



**PURCHASING ITEM
FOR
COUNCIL AGENDA**

1. Agenda Item Number:

110

2. Council Meeting Date:
May 23, 2013

TO: MAYOR & COUNCIL

3. Date Prepared: May 1, 2013

THROUGH: CITY MANAGER

4. Requesting Department:
Management Services

5. SUBJECT: Award of Agreement No. AC3-946-3212 for Professional Auditing Services with Heinfeld Meech, LLC, P.C. for one year in an amount not to exceed \$101,006.

6. RECOMMENDATION: Approval of Agreement No. AC3-946-3212 for Professional Auditing Services with Heinfeld Meech, LLC, P.C. for one year in an amount not to exceed \$101,006.

7. HISTORICAL BACKGROUND/DISCUSSION: The City is required by City Charter and state statute to issue an annual audited financial report. In addition, federal law requires the City to undergo an annual single audit of federal financial assistance. The scope of services includes audit work for the City, the Chandler Health Care Benefit Trust, the Chandler Worker's Compensation and Employer Liability Trust and the Chandler Cultural Foundation.

8. EVALUATION PROCESS: On March 21, 2013, the City issued RFP AC3-946-3212 for Professional Auditing Services. The RFP was advertised and all registered vendors were notified of the solicitation. A Pre-Proposal Conference was held April 1, 2013. Following the conference, an addendum was issued. Five (5) proposals were received on April 9, 2013. An evaluation committee comprised of members from Accounting, Budget and Purchasing reviewed the proposals in accordance with established City procedures. The evaluation committee recommended the agreement be awarded to Heinfeld Meech, LLC, P.C. The term of the recommended agreement will be June 1, 2013 through May 31, 2014 with the option to extend four (4) additional successive one-year terms.

9. FINANCIAL IMPLICATIONS: Funds totaling \$101,006 for the FY 2012-2013 audits are available in FY 2013-14 from the following:

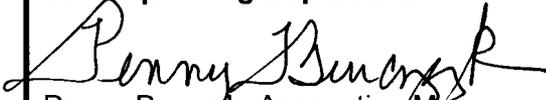
General Fund Accounting	101.1230.5212.0.0.0	\$ 60,886
General Fund Non-Departmental	101.1290.5219.0.0.0	\$ 3,822
General Fund Fire Administration	101.2210.5212.0.0.0	\$ 1,255
Highway User Revenue Fund (HURF)	215.3300.5212.0.0.0	\$ 1,201
Local Transportation Assistance Fund (LTAF)	216.3340.5212.0.0.0	\$ 1,255
Community Development Block Grant Fund (CDBG)	219.4700.5212.BG1213	\$ 3,335
PHA Family Sites Fund	224.4650.5212.0.0.0	\$ 2,450
PHA Elderly and Scattered Sites Fund	227.4650.5212.0.0.0	\$ 2,000
PHA Section 8 Vouchers Fund	233.4650.5212.0.0.0	\$ 3,338
Solid Waste Operating Fund	625.3700.5219.0.0.0	\$ 2,510
Chandler Workers Compensation & Employer Liability Trust Fund	736.1230.5212.0.0.0	\$ 3,782
Chandler Health Care Trust Fund for Calendar Year 2013	741.1230.5212.0.0.0	\$ 5,952
Chandler Cultural Foundation		\$ 9,220
Total Not To Exceed For Audit Services		\$ 101,006

10. PROPOSED MOTION: Move to approve Agreement No. AC3-946-3212 for Professional Auditing Services with Heinfeld Meech, LLC, P.C. for one year in an amount not to exceed \$101,006.

ATTACHMENT: Agreement

APPROVALS

11. Requesting Department


Penny Burczyk, Accounting Manager

12. Department Head


Dawn Lang, Management Services Director

13. Procurement and Materials Supervisor


Robert Descheemaker, CPPB

14. City Manager


Rich Dlugas

**CITY OF CHANDLER SERVICES AGREEMENT
AUDIT SERVICES
AGREEMENT NO.: AC3-946-3212**

THIS AGREEMENT is made and entered into this ____ day of _____, 2013, by and between the City of Chandler, a Municipal Corporation of the State of Arizona, hereinafter referred to as "CITY", and Heinfeld Meech, LLC, hereinafter referred to as "CONTRACTOR".

