CPA) and Certified Fraud Examiner (CFE), who holds a Masters in Accountancy from Metropolitan State



University of Denver and a Bachelor of Arts in Economics from Colorado College. Matt is a member of the American Institute of Certified Public Accountants, Colorado Society of Certified Public Accountants, Association of Certified Fraud Examiners, National Organization and Colorado Chapter, Institute of Internal Auditors, National Organization and Denver Chapter, and Microsoft Partner. He has been a guest lecturer at both the undergraduate and graduate levels on the topics of fraud

investigation, forensic accounting, and data analytics at Colorado College, the University of Denver, Arapahoe Community College, Metropolitan State University of Denver, and the University of Colorado.

Matt is currently a partner in the firm Betzer Call Lausten & Schwartz, a CPA firm specializing in forensic accounting work. Matt has been qualified by various courts as an expert in the fields of forensic accounting, fraud investigation, and data analytics and has testified in these areas. Matt has worked as part of the Two Hills teams on numerous occasions on engagements similar to the City's proposal.

Matt's background includes serving as a Manager in the Valuation and Forensic Services group of Clifton Larsen Allen, one of the nation's leading accounting and consulting firms, where he provided client services in the area of forensic accounting, data analytics, and database consulting. His clients have included government entities interested in strengthening internal controls designed to prevent and/or mitigate fraud.

Matt also held the position of Manager in the Information Management and Analysis Group for Tucker Alan/Navigant Consulting Inc., Litigation and Investigations Division. Matt's work focused on database management. He served as the technical lead in complex assignments requiring advanced data analytics. His clients' included public sector and telecommunications entities. Matt is recognized for his skills in understanding and implementing controls for large automated systems.

Brian C. Hill, Engagement Partner, is a Certified Public Accountant (CPA) and Certified Fraud Examiner (CFE). A graduate of Rice University, Brian earned his M.B.A. at Duke

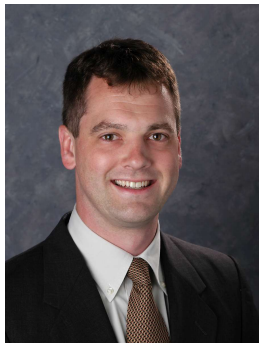


University where his work focused on financial modeling and managing technological innovation. Brian rose quickly at Intel Corporation, where he headed up a large technical division. At Intel, Brian was recognized for his contributions to improving the efficiency and effectiveness of one of the Corporation's major operating units. Among his accomplishments, Brian led an effort to implement LEAN processes to streamline operations.

Brian offers significant experience in performance auditing and forensic analysis. He has used his technology skills to produce impressive data mining results during audit engagements for the Regional Transportation District, the Colorado Department of Transportation, and for two major Colorado colleges. He has substantial experience in reviewing financial data to find irregularities.

Combining his experience in auditing, accounting and information technology, Brian has a unique and valued ability to assist clients in extracting and analyzing complex data from large-scale systems. Brian is proficient in numerous software applications, including advanced Microsoft Excel, Access, Banner, ACL, multiple programming languages, and several types of internal enterprise software. His experience in highly technical environments enables him to not only understand the financial and operational needs of organizations, but also to provide recommendations for improving controls over complex data system functions.

John Olenberger, Senior Associate, is a Certified Public Accountant and Certified Internal Auditor. John holds a Bachelor of Science in Accounting from the University of Nebraska, Lincoln. He is a past Chairman of the Board of Governors and President of the Institute of Internal Auditors Denver Chapter. John has served as a Quality Assurance Review team member with the Institute of Internal Auditors, performing a review of a major corporation's Internal Audit function.



Formerly with KPMG, John has over 10 years of experience providing performance and financial audit, consulting, and risk management services to organizations in a variety of industries, including state and local government. John has extensive experience in designing and executing entity-wide risk assessments used for Enterprise Risk Management activities. He has documented and analyzed numerous business processes through the use of flowcharting and analytics. John has managed and performed over 100 operational and financial audits, covering procurement and contract compliance, internal controls, cash, expenses and inventory. He has investigated and quantified a multi-million dollar fraud scheme at a Fortune 500 company.

