Brighton℠

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FTI™ CONSULTING

CITY OF BRIGHTON

PROPOSAL TO PROVIDE FORENSIC ACCOUNTING ADVISORY SERVICES

September 13, 2019

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Tab A: Letter of Interest

September 13, 2019

Division of Procurement & Contracts
City of Brighton
500 South 4th Avenue, Fifth Floor
Brighton, Colorado 80601

Re: Proposal to Provide Forensic Accounting Advisory Services

Dear Division of Procurement & Contracts,

We appreciate the opportunity to present our proposal to assist the City of Brighton by providing forensic accounting advisory services. Attached is our proposal for your consideration.

We believe that we are uniquely qualified to assist the City by performing the forensic accounting advisory services. We have the most qualified team, extensive experience in evaluating and advising on accounting and financial reporting matters, as well as an appropriate plan to execute in an effective and efficient manner.

In compliance with the City of Brighton Code of Ethics pursuant to Article 2-10, 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.

We appreciate your consideration of our proposal and would be happy to meet with you at your convenience to discuss any questions you may have.

Sincerely,

Steven Hazel
Senior Managing Director
steven.hazel@fticonsulting.com
O: (213) 452-6351
C: (303) 520-4519
FTI Consulting, Inc.
999 17th Street, Suite 700
Denver, Colorado 80202

Tab B: Project Understanding

Project Understanding

FTI Consulting, Inc. ("we" or "FTI") is pleased to present this proposal to assist the City of Brighton (the "City") by providing forensic accounting advisory services. We look forward to working with the City on this project.

Based on our review of the City's Request for Proposal #19-027 (the "RFP") and Addendum #1 to the RFP dated August 26, 2019, we understand that the City requires assistance in completing a forensic accounting analysis of the sources of funds, uses of funds, and operating and capital budgets for the period January 1, 2008, through June 30, 2019, of the Water, Waste Water, and Storm Drainage utilities and to confirm the December 31, 2018, ending fund balances in each utility.

We understand the City has established the following scope of services to be performed:

- Analyzing the source of funds arising from operating or rate revenue and plant investment fees for the years 2008 through 2018 in the Water, Waste Water, and Storm Drainage utilities and confirming the source of funds ties to financial statement balances reported in the Comprehensive Annual Financial report for the same years;
- Analyzing the source of funds arising from operating or rate revenue and plant investment fees for the period January 1, 2019, through June 30, 2019, in the Water, Waste Water, and Storm Drainage utilities and confirming the source of funds ties to City's general ledger revenue detail for the same period;
- Analyzing the use of funds related to operating expenses and growth or expansion expenses for the years 2008 through 2018 in the Water, Waste Water, and Storm Drainage utilities and confirming the use of funds ties to financial statement balance reported in the Comprehensive Annual Financial report for the same years;
- Analyzing the use of funds related to operating expenses and growth or expansion expenses for the period January 1, 2019, through June 30, 2019, in the Water, Waste Water, and Storm Drainage utilities and confirming the use of funds ties to City's general ledger detail for the same period;
- Analyzing the 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 utilities to determine if the use of funds by year was authorized consistent with the City Council's appropriation;
- Preparing a report for each utility (total of 3 reports) that details discrepancies or questioned amounts/transactions in recorded revenue, costs, budgeted operating expenses vs. actual operating expenses, and budgeted capital project costs vs. actual capital project costs for the years 2008 through 2018 and for the period January 1, 2019, through June 30, 2019; and
- Presenting final reports and findings, if requested, at a Council Study Session upon project completion.

Furthermore, we understand following are the key issues associated with the forensic accounting analysis:

- Verifying the financial statement balance reported in the Comprehensive Annual Financial report and general ledger with respect to the source of funds arising from operating or rate revenue and plant investment fees for the years/periods and utilities stated above are appropriate and accurate relative to the underlying accounting records and, if not, identifying and reporting/presenting improprieties;
- Verifying the financial statement balance reported in the Comprehensive Annual Financial report and general ledger with respect to the use of funds related to operating expenses and growth or expansion expenses for the years/periods and utilities stated above are appropriate and accurate relative to the underlying accounting records and, if not, identifying and reporting/presenting improprieties; and,
- Verifying the operating and capital budgets for the years/periods and utilities stated above are appropriate and authorized consistent with the City Council's appropriation and, if not, identifying and reporting/presenting improprieties.

