

THIS AGREEMENT made and entered into this \_\_\_\_ day of August, 2018, by and between CLIFTONLARSONALLEN LLP, a registered limited liability partnership with a place of business at 220 S 6<sup>th</sup> Street, Suite 300, Minneapolis, MN 55402 and a local office at 131 Hartwell Avenue, Suite 300, Lexington, MA 02421-3105, hereinafter called "AUDITOR", and the CITY OF LOWELL PUBLIC SCHOOLS, a school district located in Middlesex County in the Commonwealth of Massachusetts, hereinafter called "LOWELL" WITNESSETH that:

WHEREAS, LOWELL is desirous of contracting with an AUDITOR to assist the School Department by providing forensic analysis and forensic accounting and investigative services related to public school funds; and

WHEREAS, the AUDITOR has offered to provide such services to LOWELL and LOWELL has accepted the AUDITOR'S offer, subject to the conditions and agreements herein contained;

WHEREAS, the AUDITOR has stated that he is duly qualified to render such services to LOWELL;

NOW, THEREFORE, IT IS AGREED by and between the parties hereto, as follows:

-1-

The AUDITOR agrees that it will provide forensic analysis and forensic accounting and investigative services related to public school funds and services as needed under the direction of the Acting Superintendent of Schools all in accordance with the Proposal/Scope of Services, marked "A", annexed hereto and made part of this Agreement; and

-2-

Payment under this Agreement shall not exceed the sum of Fifty Thousand and 00/100 (\$50,000) DOLLARS, for the period commencing immediately upon execution hereof and terminating five weeks thereafter, notwithstanding that time is of the essence and work shall be completed as soon as is reasonable and practicable.

The AUDITOR (Principal) shall be compensated at the rate per hour set forth in Attachment A Proposal/Scope of Services ("Scope of Services"), which is hereby incorporated into this contract in its entirety. See Proposal/Scope of Services for fee rates attached hereto.

-3-

The AUDITOR agrees that it will bill for actual time spent, will not require a retainer for the work to be performed under this Agreement, and shall submit its bill at the conclusion of the title work so delineated under the Scope of Services. Payment shall be made after approval of said bills by the Acting Superintendent.

-4-

This CONTRACT is subject to all laws, federal, state and local, which are applicable to this Contract, and it is presumed that the AUDITOR is cognizant thereof.

-5-

The AUDITOR agrees that its attention has been called to the provisions of the "Reserve System" Ordinance of the City of Lowell, which is now incorporated in the "The Code of Ordinances City of Lowell, Massachusetts", passed by the City Council on December 23, 2008 and Amendments Thereto and that each purchase order, so-called, issued in accordance with Section 28-32 of said Code to cover the services to be rendered under this Agreement shall be made a part hereof by reference.

-6-

It is further agreed that no obligation shall be considered to have been incurred under this Agreement unless and until a purchase order shall have been duly issued and approved.

And further, that the obligation incurred shall be limited to the amount set forth in purchase order or purchase orders duly issued and approved.

-7-

The AUDITOR shall give its attention constantly to the faithful performance of the work and shall keep the same under its control and shall not assign nor sublet the work or any part thereof without the previous written consent of LOWELL and shall not, either legally or equitably, assign any of the moneys payable under this Agreement or its claim thereto unless by and with the written consent of LOWELL.

-8-

It is further agreed by the AUDITOR that, in the event LOWELL and/or the City of Lowell is sued in a court of law or equity, or demand is made upon LOWELL and/or the City of Lowell for payment of any damages arising out of the AUDITOR'S performance or non-performance of this Contract, then the AUDITOR, without reservation, shall indemnify and hold harmless LOWELL and/or the City of Lowell against any and all claims arising out of the AUDITOR'S performance or non-performance of this Agreement.

-9-

The undersigned certifies under penalties of perjury that this bid or proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean any natural person, business, partnership, corporation, union, committee, club or other organization, entity, or group of individuals.