John's clients include Adams County, Jefferson County, Pueblo Community College, Front Range Community College, and the Colorado Department of Health Care Policy and Financing.

Joanne Hill, Engagement Reviewer, is a Certified Public Accountant (CPA) who holds an M.B.A. in Finance from the University of Colorado. She graduated with a B.A. in Political Science from Rutgers University and an M.A. in Political Science from the University of California, Los Angeles. Joanne has over 25 years of auditing, accounting, budget and executive management experience.



Joanne has served as the Director of the Energy Audits Division, U.S. Department of Energy (DOE), Office of Inspector General (IG). Her responsibilities included overseeing the expenditure of about \$33 billion in American Recovery and Reinvestment Act contracts and financial assistance agreements issued by DOE. As Director of Energy Audits, Joanne managed teams throughout the nation engaged in financial reviews and performance audits of the expenditure of federal grant moneys by both large and small entities at the federal, state and local levels. Joanne provided leadership for and technical assistance on performance audits of complex programs such as State Energy, Weatherization Assistance, Energy Efficiency and Conservation Block Grants, Clean Cities, Geothermal, Solar, Smart Grid, and Vehicle Technologies. Because of the sensitivity of Recovery Act funding and its susceptibility to fraud, Joanne worked closely with IG criminal investigators on numerous audits and alleged fraud cases involving misuse and or misappropriation of government funds.

Joanne has also served as Colorado State Auditor where she was responsible for performance and financial audits of Colorado's agencies, colleges and universities. As State Auditor, Joanne worked closely with Colorado's District Attorneys on cases involving fraud and misappropriation of assets. A recognized expert in establishing internal controls and managing risk, Joanne was frequently called upon by the Colorado Legislature to testify on bills addressing the improvement of government operations, policies, and systems. She is well known for her work in improving the efficiency and effectiveness of government systems.

Joanne has served as Vice President of the Colorado Society of CPA's; Chair of the Audit Committee of the Colorado Public Employees Retirement Association Board of Directors; Chair of the Audit Committee of the Colorado Public Housing and Finance Authority Board of Directors; and Chair of the National Association of Insurance Commissioners Troubled Insurance Companies Task Force.

Gary S. Schwartz, Forensic Review Principal, is a Certified Fraud Examiner (CFE) and current President of the Colorado Association of Certified Fraud Examiners. Gary holds a



B.S. in Finance from the University of Colorado. He is well known throughout the State for his expertise in forensic accounting, fraud investigations and litigation support. Gary's experience includes working as a consultant for Baird, Kurtz and Dobson, a regional accounting firm, and as a National Bank Examiner for the U.S. Treasury Department, Office of the Comptroller of the Currency Administrator of National Banks.

Gary is currently the managing partner at the firm of Betzer Call Lausten & Schwartz. Gary

has been qualified by various courts as an expert in the fields of forensic accounting, fraud investigation, and bank examination.

Because of his extensive background, numerous organizations have selected Gary to provide training on fraud risk management, prevention, detection and investigation. For example, he has offered training for Colorado State University, Metropolitan State University, University of Denver, the Association of Certified Fraud Examiners, and the Community Banking Advisory Network. Gary's trainings are tailored to client needs and based on real cases. He is skilled in helping clients understand the risks inherent in managing large organizations in a dynamic environment.

Highly regarded in forensic audits and investigations, Gary has worked closely with courts and attorneys at the state and federal levels. He has performed due diligence and organizational reviews, as well as consulted with numerous clients ranging in size from less than \$15 million to over \$3 billion. Gary has a wealth of experience in evaluating controls over financial transactions and is an expert in compliance with financial regulatory requirements.