WHEREAS, CONTRACTOR represents that CONTRACTOR has the expertise and is qualified to perform the services described in the Agreement.

NOW THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties hereto agree as follows:

1. CONTRACT ADMINISTRATOR:

1.1. Contract Administrator. CONTRACTOR shall act under the authority and approval of the **Accounting Manager**/designee (Contract Administrator), to provide the services required by this Agreement.

1.2. Key Staff. This Contract has been awarded to CONTRACTOR based partially on the key personnel proposed to perform the services required herein. CONTRACTOR shall not change nor substitute any of these key staff for work on this Contract without prior written approval by CITY.

1.3. Subcontractors. During the performance of the Agreement, CONTRACTOR may engage such additional SUBCONTRACTORS as may be required for the timely completion of this Agreement. In the event of subcontracting, the sole responsibility for fulfillment of all terms and conditions of this Agreement rests with CONTRACTOR.

1.4. Subcontracts. CONTRACTOR shall not enter into any Subcontract under this Contract for the performance of this Contract without the advance written approval of CITY. The subcontract shall incorporate by reference the terms and conditions of this Contract.

2. SCOPE OF WORK: CONTRACTOR shall conduct Professional Audit Services for the City, all as more specifically set forth in the Scope of Work, labeled Exhibit B, attached hereto and made a part hereof by reference and as set forth in the Specifications and details included therein. In addition to Exhibit B, the Scope of Work, Exhibit B-1 is part of the Response to the RFP for this Contract submitted by CONTRACTOR. CONTRACTOR is required to perform the tasks set forth in the Scope of Work Exhibit B and the tasks and responsibilities set forth in Exhibit B-1 as part of this Agreement. Exhibit B shall take precedence over Exhibit B-1 if any conflict arises.

2.1. Non-Discrimination. The CONTRACTOR shall comply with State Executive Order No. 99-4 and all other applicable City, State and Federal laws, rules and regulations, including the Americans with Disabilities Act.

2.2. Licenses. CONTRACTOR shall maintain in current status all Federal, State and local licenses and permits required for the operation of the business conducted by the CONTRACTOR as applicable to this contract.

- 2.3. Advertising, Publishing and Promotion of Contract.** The CONTRACTOR shall not use, advertise or promote information for benefit concerning this Contract without the prior written approval of the CITY.
- 2.4. Compliance With Applicable Laws.** CONTRACTOR shall comply with all applicable Federal, state and local laws, and with all applicable licenses and permit requirements.
- 2.4.1** Pursuant to the provisions of A.R.S. § 41-4401, the Contractor hereby warrants to the City that the Contractor and each of its subcontractors ("Subcontractors") will comply with all Federal Immigration laws and regulations that relate to the immigration status of their employees and the requirement to use E-Verify set forth in A.R.S. §23-214(A) (hereinafter "Contractor Immigration Warranty").
- 2.4.2** A breach of the Contractor Immigration Warranty (Exhibit A) shall constitute a material breach of this Contract that is subject to penalties up to and including termination of the contract.
- 2.4.3** The City retains the legal right to inspect the papers of any Contractor or Subcontractor employee who works on this Contract to ensure that the Contractor or Subcontractor is complying with the Contractor Immigration Warranty. The Contractor agrees to assist the City in the conduct of any such inspections.
- 2.4.4** The City may, at its sole discretion, conduct random verifications of the employment records of the Contractor and any Subcontractors to ensure compliance with Contractors Immigration Warranty. The Contractor agrees to assist the City in performing any such random verifications.
- 2.4.5** The provisions of this Article must be included in any contract the Contractor enters into with any and all of its subcontractors who provide services under this Contract or any subcontract. "Services" are defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.
- 2.4.6** In accordance with A.R.S. §35-393.06, the Contractor hereby certifies that the Offeror does not have scrutinized business operations in Iran.
- 2.5.** In accordance with A.R.S. §35-391.06, the Contractor hereby certifies that the Offeror does not have scrutinized business operations in Sudan.
- 3. ACCEPTANCE AND DOCUMENTATION:** Each task shall be reviewed and approved by the Contract Administrator to determine acceptable completion.
- 3.1. Records.** The CONTRACTOR shall retain and shall contractually require each SUBCONTRACTOR to retain all data and other "records" relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract.
- 3.2. Audit.** At any time during the term of this Contract and five (5) years thereafter, the CONTRACTOR'S or any SUBCONTRACTOR'S books and records shall be subject to audit by the City to the extent that the books and records relate to the performance of

the Contract or Subcontract. Upon request, the CONTRACTOR shall produce a legible copy of any or all such records.