-10-

It is understood and agreed by LOWELL and the AUDITOR that pursuant to the Code of the City of Lowell, Chapter 28, Article V, a Contract Performance Record Form must be completed on this contract by the Department Head or his/her designee, who is supervising this contract, and such Contract Performance Record Form must be submitted to the City Manager, City Auditor, and Purchasing Agent prior to release of final payment under this contract. If requested by the AUDITOR a copy of the Contract Performance Record Form shall be furnished to the AUDITOR.

-11-

It is further agreed that LOWELL may terminate this Agreement without cause, upon fourteen (14) days' written notice to the other party, sent by certified mail, to the usual place of business of the other party. LOWELL may also terminate this Agreement at any time for cause.

-12-

The AUDITOR certifies that any and all taxes and municipal fees due and owing to the City of Lowell have been paid in full.

IN WITNESS WHEREOF, the said CLIFTONLARSONALLEN LLP, and the said LOWELL have hereto and to a duplicate and triplicate hereof caused their corporate seals to be affixed, if any, and these presents, together with said duplicate, and triplicate hereof, to be signed in their name and behalf by their duly authorized officers the day and year first above written.

APPROVED:

CLIFTONLARSONALLEN LLP

\_\_\_\_\_  
Jeannine Durkin  
Acting Superintendent, Lowell Public Schools

\_\_\_\_\_  
Christian J. Rogers, CPA Managing Principal

Federal I.D. or Social Security No.  
\_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Rachel M. Brown  
First Assistant City Solicitor

APPROVED AS TO APPROPRIATION:

\_\_\_\_\_  
Bryan Perry  
City Auditor

\_\_\_\_\_  
School Committee

C:law-cliftonlarsonallenllp

## ATTACHMENT A

### SCOPE OF SERVICES

The AUDITOR will conduct a forensic analysis and examination of the books and records of the City of Lowell Public School District for the fiscal year ending 2018, in accordance with the requirements for the Commonwealth of Massachusetts. This review and analysis will proceed as follows:

- The City of Lowell School Department will identify material sufficient to show its bookkeeping records and financial accounts for the fiscal year ending 2018, with the exception of any portions of this material that have previously been sufficiently audited such that an additional analysis is not required;
- The AUDITOR will perform services as set forth in its “Proposal to provide professional forensic services” (“Proposal”), attached hereto, on the data as-identified; and
- The engagement will include but may not be limited to, review of allocation of funds between accounts, unauthorized payments to employees, review of transportation contracts, review of lease agreements, analysis of revolving funds and analysis of payment or non-payment of invoices and other expenses.



**July 30, 2018**

**Proposal to provide professional  
forensic services to:**

## **City of Lowell Public Schools District**

*Prepared by:*

**Chris Rogers, Principal**

Chris.Rogers@CLAconnect.com

direct 781-402-6314 | fax 781-402-6350



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

July 30, 2018

**Jeannine M. Durkin**  
**Acting Superintendent of Schools**  
**Lowell Public Schools**  
**155 Merrimack Street**  
**Lowell, MA 01852**

**RE: Forensic Audit of Public School Funds and Programs**

Dear Ms. Durkin:

Thank you for the opportunity to propose our services to you. CliftonLarsonAllen LLP (CLA) gladly welcomes the opportunity to share our approach to helping the Lowell Public Schools District meet its need for professional services. The enclosed quote responds to your request for a firm qualified to perform municipal audits, to conduct a forensic analysis and examination of the books and records of the City of Lowell Public School District for the fiscal year ending June 2018, in accordance with the requirements of the Commonwealth of Massachusetts.

We are confident that our extensive experience serving similar governmental entities, bolstered by our client-oriented philosophy and depth of resources, will make CLA a top qualified candidate to fulfill the scope of your engagement. You can depend on CLA for several advantages:

- ***Specialized Government Insight and Resources.*** As one of the nation's leading professional services firms, and one of the largest firms who specialize in the public sector, CLA has the experience and resources to assist the City. In addition to our experienced engagement team, the City of Lowell will have access to one of the country's largest and most knowledgeable pools of public sector resources.
- ***Strong Methodology and Responsive Timeline.*** In forming our overall approach, we have carefully reviewed your request and considered our past experience performing similar work for other municipalities. In addition to our local government clients, we currently serve more than 2,100 governments nationally. Our staff understands your complexities not just from a compliance standpoint, but also from an operational point of view. We have developed a work plan that takes into consideration your unique needs as a governmental entity in Massachusetts. The work plan also minimizes the disruption of your staff and operations, and provides a blueprint for timely delivery of our services.