REFERENCES

Organization:	Colorado Statewide Internet Portal Authority
Size:	Revenues \$179 million
Industry Sector:	Public – Internet Technology
Services Provided:	Conducted an organization-wide fraud risk assessment and developed a fraud risk management program. Met with organizational leaders, analyzed financial reports, and developed policies and procedures. Prepared a final report for the governing board that identified high risk financial areas and made recommendations for improvement.
Engagement Period:	June 2014 – August 2014
Reference:	Catherine Kunst, Director of Operations
Organization:	Front Range Community College Bookstores
Size:	Over \$9 million in bookstore revenue
Industry Sector:	Public - Higher Education Institutions
Services Provided:	Reviewed internal controls over inventory, cash management and procurement. Developed and prepared comparative performance metrics for bookstore operations. Evaluated operating efficiency.
Engagement Period:	August 2012 – December 2012
	Return engagement – January 2013
Reference:	Paul Squillace, CPA, Controller
Organization:	Colorado HealthOp
Size:	\$70 million in Federal loan funding
Industry Sector:	Government Health Care/Insurance
Services Provided:	Developed financial infrastructure, including internal controls, systems, and policies. Prepared accounting, and tax/regulatory filings for newly established Health Cooperative.
Engagement Period:	August 2012 – February 2013
Reference:	Lindy Wallace, Board President (855) -796-7676



November 19, 2014

Colorado Statewide Internet Portal Authority
1300 Broadway, Suite 11010
Denver, CO 80203
www.colorado.gov/sipa

To Whom It May Concern:

I am writing to provide a letter of recommendation for Two Hills Accounting and Consulting, P.C. As the Director of Operations for the Colorado Statewide Internet Portal Authority (SIPA), I had the pleasure of working with Two Hills on the development of a fraud risk management program. We selected Two Hills based on their experience and expertise, as well as the quality of their RFP response. Two Hills evaluated SIPA's financial and operational processes to determine where improvements could be made; reviewed internal controls and identified areas where controls could be strengthened; and conducted a fraud risk assessment. Services included interviewing numerous stakeholders; drafting risk management policies; and training staff. As a result of the work of the Two Hills team, SIPA is developing a comprehensive fraud risk management program.

I know you will appreciate, as we did, the expertise and professionalism of the Two Hills team. Their knowledge of governmental accounting and public sector operations is impressive. We also valued their technological capabilities, especially in regard to financial accounting systems and data extraction.

If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine Kunst", with a stylized flourish extending from the end.

Catherine Kunst
Director of Operations
(720) 409-5635

November 24, 2014

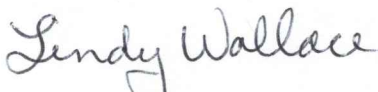
To Whom It May Concern:

I am pleased to recommend the services of Two Hills Accounting and Consulting, P.C. I worked closely with the Two Hills team during my tenure as President of the Colorado HealthOp, a newly established health insurance cooperative. The HealthOp selected Two Hills to develop its financial infrastructure. The terms and conditions of HealthOp's \$70 million federal loan stipulated that the cooperative must have sufficient financial and accounting systems in place to ensure its success and long-term financial viability. Two Hills was tasked with establishing and implementing those systems, including designing strong internal controls, developing policies and procedures, evaluating and recommending accounting systems and processes, and meeting all regulatory requirements.

I was impressed with the expertise of the team and its commitment to excellence. Noteworthy, and to the credit of the Two Hills team, the HealthOp quickly came into full compliance with numerous and complex federal and state requirements regarding strong systems and controls. HealthOp has had three clean financial and compliance audits since its inception and has met all state and federal requirements.

I am confident that you can rely on Two Hills to provide high quality, value-added services. Please do not hesitate to contact me at (303) 955-1017 or lindy.wallace@yahoo.com if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Lindy Wallace".

Lindy Wallace

Former President, Colorado HealthOp



3645 West 112th Avenue
Westminster, CO 80031
303.404.5000 Tel
www.frontrange.edu

November 17, 2014

To Whom It May Concern:

I am writing to recommend the services of Two Hills Accounting and Consulting, P.C. As Controller of Front Range Community College, I worked closely with Two Hills on a campus-wide review of internal controls over cash, procurement and inventory. The review covered 30 campus organizations that handle cash, procure goods and services, and maintain inventory. As part of the engagement, Two Hills developed risk assessment questionnaires; interviewed managers responsible for internal controls; observed security controls and physical traffic/process work flows; reviewed financial records and transactions; and assessed the likelihood and impact of potential failures in internal controls. Two Hills prepared cash and inventory handbooks containing requirements and procedures; developed standard forms/templates to streamline recording, reconciliation, and reporting; trained staff on requirements and best practices; and developed a path forward, including corrective action plans where appropriate.