- 3.3. **New/Current Products.** All equipment, materials, parts and other components incorporated in the work or services performed pursuant to this Contract shall be new, or the latest model and of the most suitable grade for the purpose intended. All work shall be performed in a skilled and workmanlike manner.
- 3.4. **Property of CITY.** Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of CITY. CONTRACTOR is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. CONTRACTOR shall not use or release these materials without the prior written consent of CITY.
- 4.1. **PRICE:** CITY shall pay to CONTRACTOR the sum of one hundred and one thousand and six dollars (\$101,006) for the first contract year for the work and services described herein, which sum shall include all costs or expenses incurred by CONTRACTOR, payable as set forth in Exhibit B, attached hereto and made a part hereof by reference.
- 4.2. **Taxes.** CONTRACTOR shall be solely legally responsible for any and all tax obligations, which may result out of CONTRACTOR'S performance of this Contract. CITY shall have no legal obligation to pay any amounts for taxes, of any type, incurred by CONTRACTOR. City agrees that Contractor may bill the City for applicable privilege license taxes which are paid for by Contractor and that the City will reimburse Contractor for privilege license taxes actually paid by Contractor. If Contractor obtains any refund of privilege license taxes paid, City will be entitled to a refund of such amounts.
- 4.3. CONTRACTOR shall be solely responsible for any and all tax obligations, which may result out of the CONTRACTOR'S performance of this Agreement. The CITY shall have no obligation to pay any amounts for taxes, of any type, incurred by the CONTRACTOR.

Payment. A separate invoice shall be issued for each shipment of material or service performed, and no payment will be issued prior to receipt of material and/or completion of specified services and receipt of a correct invoice.
- 4.4. **IRS W9 Form.** In order to receive payment CONTRACTOR shall have a current I.R.S. W9 Form on file with CITY, unless not required by law.
5. **TERM:**
 - 5.1. The base term of the Contract term is one year (June 1, 2013 thru May 31, 2014) but may be extended by mutual agreement of the parties for up to four (4) additional successive terms of one year each.
6. **USE OF THIS CONTRACT:** The Contract is for the sole convenience of the City of Chandler. CITY reserves the rights to obtain like services from another source to secure significant cost savings or when timely completion cannot be met by CONTRACTOR.

6.1. **Emergency Purchases:** CITY reserves the rights to purchase from other sources those items, which are required on an emergency basis and cannot be supplied immediately by the CONTRACTOR.

7. **CITY'S CONTRACTUAL REMEDIES:**

7.1. **Right to Assurance.** If the City in good faith has reason to believe that the CONTRACTOR does not intend to, or is unable to perform or continue performing under this Contract, the Contract Administrator may demand in writing that the CONTRACTOR give a written assurance of intent to perform. Failure by the CONTRACTOR to provide written assurance within the number of Days specified in the demand may, at the City's option, be the basis for terminating the Contract in addition to any other rights and remedies provided by law or this Contract.

7.2. **Stop Work Order.** The City may, at any time, by written order to the CONTRACTOR, require the CONTRACTOR to stop all or any part, of the work called for by this Contract for period(s) of days indicated by the City after the order is delivered to the CONTRACTOR. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the CONTRACTOR shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.

7.3. If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the CONTRACTOR shall resume work. The Contract Administrator shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.

7.4. **Non-exclusive Remedies.** The rights and the remedies of the City under this Contract are not exclusive.

7.5. **Nonconforming Tender.** Services and materials supplied under this Contract shall fully comply with Contract requirements and specifications. Services or materials that do not fully comply constitute a breach of contract.

7.6. **Right of Offset.** The City shall be entitled to offset against any sums due CONTRACTOR, any expenses or costs incurred by the City, or damages assessed by the City concerning the CONTRACTOR'S non-conforming performance or failure to perform the Contract, including expenses to complete the work and other costs and damages incurred by CITY.