We have read publicly available information reporting on alleged water fund improprieties at the City. Based on our extensive experience in conducting forensic accounting advisory services, we understand what is disclosed to the public does not necessarily reflect with accuracy the facts and circumstances present in the issue or issues that have triggered the RFP. Accordingly, we will diligently and quickly obtain an understanding of the known key issues upon commencement of the work through discussions with relevant City personnel (including City Council), which will inform the appropriate scope and extent of work to perform. Given the nature of forensic accounting projects, new information may arise that uncovers more key issues. In these instances, we will regularly communicate the new information and work with the relevant City personnel to address any incremental key issues that may arise.

Furthermore, since the City is a municipality, we understand you may be required by law to provide certain advice given or report issued to a third party. We will formalize these terms and conditions when appropriate.

Tab C: Project Approach

Project Approach

PHASE I – MAKE INQUIRIES AND OBTAIN RECORDS

Initially, we will make inquiries of relevant City personnel (including City Council) to obtain an understanding of the known key issues upon commencement of the work. Next, we will assist the City by obtaining relevant electronic documentation and scan into electronic format relevant hard-copy documentation in order to perform the analyses set forth in the RFP to address the known key issues.

PHASE II – ANALYSIS OF RECORDS AND REPORT/PRESENTATION OF RESULTS

In consultation with the City Council, we will develop and agree upon a final scope of work in order to perform the analyses set forth in the RFP, taking into consideration the known and potential risks involved, knowledge and evidence obtained to-date, and desired level of comfort the City requires from the analyses.

We will then prepare formal reports of the work we have performed, which will include our results and relevant findings to deliver to the City. In addition, to the extent requested, we will present our findings at a City Council session.

We understand the City's desire to have the project completed before the end of the 2nd quarter of 2020, and we will work diligently to meet or exceed the City's timeline.

Although FTI consulting is not a certified public accounting firm and, therefore, does not perform financial statement audits in accordance with United States Generally Accepted Auditing Standards ("U.S. GAAS"), we will conduct our work in compliance with standards applicable to forensic analysis and investigations.

PROJECT MANAGEMENT

We will form a project management protocol to monitor and communicate the status of the preceding services on a regular basis. The project management protocol will effectively drive all aspects of the forensic accounting advisory effort. We will meet regularly with the appropriate City personnel to review progress against established targets and address issues that could impact the City's accounting and/or financial reporting. Furthermore, should issues arise during the course of our work we will be proactive in raising them to the appropriate City personnel in order to resolve them as soon as possible.

To the extent our scope (as we have assumed within this proposal) changes, we will regularly communicate and agree upon a revised plan and budget with the City to carry out the revised scope.

Tab D: Capabilities & Experience

Capabilities & Experience

Our engagement team will consist of experienced professionals and consultants with the appropriate level of expertise to address issues as they arise throughout our engagement. They will be supplemented by lower-cost staff to perform detailed tasks, as appropriate, that can be leveraged for cost efficiency purposes. The profiles of the senior members who will be responsible for managing our services are included herein.

Steven Hazel

Steven Hazel is a senior managing director in FTI Consulting's offices in Los Angeles and Denver. Mr. Hazel works in FTI Consulting's Forensic and Litigation Consulting practice as part of its Forensic Accounting & Advisory Services practice. Mr. Hazel has served as an expert witness in the State and Federal Courts, arbitrations and administrative hearings on behalf of defendants and plaintiffs. He has been retained by national, regional and boutique law firms on a variety of cases, including those involving forensic accounting reviews, fraud investigations, employee dishonesty, cost audits, and asset tracing, among others. Mr. Hazel also has extensive experience consulting with municipalities.

With 35 years of experience, Mr. Hazel has combined his accounting, business management, and finance backgrounds investigating alleged financial improprieties, for financial reporting and tax purposes as well as in adversarial proceedings, among others.