Prior to the 2014 engagement, FRCC had previously engaged Two Hills to conduct a review of the bookstores' internal controls and operating efficiency. Two Hills conducted a thorough review of the College's three bookstores, identifying opportunities for improvement. Since that review, the bookstores have been successful in strengthening controls and developing improved systems.

I can attest to Two Hills' expertise in government operations, finance and internal controls, and to the firm's commitment to producing high quality products. I am confident that you will be pleased with Two Hills' services. Please do not hesitate to contact me should you have any questions.

Regards,

Paul Squillace, CPA
Controller

FEE SCHEDULE

1. We estimate a total of 375 professional staff hours to complete the project. A detailed breakdown of the number of professional staff hours is included in the delivery schedule following this section.
2. The work as requested will be completed for a total maximum price of \$54,350. Travel expenses are included in the price.
3. All prices, terms, and conditions outlined in this proposal will be held firm for 120 days after the proposal submission date, September 13, 2019.
4. Hourly rates:

	Hourly Rate	Number of Hours	Total
Principals	\$225	102	\$22,950
Seniors	\$150	82	\$12,300
Associates	\$100	191	\$19,100
Total	\$145 average*	375	\$54,350

* Rounded

PROJECT COMPLETION SCHEDULE

Task Name	Start Date	End Date	Hours	Schedule					Billing
				Oct	Nov	Dec	Jan	Feb	
Entrance Conference	10/21/19	10/25/19	10	➡					\$2,250
Preparation and meeting									
Phase 1: Fraud Risk Assessment	10/28/19	11/08/19	105	➡					\$15,700
Brainstorming			10						
Preliminary Analytical Procedures			30						
Interviews and Observations			30						
Compilation and Review of Key Documents			25						
Draft Field Work Plan Prepared and Discussed			10						
Phase 2: Fieldwork	11/11/19	12/13/19	165		➡				\$21,525
Sources of Funds					➡				
Obtain Information			20						
Analyze Information			30						
Prepare Report			20						
Uses of Funds					➡				
Obtain Information			20						
Test a sample			20						
Analyze Information			30						
Prepare Report			25						
Phase 3: Final Report	12/16/19	01/14/20	95		➡				\$14,875
Final Report									
Prepare a draft report			40						
Discuss written findings			20						
Submit final report			20						
Meet with City Council			15						
Project Total	10/21/19	01/14/20	375						\$54,350
Average cost per hour = \$145 per hour inclusive of all travel and expenses									

**CERTIFICATION OF COMPLIANCE RE:
COMPLIANCE WITH IMMIGRATION LAWS**

The undersigned, for and on behalf of the Professional, does hereby certify:

- BH 1. The undersigned is familiar with the employment practices of the Professional.
- BH 2. The Professional does not and will not knowingly employ or contract with unauthorized workers or aliens.

Two Hills Accounting & Consulting, P.C.
Company Name

By: Brian Hill Principal
Name: Title:

9/13/19
Date

ATTEST:

Brian Hill
Secretary/Treasurer

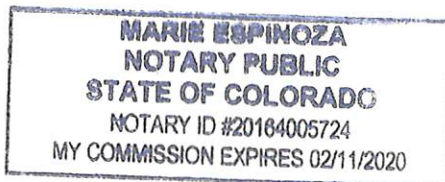
SEAL

STATE OF COLORADO)
COUNTY OF Denver) §

Subscribed and sworn to before me this 13th day of September, 20 19,
by Brian Hill (name), the Principal (title),
of Two Hills Accounting & Consulting, P.C., Professional.

My commission expires: 02-11-20

SEAL



Marie Espinoza
Notary Public

OFFICE OF THE SECRETARY OF STATE
OF THE STATE OF COLORADO

CERTIFICATE OF FACT OF GOOD STANDING

I, Jena Griswold, as the Secretary of State of the State of Colorado, hereby certify that, according to the records of this office,

Two Hills Accounting and Consulting, P.C.

is a

Corporation

formed or registered on 04/27/2011 under the law of Colorado, has complied with all applicable requirements of this office, and is in good standing with this office. This entity has been assigned entity identification number 20111251699 .