- **Communication and Proactive Leadership.** The City will benefit from a high level of hands-on service from our team's senior professionals. We can provide this level of service because, unlike other national firms, our principal-to-staff ratio is similar to smaller firms – allowing our senior level professionals to be involved and immediately available throughout the entire engagement process in order to work with you to understand the issues confronting the City.

We are eager to work with you and welcome the opportunity to present our quote. If you have any questions about our offerings, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Christian J. Rogers".

Christian J. Rogers, CPA  
Managing Principal, State and Local Government  
781-402-6314  
Chris.Rogers@CLAconnect.com

## EXECUTIVE SUMMARY

According to Accounting Today, CLA is the 8th largest accounting firm by revenue. With a nationwide network of experienced professionals, CLA is here to support the City of Lowell Public School District's (CLPSD) needs. The team we have identified to serve you includes professionals with multiple years of experience conducting risk assessments, internal audits, internal control reviews, fraud investigations, forensic accounting reviews, and data analytics for public entities and school districts, large public agencies and various other types of organizations. This engagement will be staffed by our Forensic Services Team, which is uniquely qualified to provide the forensic investigation and audit services sought by the CLPSD. Our team consists of Certified Public Accountants (CPAs), Certified Fraud Examiners (CFEs), Professionals Certified in Financial Forensics (CFFs), and a Certified Information Technology Professional (CITP), as well as former law enforcement (including the Federal Bureau of Investigation). Additionally, our team has access to our in-house experts in security, electronic data processing, and physical security systems. These are all highly skilled resources available to the CLPSD through our team.