8. **TERMINATION:**

8.1. **Termination for Convenience:** CITY reserves the right to terminate this Agreement or any part thereof for its sole convenience with thirty (30) days written notice. In the event of such termination, CONTRACTOR shall immediately stop all work hereunder, and shall immediately cause any of its suppliers and subCONTRACTORS to cease such work. As compensation in full for services performed to the date of such termination, the CONTRACTOR shall receive a fee for the percentage of services actually performed. This fee shall be in the amount to be mutually agreed upon by the CONTRACTOR and CITY, based on the agreed Scope of Work. If there is no mutual agreement, the Management Services Director shall determine the percentage of work performed under

each task detailed in the Scope of Work and the CONTRACTOR'S compensation shall be based upon such determination and CONTRACTOR'S fee schedule included herein.

- 8.2. Termination for Cause:** City may terminate this Agreement for Cause upon the occurrence of any one or more of the following events:
- 1) If CONTRACTOR fails to perform pursuant to the terms of this Agreement
 - 2) If CONTRACTOR is adjudged a bankrupt or insolvent;
 - 3) If CONTRACTOR makes a general assignment for the benefit of creditors;
 - 4) If a trustee or receiver is appointed for CONTRACTOR or for any of CONTRACTOR'S property;
 - 5) If CONTRACTOR files a petition to take advantage of any debtor's act, or to reorganize under the bankruptcy or similar laws;
 - 6) If CONTRACTOR disregards laws, ordinances, rules, regulations or orders of any public body having jurisdiction;
 - 7) Where Agreement has been so terminated by CITY, the termination shall not affect any rights of CITY against CONTRACTOR then existing or which may thereafter accrue.
- 8.3. Cancellation for Conflict of Interest.** Pursuant to A.R.S. § 38-511, CITY may cancel this Contract after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the City is or becomes at any time while this Contract or an extension of this Contract is in effect, an employee of or a consultant to any other party to this Contract. The cancellation shall be effective when the CONTRACTOR receives written notice of the cancellation unless the notice specifies a later time.
- 8.4. Gratuities.** CITY may, by written notice, terminate this Contract, in whole or in part, if CITY determines that employment or a Gratuity was offered or made by CONTRACTOR or a representative of CONTRACTOR to any officer or employee of CITY for the purpose of influencing the outcome of the procurement or securing this Contract, an amendment to this Contract, or favorable treatment concerning this Contract, including the making of any determination or decision about contract performance. The CITY, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the Gratuity offered by CONTRACTOR.
- 8.5. Suspension or Debarment.** CITY may, by written notice to the CONTRACTOR, immediately terminate this Contract if CITY determines that CONTRACTOR has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a SUBCONTRACTOR of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the CONTRACTOR is not currently suspended or debarred. If CONTRACTOR becomes suspended or debarred, CONTRACTOR shall immediately notify CITY.
- 8.6. Continuation of Performance Through Termination.** The CONTRACTOR shall continue to perform, in accordance with the requirements of the Contract, up to the date of termination, as directed in the termination notice.
- 8.7. No Waiver.** Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed a waiver of that term or condition even if the party

accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

- 8.8. Availability of Funds for the next Fiscal Year.** Funds may not presently be available under this agreement beyond the current fiscal year. No legal liability on the part of the CITY for services may arise under this agreement beyond the current fiscal year until funds are made available for performance of this agreement. The CITY may reduce services or terminate this agreement without further recourse, obligation, or penalty in the event that insufficient funds are appropriated. The City Manager shall have the sole and unfettered discretion in determining the availability of funds.
- 9. FORCE MAJEURE:** Neither party shall be responsible for delays or failures in performance resulting from acts beyond their control. Such acts shall include, but not be limited to, acts of God, riots, acts of war, epidemics, governmental regulations imposed after the fact, fire, communication line failures, power failures, or earthquakes.
- 10. DISPUTE RESOLUTION:**
- 10.1. Arizona Law.** This Agreement shall be governed and interpreted according to the laws of the State of Arizona.
- 10.2. Jurisdiction and Venue.** The parties agree that this Agreement is made in and shall be performed in Maricopa County. Any lawsuits between the Parties arising out of this Agreement shall be brought and concluded in the courts of Maricopa County in the State of Arizona, which shall have exclusive jurisdiction over such lawsuits.
- 10.3. Fees and Costs.** Except as otherwise agreed by the parties, the prevailing party in any adjudicated dispute relating to this Agreement is entitled to an award of reasonable attorney's fees, expert witness fees and costs including, as applicable, arbitrator fees; provided, however, that no award of attorney's fees shall exceed ten percent (10%) of the damages awarded the prevailing party unless the non-prevailing party has been determined to have acted in bad faith or in a frivolous manner during the adjudication.
- 11. INDEMNIFICATION:** To the fullest extent permitted by law, CONTRACTOR, its successors, assigns and guarantors, shall defend, indemnify and hold harmless City and any of its elected or appointed officials, officers, directors, commissioners, board members, agents or employees from and against any and all allegations, demands, claims, proceedings, suits, actions, damages, including, without limitation, property damage, environmental damages, personal injury and wrongful death claims, losses, expenses (including claim adjusting and handling expenses), penalties and fines (including, but not limited to, attorney fees, court costs, and the cost of appellate proceedings), judgments or obligations, which may be imposed upon or incurred by or asserted against the City by reason of this Agreement or the services performed or permissions granted under it, or related to, arising from or out of, or resulting from any negligent or intentional actions, acts, errors, mistakes or omissions caused in whole or part by CONTRACTOR, or any of its subcontractors, or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, relating to the discharge of any duties or the exercise of any rights or privileges arising from or incidental to this Agreement, including but not limited to, any injury or damages claimed by any of CONTRACTOR's and subcontractor's employees