This certificate reflects facts established or disclosed by documents delivered to this office on paper through 09/12/2019 that have been posted, and by documents delivered to this office electronically through 09/13/2019 @ 12:04:47 .

I have affixed hereto the Great Seal of the State of Colorado and duly generated, executed, and issued this official certificate at Denver, Colorado on 09/13/2019 @ 12:04:47 in accordance with applicable law. This certificate is assigned Confirmation Number 11798925 .



Jena Griswold

Secretary of State of the State of Colorado

*****End of Certificate*****

Notice: A certificate issued electronically from the Colorado Secretary of State's Web site is fully and immediately valid and effective. However, as an option, the issuance and validity of a certificate obtained electronically may be established by visiting the Validate a Certificate page of the Secretary of State's Web site, <http://www.sos.state.co.us/biz/CertificateSearchCriteria.do> entering the certificate's confirmation number displayed on the certificate, and following the instructions displayed. Confirming the issuance of a certificate is merely optional and is not necessary to the valid and effective issuance of a certificate. For more information, visit our Web site, <http://www.sos.state.co.us/> click "Businesses, trademarks, trade names" and select "Frequently Asked Questions."

AFFILIATIONS WITH THE CITY

Two Hills Accounting & Consulting, P.C. has not previously performed work for the City of Brighton. We have no significant affiliations with the City as a whole, its Officers, Elected Officials or Senior Management.

Appendix A – Resumes

JOANNE HILL, CPA, MBA

Highlights: Forensic Audits, Fraud Risk Assessments, Fraud Examinations

Director, Energy Audits Division (2006 –2007 and 2008 – 2011)

U.S. Department of Energy (DOE), Office of Inspector General (IG).

Worked closely with IG criminal investigators on numerous audits and alleged fraud cases involving misuse and or misappropriation of government funds. Managed teams throughout the nation engaged in financial reviews and performance audits of federal grant expenditures by both large and small entities at the federal, state and local levels.

State Auditor (2002 - 2006)

Deputy State Auditor (1996-2002)

Colorado

Responsible for audits (including forensic and fraud) of Colorado's agencies, colleges and universities. Worked closely with Colorado's District Attorneys on cases involving fraud and misappropriation of assets. Frequently called upon by the Colorado Legislature to testify as a recognized expert in establishing internal controls and managing fraud risk.

Professional Experience

Founder and Partner (2011 – present)

Two Hills Accounting and Consulting, P.C.,

Founded full service firm providing accounting, tax, consulting and audit services for government entities and small businesses. Clients have included the Colorado School of Mines, Front Range Community College, Pueblo Community College, and the federally funded Colorado HealthOp insurance company.

Director, Energy Audits (2008 – 2011)

Director, National Nuclear Security Administration Audits (2006 –2007)

Department of Energy (DOE), Office of the Inspector General (IG)

Oversaw \$33 billion in American Recovery and Reinvestment Act energy funding. Managed audit teams throughout the U.S. working on complex audits of federal funds expended by federal, state and local agencies, as well as private sector businesses.

Director, Quality Assurance and Technical Assistance (2007 – 2008)

Colorado Governor's Office of Homeland Security

Appointed by Governor to serve as Director of Quality Assurance and Technical Assistance for multi-million dollar Homeland Security Program. Provided leadership for strengthening the financial management of the Program, including developing financial systems and controls and ensuring compliance with federal grant requirements.

State Auditor (2002 to 2006)

Deputy State Auditor (1996 - 2002)

Office of the State Auditor of Colorado

Unanimously confirmed by the Colorado State Legislature in 2002 to serve as State Auditor, after having served as Deputy State Auditor from 1996 to 2002. Vested with broad constitutional and statutory authority for conducting financial and performance audits of all state agencies, colleges and universities. Worked extensively with citizens, legislators, the media, executive and judicial branch leadership and lobbyists. Frequently testified before legislative committees on financial issues and government operations.