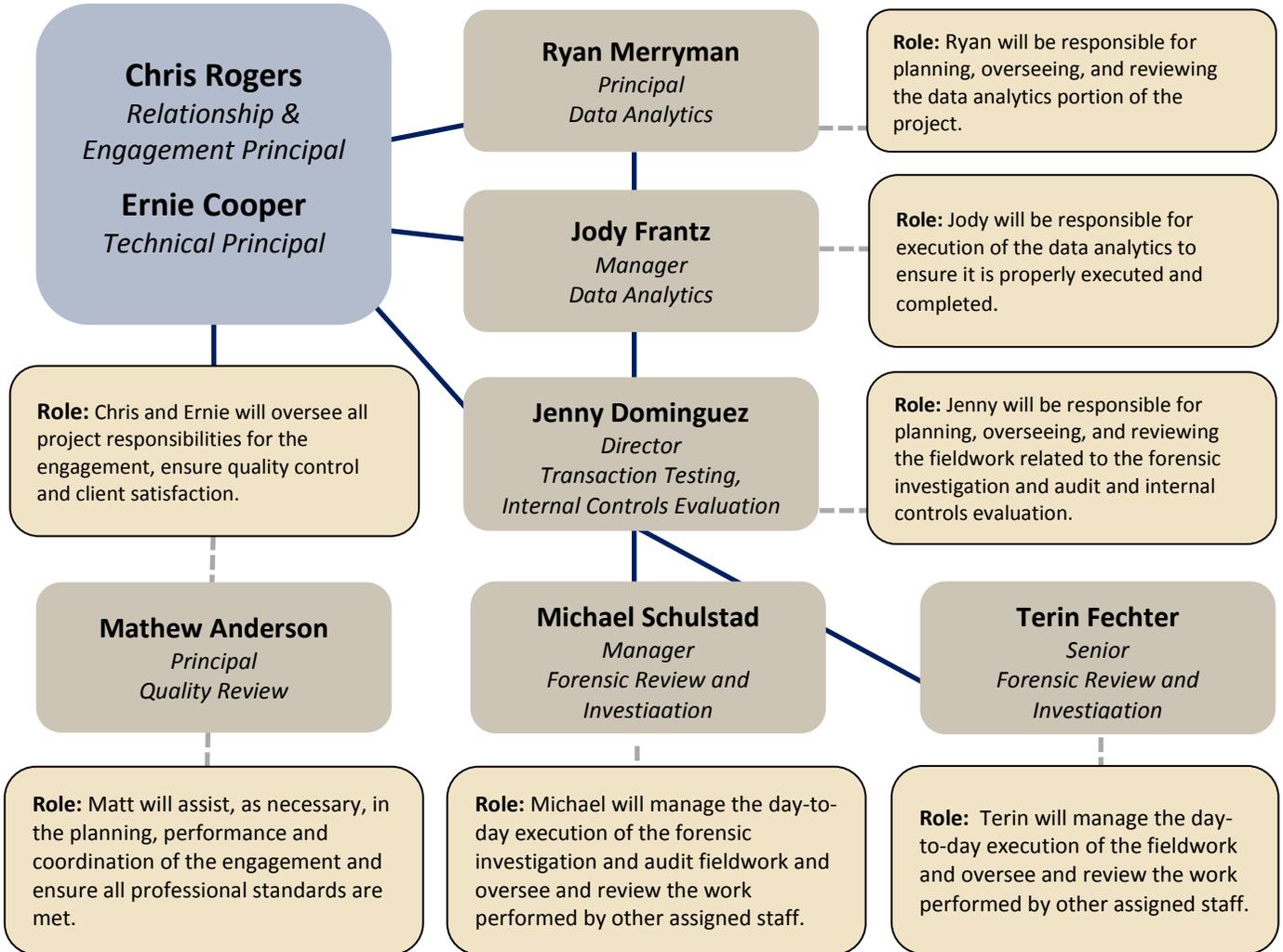


# KEY ENGAGEMENT TEAM MEMBERS

The CLPSD’s proposed engagement team consists of members of our Public Sector Services and Forensic Services Teams who are leaders with deep industry, technical, and best practices knowledge. We will ensure appropriate oversight of the individuals and team and will coordinate through constant communication with team management. Additionally, through our use of computerized tools and our firm network, we are able to monitor the work flow at multiple locations and resolve issues in real time. The following engagement organizational chart identifies the key members of the CLPSD’s forensic services team.

The most important resource any business has is people – the right people.

## Project roles and responsibilities – key individuals



## Statement of Qualifications

### *CLA's forensic services practice*

Many organizations experience some form of fraud, and studies performed by the Association of Certified Fraud Examiners (ACFE) have shown that occupational fraud, fraud orchestrated by an employee, costs an organization an average of five-percent of annual revenues. CLA's forensic services practice focuses on helping resolve fraud matters and mitigating fraud risks, as well as assisting clients in matters involving litigation. The forensic services we provide generally involve the application of specialized knowledge and investigative skills possessed by our CPAs and professionals. We collect, analyze and interpret data and then, as needed, communicate our findings in the boardroom, courtroom, or other venues. Whether our clients' needs are reactive or proactive in nature, our team of highly credentialed professionals report the results of our work objectively. Our team possesses extensive experience in forensic accounting, litigation services, regulatory compliance and the use of forensic technology.

Throughout the application of our forensic audit services, we use the most cutting edge data analysis technology and incorporate the knowledge and experience of trained investigators to identify fraud red flags and anomalies across all types of financial and non-financial information. Through our use of forensic data analysis, we are able to identify transactions related to potential inappropriate expenditures and activity. Once the relevant information and data is gathered and analyzed, the results aim to support the underlying efforts of the forensic audit. Our forensic professionals will assist you in obtaining your objectives in the most efficient and effective approach possible.