Kevin Rasmussen

Kevin Rasmussen is a senior director in the FTI Consulting Forensic and Litigation Consulting practice and is based in Denver. Mr. Rasmussen has over a decade of professional experience and provides litigation and investigative support services to clients. He advises in forensic accounting, financial investigations, litigation, and economic damages matters, to name a few. Prior to joining FTI, Mr. Rasmussen was an external financial statement auditor at a Big 4 accounting firm. He combines his prior experience as a financial statement auditor with his forensic accounting capabilities to deliver high quality advisory services to his clients. Mr. Rasmussen will assist Mr. Hazel in the performance of the project.

About FTI Consulting

FTI Consulting understands that every organization is unique, yet our experience enables us to quickly discover and explore patterns in a situation that mirrors those we have faced in the past. We are a powerful, objective and independent resource that can help bring successful resolution to complex accounting and financial issues that may bear enormous consequences for an entity's future.

We specialize in forensic accounting investigations, financial record reconstruction, interview techniques, computer forensics and electronic data retrieval, enterprise-wide complex data modeling and analysis, quantifying damages, providing expert witness testimony at trial, and designing and implementing robust internal controls. We have repeatedly applied our expertise in investigations and litigation by assisting entities and their legal counsel in prosecuting and defending allegations of fraudulent transactions or in support of special committee investigations involving whistleblower allegations, among numerous other issues.

Steven J. Hazel

SENIOR MANAGING DIRECTOR

Forensic & Litigation Consulting

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FTI Consulting

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Los Angeles, CA 90071

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Suite 700
Denver, CO 80202

+1 303 520 4519

Certifications

Certified Public Accountant

Certified in Financial Forensics

Certified Global Management Accountant

Accredited in Business Valuation

Accredited Senior Appraiser

Certified Valuation Analyst

Certified Management Consultant

Professional Affiliations

American Society of CPA's

Colorado Society of CPA's

American Society of Appraisers

National Association of CVA's

Institute of Management Accountants

Education

B.S., University of Denver

Steve Hazel is a Senior Managing Director in FTI Consulting's offices in Los Angeles and Denver. Mr. Hazel works in FTI Consulting's Forensic & Litigation Consulting Segment as part of its Forensic Accounting & Advisory Services practice. Mr. Hazel has served as an expert witness in the State and Federal Courts, arbitrations and administrative hearings on behalf of defendants and plaintiffs. He has been retained by national, regional and boutique law firms on a variety of cases, including those involving lost profits, valuation, cost allocations, margins, accounting and tax issues, forensic accounting, asset tracing and fraud investigations.

With 35 years of experience, Mr. Hazel has combined his accounting, business management, and finance backgrounds to investigate forensic accounting issues in a variety of circumstances, from adversarial proceedings to mergers and acquisitions, as well as financial reporting purposes. While he is involved in cases in the U.S. and internationally, he spends time in Los Angeles, New York and Denver.

Working in diverse industries, Mr. Hazel relies on business acumen and judgment derived from over three decades as a forensic accountant. Mr. Hazel's background in public accounting, including tax and auditing, affords him added insight into how forensic accounting documents and concepts are used and challenged.

Representative experience includes extensive financial and damage analysis related to government contracts and entities. Substantial forensic and economic analysis of financial performance and associated costs are common. Government entities forensic accounting includes financial reporting and contracts. This experience includes extensive accounting investigations and standard of care, financial and damage analysis, including normalized direct and indirect expense structures, cost allocations, margins and feasibility.

2015 – Present	FTI Consulting, Denver, Colorado
2004 – 2015	RGL Forensics, Denver, Colorado
2001 – 2004	Brockmann Armour and Lehman Butterwick, Denver, Colorado
1999 – 2000	CBIZ-SKB, Englewood, Colorado
1990 – 1999	Classick Hazel, P.C. and Classick Financial, Lakewood, Colorado
1982 – 1990	Pfleiger Alderman, Halliburton Hunter and Baller & Associates, Denver, Colorado

Publications:

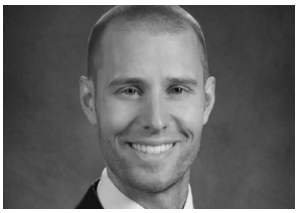
- "Avoiding Construction Battles: Identifying Risks and Resolutions in a Construction Dispute," Risk Management, November 2013
- "Cross Examining the Financial Expert: Strategies to Strengthen Your Case," private law firm seminar, September 2013
- "CPAs Take On Russian Roulette: Detecting and preventing fraud on the Vegas strip," AICPA - CPA Insider, February 2010
- "CPAs Gamble on Vegas Accounting Fraud," AICPA - CPA Insider, September 2009
- "Forensic Accountants Bring Value to Business Valuations, Part IV," CPA Insider, May 2009
- "Forensic Accountants Add Value to Restructuring," Crain's Chicago Business, March 2009
- "Forensic Accountants Add Value to Business Valuations, Part III: Turning a Standard Business Valuation Into a Fidelity Investigation," CPA Insider, February 2009
- "Forensic Accountants Add Value to Business Valuations, Part II: A Standard Business Valuation Engagement Uncovers Fraud," CPA Insider, September 2008
- "Forensic Accountants Add Value to Business Valuations, Part I: What's it Worth? There's More than One Way to Fine Out," CPA Insider, July 2008

Industry Experience

- Aerospace & Defense
- Agriculture & Livestock
- Banking & Financial Services
- Chemicals
- Construction, Engineering & Real Estate
- Environmental
- Government
- Healthcare & Pharmaceuticals
- Hospitality, Leisure & Tourism
- Manufacturing
- Mining & Metals
- Not-for-Profit Organizations
- Oil, Gas & Petrochemicals
- Professional Services
- Retail
- Technology & Telecommunications
- Warehousing & Distribution

Expertise

- Forensic Accounting
- Accounting Investigations
- Transaction Advisory
- Valuation
- Financial Reporting
- Tax
- Arbitration
- Class Action
- Commercial Litigation
- Bankruptcy/ Solvency
- Fraud Investigations
- Loss of Profits



Kevin Rasmussen

SENIOR DIRECTOR

Forensic & Litigation Consulting

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Certifications

Certified Public Accountant, California and Colorado

Certified Fraud Examiner

Professional Affiliations

American Institute of Certified Public Accountants

Association of Certified Fraud Examiners

Education

B.S., Accounting, Brigham Young University

Kevin Rasmussen is a Senior Director in the FTI Consulting Forensic & Litigation Consulting segment and is based in Denver. Mr. Rasmussen has more than a decade of professional experience and provides litigation and investigative support services to clients. He advises in complex litigation, forensic accounting, financial investigations, SEC enforcement actions, and economic damages matters, to name a few. Mr. Rasmussen has experience in a variety of industries and consults with publicly traded companies and both large and small privately held businesses.

Prior to joining FTI Consulting, Mr. Rasmussen was an external auditor at PricewaterhouseCoopers (PwC). While at PwC, Mr. Rasmussen provided audit and assurance services, including interim reviews, year-end financial statement audits, and audits of internal controls over financial reporting (Sarbanes-Oxley Act section 404).

Mr. Rasmussen has been an instructor on topics relating to technical accounting, fraud risks when conducting an audit, and SEC fundamentals.

Mr. Rasmussen is a Certified Public Accountant, Accredited in Business Valuation, and a Certified Fraud Examiner and holds a B.S. in accounting from Brigham Young University. He is a member of the American Institute of Certified Public Accountants and Association of Certified Fraud Examiners.

Publications

"Covenants Not to Compete" (with Elizabeth Evans and Roman Weil) in Litigation Services Handbook: The Role of the Financial Expert, Weil, Lentz, and Evans, John Wiley & Sons, 6th Edition, 2017.

"Covenant Not to Compete" (with Elizabeth Evans and Roman Weil) in Litigation Services Handbook, 2016 Cumulative Supplement: The Role of the Financial Expert, Weil, Lentz, and Evans, John Wiley & Sons, 5th Edition, 2016.

"SAB 101 and the Quality of Earnings" (with Dr. Theodore Christensen) in Journal of Undergraduate Research, Brigham Young University, 2013.

Employment History

2012 – Present FTI Consulting, Denver, CO and Los Angeles, CA

2006 – 2012 PricewaterhouseCoopers, LLP, Denver, CO and Irvine, CA

Tab E: References

References

Due to confidentiality with these types of projects, FTI does not typically provide specific names as references. To the extent references are required in order for the City to make a hiring decision, we would be happy to provide specific names as references after we have obtained specific approval in advance.