Director of Financial Services (1993 - 1996)

Colorado Judicial Branch

Served as Director of Financial Services. Managed financial activities of the State's appellate/trial courts and probation departments, including oversight of personnel, budget, and accounting functions for 150 locations. Administered payroll and insurance benefits for about 2,500 employees. Developed statewide financial policies and procedures.

Commissioner of Insurance (1989 - 1993)

State of Colorado

Appointed by Governor to serve as Colorado's Commissioner of Insurance. Vested with broad decision making authority for matters affecting the insurance industry and consumers. Responsible for overseeing 1800 insurance companies. Managed financial and market conduct examinations of insurance companies, licensure of insurance agents, and approvals of mergers and acquisitions. Responsibilities included numerous public speaking engagements and frequent testimony.

Education and Professional Accreditation

CPA Currently licensed in Colorado

MBA Finance, University of Colorado

M.A. Political Science, University of California, Los Angeles.

Woodrow Wilson National Fellow for Graduate Study.

B.A. Political Science, Rutgers University, New Brunswick, New Jersey

Boards and Commissions

Public Employees Retirement Association,

Member of the Board of Trustees (2002 to 2006)

Audit Committee Chair (2002 - 2006).

Colorado Housing and Finance Authority,

Member of the Board of Directors (2002 to 2006)

Audit Committee Chair (2002 to 2006).

Colorado Society of CPAs, former Vice President and Member of the Board of Directors.

National Association of Insurance Commissioners (NAIC). National Chair, Troubled Companies Committee. National Chair, Workers' Compensation 24 Hour Coverage Task Force.

BRIAN C. HILL, CPA, CFE, MBA

Highlights: Forensic Audits, Fraud Risk Assessments, Fraud Examinations

Partner

Two Hills Accounting and Consulting

Conducted multiple engagements focused on evaluating internal controls designed to prevent fraud and misappropriation of assets. Recently led entity-wide engagements on risk assessments of internal controls and compliance with laws and regulations for the Colorado School of Mines and Front Range Community College.

Internal Auditor

Colorado School of Mines

Created a variety of analytical tools, including fraud indicators, to evaluate campus financial transactions. Recruited as part-time employee after consulting engagement via Two Hills highlighted unique expertise in utilizing technology to mine data for fraud indicators and provide evaluations for fraud risk. Internal expert for controls over complex data systems and functions.

Professional Experience

Partner (2011 - present)

Two Hills Accounting and Consulting

- Conducted an entity-wide risk assessment for a major research university. Assessed internal controls and compliance with complex laws and regulations. Evaluated the likelihood and impact of a failure in internal controls. Developed risk profiles at both the division and university levels. Presented findings to executive team and board members.
- Managed financial and operational reviews of three college bookstores at a large college. Analyzed financial trends to determine store profitability. Interviewed staff at a variety of locations to assess internal controls and determine areas for improvement. Developed and/or updated policies and procedures to ensure effective internal controls were in place.
- Provided tax, accounting and financial services to clients in a variety of industries. Prepared tax returns for small businesses and individuals with revenue/income up to \$2 million. Advised individuals on tax and financial planning matters. Performed bookkeeping services for companies in start-up or growth phases.

Internal Auditor (March 2011 - present)

Colorado School of Mines

- Created a variety of analytical tools, including fraud indicators, to evaluate campus financial transactions.

- Performed financial and operational reviews covering capital construction, travel, and official functions to provide an independent assessment of compliance and performance. Used data analysis to efficiently identify outliers in the various campus areas. Tested transactions to ensure appropriate controls were in place. Interviewed a variety of individuals that were either directly or indirectly involved with the department being audited. Developed recommendations to the departments or individuals involved in the audit. Prepared clear and concise written reports to motivate campus-wide changes.
- Compiled complex state and federal compliance requirements to form a framework for a newly established campus-wide compliance program. Developed compliance website for the program.