*Our forensic investigators have extensive experience working directly with management, boards of directors, audit committees, counsel, regulatory agencies, and other stakeholders at every stage of the engagement. Providing a range of services from confidential internal inquiries to expert witness testimony, our forensic investigators act as advisors who uphold the highest standards of accuracy and confidentiality.*

### *Experience conducting investigations*

CLA offers the resources of a national firm with the responsiveness, access, and personal service of a local firm. Our depth of forensic accounting and Specialized Advisory Services experience is highly integrated, allowing engagement activities and information to be easily shared and coordinated. Our team includes former FBI Special Agents and other seasoned CFE investigators who have many years of extensive and exceptional experience conducting investigations in a wide variety of industries. ***In addition, our investigative experts partner closely with our industry experts and collaborate when conducting risk assessments and internal control evaluations. The combination of investigative expertise and internal controls evaluations skills will provide the added benefit of identifying risks and internal control improvements as the investigation is proceeding.***

### *Experience assessing risk and evaluating internal controls*

CLA is a leader in providing business risk and other consulting services including internal control reviews to our clients. Our team will bring that knowledge and experience to this project, to identify process weaknesses and recommend best practices. We provide high-quality consulting services and technical expertise to you and we believe our proposed team will meet the needs and requirements you are seeking. In addition to identifying abnormal or inappropriate activity, we believe that a comprehensive business function review will yield substantial information for management and is a valuable tool in identifying areas that can be strengthened.



Effective services performed by our team can also provide:

- An objective look at your policies and procedures;
- Valuable suggestions for improvements in your financial, operational and compliance operations;
- Protection for current and future resources through improved internal controls;
- A deterrent to embezzlement and other fraudulent activities;
- Training for your staff and management personnel, and
- Development of a Fraud Response Program.

### ***Forensic data analysis***

CLA's proprietary methodology helps analyze data to find potential issues of fraud and other types of misconduct. Our data analytics methodology coupled with interrogation software can efficiently analyze large amounts of financial and non-financial data, and includes the following benefits:

- Can be used in the prevention, detection, or response to fraud or other misconduct;
- Built-in investigative functionality including powerful, fraud-related specific queries and a self-documenting activity log;
- 100 percent data coverage, which means that forensic data analysis can be performed on entire data populations, not just samples;
- Unparalleled data access allows us to access and analyze data from virtually any computing environment; and
- More precise conclusions that help reduce the need to extrapolate information from errors — a common issue when manually processing data.

Our methodology helps us identify anomalies and red flags that are indicative of fraud and other types of misconduct. We will:

- Acquire and normalize relevant electronic data;
- Run custom analytics and compare results against trends;
- Graphically view trends in data to decipher between false positives, errors, or misappropriations;
- Test high-risk items to verify appropriate or inappropriate transactions;
- Review inappropriate activity and supporting documentation to prove the transactions; and
- Provide you with models and protocols to demonstrate indications of fraud and to prevent future fraud.

Our technological resources go beyond the analysis stage and into the presentation stage where we are able to distill massive amounts of data and complex tracing exercises into clear and concise demonstratives ready for inclusion in written or oral reports, in court, or for other audiences.

### ***Experience serving governments***

Our professionals have deep, technical experience in serving state and local governments. In fact, **CLA serves approximately 2,100 local, county, and state governments**. Any CPA firm can provide audit, accounting and advisory services, but few specialize in the area of accounting, auditing and advisory services for government agencies like we do.



The following table represents our current Massachusetts governmental audit clients:

Cities and Towns	Other Entities
City of Brockton	Boston Housing Authority
City of Chelsea	Boston Public Health Commission
City of Fall River	Boston Public Library
City of Newton	Cambridge Housing Authority
City of Waltham	Cape and Vineyard Electric Cooperative
City of Worcester	Cape Light Compact
Town of Bedford	DCU Center
Town of Berlin	General Court – House
Town of Bourne	General Court – Joint
Town of Carlisle	General Court – Senate
Town of Dennis	Martha’s Vineyard Regional High School District
Town of Eastham	Massachusetts Convention Center Authority
Town of Edgartown	Massachusetts Water Resources Authority
Town of Essex	MassMutual Center
Town of Hamilton	MassHousing Employees’ Retirement System
Town of Hingham	MassHousing OPEB Trust
Town of Mashpee	MassHousing Affordable Housing Trust
Town of Nahant	MassHousing Single Audit
Town of Natick	MWRA OPEB Trust
Town of Norfolk	MWRA Retirement System
Town of Provincetown	Up-Island Regional School District
Town of Stoneham	Whitman-Hanson School District
Town of Swampscott	Worcester Redevelopment Authority
Town of Swansea	Worcester Regional Retirement System
Town of Winchester	Worcester Retirement System

**Reporting and deliverables**

We will structure our communications with you, including our reports and other deliverables, based on your needs. We will designate one person that will be responsible for maintaining close and frequent communications with designated personnel and other parties, as determined by you.