Tab F: Fee Schedule

Fee Schedule

In estimating fees for this project, we have discounted our standard hourly rates by twenty percent (25%). These discounts are significantly higher than we typically grant for this type of engagement and reflect our interest in working with you on this important project.

All fee estimates below assume FTI has timely access to relevant City personnel and 3rd party representatives in order to perform the work. Out-of-pocket expenses will be billed as incurred. The fee and rate information contained herein is proprietary to FTI.

Workstream	Estimated Fees [1]
Phase I – Make inquiries and obtain records • Make inquiries of relevant City personnel (including City Council) to obtain an understanding of the known key issues • Obtain relevant electronic documentation and scan into electronic format relevant hard-copy documentation in order to perform the analyses set forth in the RFP to address the known key issues	$25,570 – $55,560 [2]
Phase II – Analysis of records and report/presentation of results • Perform analyses • Prepare formal reports of the work we have performed, results, and relevant findings to deliver to the City • Present our findings at a City Council session.	$80,143 [4]

[1]: All fee estimates are firm for a period of 120 days following the opening of the proposal and the high end of the range is the amount not to exceed.

[2]: The fee estimate for Phase I assumes FTI will perform analyses as set forth for Phase II within this proposal. The estimated hours related to making inquiries assumes the volume of inquiries required for Phase I is reasonable and is limited to the known key issues. Furthermore, it includes a range, with the following assumptions:

Low end of range – assumes all necessary accounting records and reports in electronic and hard-copy can be readily accumulated and assembled, contain all key data fields required to conduct the analyses in Phase II, and assumes hard-copy documents are well organized for each of the years and periods in scope.

*High end of range – a*ssumes necessary accounting records and reports in electronic and hard-copy are not readily retrievable or do not contain all key data fields required to conduct the analyses in Phase II (e.g., may need to write custom inquiries to extract necessary information from records) or assumes hard-copy documents are not well organized. The high end of range also assumes a reasonable quantity of hard-copy documents exists based on a municipality of the City's size.

Below is the detailed break-out in estimated hours and fees (not to exceed) to complete Phase I based on the above assumptions.

Task Description	Estimated Hours (Low)	Estimated Hours (High)	Hourly Rate (Low)	Hourly Rate (High)	Estimated Fees (Low)	Estimated Fees (High)
1. Make inquiries	12.0	12.0	$ 535 [3]	$ 535 [3]	$ 6,420	$ 6,420
2. Obtain relevant electronic documentation	15.0	30.0	$ 475	$ 475	7,125	14,250
3. Obtain relevant hard-copy documentation and scan into electronic format	17.0	102.0	$ 273 [3]	$ 258 [3]	4,635	26,310
4. Project management	16.0	18.0	$ 462 [3]	$ 477 [3]	7,390	8,580
Estimated Hours and Fees	**60.0**	**162.0**			**$ 25,570**	**$ 55,560**

[3]: Represents estimated blended rate as this task is expected to be performed by multiple individuals.

[4]: While there is uncertainty regarding the extent of analysis required by the City as stated in the Addendum #1 to the RFP, we have developed our fee estimate by making the following assumptions:

- Analysis of the source of funds and use of funds does not require any sampling, but rather simple verification that amounts in the aggregate by year per the underlying accounting records agree to the financial statement balances reported in the Comprehensive Annual Financial Report and that amounts in the aggregate for the period from January 1, 2019 to June 30, 2019 per the underlying accounting records agree to the general ledger detail via tie-out;
- Analysis of operating and capital budgets for the same periods requires limited sampling (assumed to be sample of no more than 100 transactions to verify limited attributes) to verify that sampled amounts were properly approved in accordance with the City's established approval policies; and,
- Supporting documentation required to perform sampling is readily available/accessible.

As further stated in the Addendum #1 to the RFP, upon discussing and agreeing with the City Council to develop the final scope of work for Phase II, we reserve the right to adjust our fee estimate accordingly and to further negotiate our bill rates.

Below is the detailed break-out in estimated hours and fees (not to exceed) to complete Phase II based on the above assumptions.