Microprocessor Design Manager (2001 - 2010)

Intel Corporation

- Managed an international multi-site team of 26 employees in the company's primary revenue generating unit throughout the entire product development life cycle. Managed multiple projects to meet market requirements in a variety of business segments. Set challenging goals through weekly staff meetings and coached individual employees to enable them to meet deadlines. Resulted in producing a high quality computer chip that generated more than one million unit sales.
- Planned resources for a 125-person team for a multi-year project. Analyzed historical productivity and headcount data, along with projected efficiency gains to determine a range of resource requirements based on project scope and schedule. Scheduled development stages to properly align individuals, equipment, and design dependencies to minimize the critical path. Resulted in a one and a half year project completed on schedule, with no overtime, and with outstanding quality.
- Using LEAN principles applied Toyota's manufacturing system principles to Intel's processes and developed a complex proposal to reorganize over 125 employees within the 1,000-person processor design group. Gathered information from leaders throughout the team to shape direction and obtain consensus. Managed roll-out and implementation. Initiative resulted in a documented 40% efficiency gain for the group.

Education and Professional Accreditation

CPA Currently licensed in Colorado

MBA Finance, Duke University, The Fuqua School of Business

BS Electrical Engineering, Rice University

MATTHEW D. LAUSTEN, CPA, CFE

Highlights: Forensic Audits, Fraud Risk Assessments, Fraud Examinations

Multiple Lead Consulting Roles (2000 - current)

Over nineteen years of forensic accounting consulting experience. Has testified in the areas of forensic accounting and fraud investigation. Conducted fraud investigations for government entities, hospitals, schools, and private companies. Expertise in database technology and data analytics performance of forensic accounting and fraud investigation work on very large and complex assignments. Developed analytical programs including a tool to generate Benford's analyses and an address parser for identifying potentially fraudulent conflicts such as vendors billing from an employee's home address.

Miscellaneous

Guest lecturer at both the undergraduate and graduate level on the topics of fraud investigation, forensic accounting, and data analytics at Colorado College, the University of Denver, Arapahoe Community College and the University of Colorado.

Representative Forensic Accounting and Fraud Investigation Engagements

- For a public college, conducted an investigation in conjunction with the internal audit department into alleged misappropriation of assets. Assessed and reported on internal controls failures.
- For an entity receiving government funds, conducted an investigation into allegation of misappropriating funds from the entity and subcontractors. Reviewed, identified, and quantified potentially inappropriate contractual relationships.
- For a local water district, investigated allegations of misappropriation by an accounts payable clerk.
- For a school district, investigated allegations of misappropriation by the chief financial officer and accounts payable clerk. Assessed effectiveness of internal controls, particularly those related to information technology.
- For a public higher education institution, investigated allegations of improper activities by upper management, including falsifying documents to allow illegal access to federal aid.

Professional Experience

Affiliate Faculty Member

Metropolitan State University of Denver

Developed graduate-level course entitled 'Data Analytics in a Fraud and Litigation Contest' for the Master of Professional Accountancy program to be offered beginning January 2014.

Partner (2011-present)

Betzer Call Lausten & Schwartz, LLP

Provide expertise in forensic accounting and fraud investigations. Clients include government entities, hospitals, schools, and private companies.

Founder and Owner (December 2009 through March 2011)

Lausten Consulting, LLC

Provided consulting services in the areas of forensic accounting, internal auditing, data analytics, and database consulting.

Manager, Valuation and Forensic Services, (April 2006 through October 2009)

Clifton Gunderson, LLP

Provided forensic accounting, data analytics, and database consulting services. Clients industries included government entities, health care, telecommunication, and manufacturing.

Director (March 2005 through February 2006)

ZEEB & Company, Inc.

Provided forensic accounting, data analytics, database and claims administration consulting services.

Manager in the Information Management and Analysis Group within the Litigation and Investigations Division, (August 2000 through February 2005)

Tucker Alan, Inc./Navigant Consulting, Inc.

Technical lead in complex assignments requiring advanced data analytics. Work focused on database management and the technical aspects of consulting and forensic accounting engagements.

Education and Professional Accreditation

MPAcc Professional Accountancy, Metropolitan State University of Denver

BA Economics, The Colorado College

CPA Currently licensed in Colorado

CFE Certified Fraud Examiner

Professional Associations

American Institute of Certified Public Accountants

Colorado Society of Certified Public Accountants

Association of Certified Fraud Examiners, National Organization and Colorado Chapter

Institute of Internal Auditors, National Organization and Denver Chapter

JOHN OLENBERGER, CPA, CIA

Highlights: Forensic Audits, Fraud Risk Assessments, Fraud Examinations

Multiple Internal and External Audit Roles (1998 - current)

Investigated and quantified a multi-million dollar fraud scheme at a Fortune 500 company.