Throughout the project, we will provide draft reports and/or interim reports to communicate sensitive or significant results that we have determined are pertinent for immediate disclosure to the CLPSD. We will also provide status reports on a bi-weekly basis to keep you apprised of our overall status, progress made to date, any delays in obtaining requested information or documents, and our budget to actual hours and costs. These reports will be provided to the personnel designated by the CLPSD during the performance of the project.

At the conclusion of the project, CLA will provide a comprehensive written report that describes the nature of the procedures performed; our findings, results, and interpretations; and any recommendations we have for short-term and long-term process improvements, policy changes, or action items. We would be prepared to share or present the report with any audiences the CLPSD deems appropriate, including the School Committee and City Council. **Please note, this engagement does not contemplate CLA serving in the role of expert witness.**



At no additional cost to the CLPSD, we will retain all workpapers, deliverables, and reports for a period of seven years after the acceptance of our final report. This is our standard document retention period for engagements of this nature.

We are very experienced in providing this type of communication and reporting structure, as it is often implemented on our forensic projects. We have a significant amount of experience working with governing boards, executive management, and the public when dealing with projects of this nature. And we are well versed in dealing with sensitive information that must be reported back to the organization and, on occasion, the public.

### ***Contract scope***

The City of Lowell Public School District is seeking a firm qualified to perform municipal audits to conduct a forensic analysis and examination of the books and records of the City of Lowell Public School District for fiscal year ending June 2018, in accordance with the requirements of the Commonwealth of Massachusetts. The engagement will include, but not be limited to, allocation of funds between accounts, unauthorized payments to employees, review of transportation contracts, review of lease agreements, analysis of the use of revolving funds and the analysis of the potential for non-payment of invoices and other expenses.

We understand the proposed scope, and we have the skillset and experience to deliver this project based on the criteria specified. We have conducted numerous engagements designed to identify fraud, waste, and abuse; evaluate financial transactions for compliance with applicable requirements and internal policies; and provide recommendations to improve organizational structure, policies, and procedures. In addition, we believe this project, based on the scope outlined, is well suited for applying CLA's proven methodology for data analytics. We are well versed in designing forensic audit programs tailored to the organization and its needs.

Our engagement will be conducted in the following Phases:

Phase I – Initial collection of information and interviews of applicable School Department and City personnel to gain an understanding of school programs and financial accounting transactions and procedures.

Phase II – Examination and analysis of school programs, funding and financial transactions.

Phase III – Review results of forensic examinations and investigations and further investigate any irregularities or anomalies identified.

Phase IV – Report findings to Management and establish a communications plan with the school board and other stake holders as requested.

Phase V - Provide final report and testimony or insurance fidelity claim report, if necessary



## Fees

A retainer fee is not required for us to begin this engagement. We bill at our cost, direct expenses including travel, incurred during the course of the engagement. Our hourly rates are based upon the experience and qualifications of the professional and are presented as follows:

Principal	\$450
Director	\$375
Computer Forensics	\$360
Senior Manager	\$325
Manager	\$275
Senior Associate	\$170
Associate	\$140
Administrative	\$120

We agree this engagement will be conducted at an initial maximum amount of \$75,000. During the course of the engagement if we believe additional hours and costs are needed to complete the initial scope of services due to a deeper understanding of the issues, complexity of the issues or unanticipated findings, we will notify you immediately. Our fees are based upon the **actual hours** of professional service rendered by hourly rates of the professional and are not contingent upon the final results of the engagement.