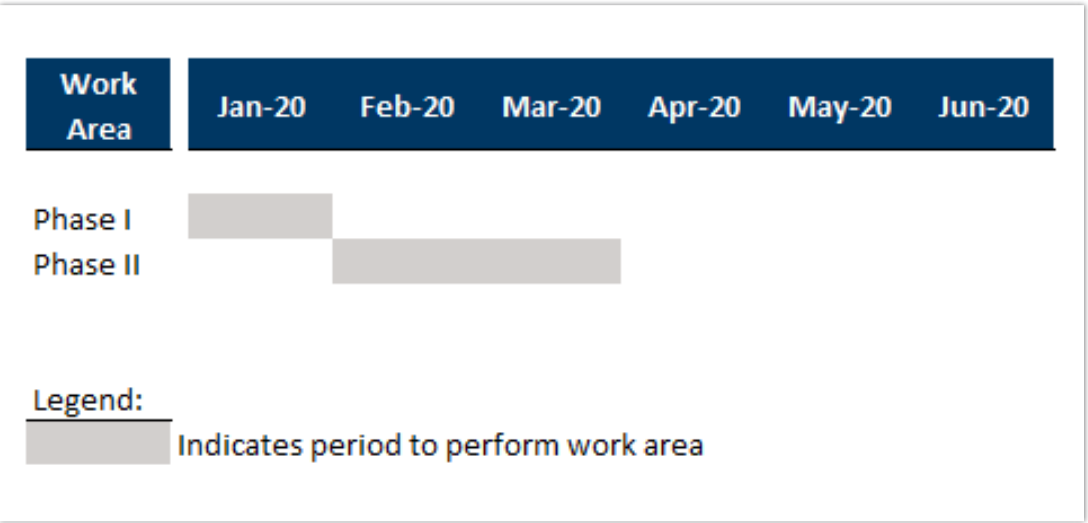
Task Description	Estimated Hours	Hourly Rate		Estimated Fees
1. Analyze source of funds for revenue transactions	17.3	$ 355		$ 6,124
2. Analyze use of funds for expense transactions	17.3	$ 355		6,124
3. Analyze operating and capital budgets	50.0	$ 355		17,750
4. Conduct interviews to walk-through processes	34.0	$ 415	[5]	14,110
5. Project management and reporting	74.0	$ 487	[5]	36,035
Estimated Hours and Fees	**192.5**			**$ 80,143**

[5]: Represents estimated blended rate as this task is expected to be performed by multiple individuals.

Tab G: Project Completion

Project Completion

Assuming we begin work in January 2020, the following chart shows the anticipated progression of services and dates for completion, based on the assumed level of work for Phase II discussed in Tab F – Fee Schedule above. Should the project scope change significantly from what we have assumed within this proposal, we will work with the City to develop a revised, but reasonable timeline.



Tab H: Certificate of Compliance

CERTIFICATION OF COMPLIANCE RE: COMPLIANCE WITH IMMIGRATION LAWS

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

KM 1. The undersigned is familiar with the employment practices of the Professional.

KM 2. The Professional does not and will not knowingly employ or contract with unauthorized workers or aliens.

FTI CONSULTING, INC.
Company Name

By: Name: Title: GMD.

SEPTEMBER, 12, 2019
Date

ATTEST:

SEAL

Secretary/Treasurer

~~~
~~~

Tab I: Certificate of Good Standing From the State of Colorado

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,

FTI Consulting, Inc.

is an entity formed or registered under the law of Maryland , 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 20041339378 .

This certificate reflects facts established or disclosed by documents delivered to this office on paper through 09/11/2019 that have been posted, and by documents delivered to this office electronically through 09/12/2019 @ 08:46:18 .

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 09/12/2019 @ 08:46:18 in accordance with applicable law. This certificate is assigned Confirmation Number 11795892 .

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."

Tab J: Previous Affiliation With the City

Previous Affiliation With the City

We have not had previous affiliations with the City, its Officers, Elected Officials or Senior Management. In making this assessment, we reviewed the names disclosed on page 7 of the City's Comprehensive Annual Financial Report for the year ended December 31, 2018.

FTI CONSULTING™

About FTI Consulting

FTI Consulting, Inc. is an independent global business advisory firm dedicated to helping organizations manage change and mitigate risk: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. Connect with us on Twitter (@FTIConsulting), Facebook and LinkedIn.

www.fticonsulting.com

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