Over 15 years experience providing process consulting, risk management, internal audit, and financial statement attestation services to organizations in the government and not for profit sector. Managed and performed in over 100 operational and financial audits, covering procurement and contract compliance, internal controls, cash, expenses and inventory.

Quality Assurance Review team member with the Institute of Internal Auditors, performing a review of a major corporation's Internal Audit function.

Professional Experience

Founder and Partner (2008 – present)

Colorado Independent Consultants Network, LLC

After leaving KPMG, John founded Colorado Independent Consultants. He has provided services in conjunction with other independent CPA's to large government clients throughout Colorado.

Manager, Advisory Services Practice. (2005-2008)

KPMG,

As a Manager in KPMG's Denver office, John managed and performed numerous operational and financial internal audit engagements, with a primary focus on governmental entities. John designed and executed annual entity-wide risk assessments, using results to create internal audit plans. In addition to client service responsibilities, John managed the scheduling and logistics for KPMG's 15 member Internal Audit Team.

Senior Internal Auditor, (2002-2004)

Waste Management

In his capacity as a Senior Internal Auditor, John managed the examination of business operations of over 40 landfills, waste hauling districts, transfer stations and recycling facilities throughout North America, providing operational consulting and financial analysis. In addition to hands on involvement in the audit work, John supervised other seniors' performance of audits, reviewed audit reports, and presided over closing meetings.

Senior Internal Auditor (1998-2001)

Arthur Andersen

John began his career as an external auditor in Arthur Andersen's Boston office performing external financial statement audits for a variety of industries, including energy, non-profit, governmental, and manufacturing, among others. Deciding to focus more on business operations, John joined Arthur Andersen's Business Process Risk Consulting group in 2000, where he performed internal audits and entity-wide risk assessments. John also designed and led the group's new hire training program, a two day introductory course to Arthur Andersen and the internal audit profession.

Education and Professional Affiliation

B.S. Accounting, University of Nebraska
CPA Currently licensed in Colorado
CIIA Certified Internal Auditor

Professional Associations

Institute of Internal Auditors
Chapter's 2010-2011 President, and 2011-2012 Board Chairman

GARY M. SCHWARTZ, CFE

Highlights: Forensic Audits, Fraud Risk Assessments, Fraud Examinations

Managing Partner (June 1996 - present)

Betzer, Call, Lausten & Schwartz, LLP

Highly regarded in forensic audits and investigations. Works closely with courts and attorneys at the state and federal levels. Performed due diligence and organizational reviews, and consulted with numerous clients ranging in size from less than \$15 million to over \$3 billion. Significant experience in evaluating controls over financial transactions. Expert in compliance with financial regulatory requirements.

Miscellaneous

Current President of the Colorado Association of Certified Fraud Examiners.

Course instructor for "Fraud Case Studies" at Colorado State University (2012, 2013), University of Denver (2009), and Metropolitan State University of Denver (2007, 2008). Regular speaking engagements on the topic of fraud. Numerous organizational trainings on fraud risk management, prevention, detection and investigation to clients including Colorado State University, Metropolitan State University, University of Denver, Association of Certified Fraud Examiners, and the Community Banking Advisory Network.

Professional Experience

Managing Partner (June 1996 - present)

Betzer, Call, Lausten & Schwartz, Partner, LLP

Provide forensic accounting and fraud investigation services as well as litigation support and expert testimony. Appointed by courts at the state and federal level to serve as Receiver, Super Examiner, and Special Master in receiverships and trusteeships.

Administrator of National Banks, National Bank Examiner (April 1984 to September 1995)
U.S. Department of the Treasury, Office of the Comptroller of the Currency

Evaluated internal controls and compliance with laws and regulations. Prepared findings, conclusions and recommendations. Wrote examination reports.

Education and Professional Accreditation

BS Finance, University of Colorado
Certified Fraud Examiner

Professional Affiliations

Association of Certified Fraud Examiners, current President of Colorado Chapter