12. **INSURANCE:**

1. General.

- A. At the same time as execution of this Agreement, the CONTRACTOR shall furnish the City of Chandler a certificate of insurance on a standard insurance industry ACORD form. The ACORD form must be issued by an insurance company authorized to transact business in the State of Arizona possessing a current A.M. Best, Inc. rating of A-7, or better and legally authorized to do business in the State of Arizona with policies and forms satisfactory to CITY. Provided, however, the A.M. Best rating requirement shall not be deemed to apply to required Workers' Compensation coverage.
- B. The CONTRACTOR and any of its subcontractors, subconsultants or sublicensees shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Agreement are satisfied, the insurances set forth below.
- C. The insurance requirements set forth below are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement.
- D. The City in no way warrants that the minimum insurance limits contained in this Agreement are sufficient to protect CONTRACTOR from liabilities that might arise out of the performance of the Agreement services under this Agreement by CONTRACTOR, its agents, representatives, employees, subcontractors, sublicensees or subconsultants and the CONTRACTOR is free to purchase any additional insurance as may be determined necessary.
- E. Failure to demand evidence of full compliance with the insurance requirements in this Agreement or failure to identify any insurance deficiency will not relieve the CONTRACTOR from, nor will it be considered a waiver of its obligation to maintain the required insurance at all times during the performance of this Agreement.
- F. Use of SubContractors: If any work is subcontracted in any way, the CONTRACTOR shall execute a written agreement with Subcontractor containing the same Indemnification Clause and Insurance Requirements as the City requires of the CONTRACTOR in this Agreement. The CONTRACTOR is responsible for executing the Agreement with the Subcontractor and obtaining Certificates of Insurance and verifying the insurance requirements.

2. Minimum Scope And Limits Of Insurance. The CONTRACTOR shall provide coverage with limits of liability not less than those stated below.

- A. *Commercial General Liability-Occurrence Form.* CONTRACTOR must maintain "occurrence" form Commercial General Liability insurance with a limit of not less than \$2,000,000 for each occurrence, \$4,000,000 aggregate. Said insurance must also include coverage for products and completed operations, independent contractors, personal injury and advertising injury. If any Excess insurance is utilized to fulfill the requirements of this paragraph, the Excess insurance must be "follow form" equal or broader in coverage scope than underlying insurance.
- B. *Automobile Liability-Any Auto or Owned, Hired and Non-Owned Vehicles*

Vehicle Liability: CONTRACTOR must maintain Business/Automobile Liability insurance with a limit of \$1,000,000 each accident on CONTRACTOR owned, hired, and non-owned vehicles assigned to or used in the performance of the CONTRACTOR's work or services under this Agreement. If any Excess or Umbrella insurance is utilized to fulfill the requirements of this paragraph, the Excess or Umbrella insurance must be "follow form" equal or broader in coverage scope than underlying insurance.

- C. *Workers Compensation and Employers Liability Insurance:* CONTRACTOR must maintain Workers Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of CONTRACTOR employees engaged in the performance of work or services under this Agreement and must also maintain Employers' Liability insurance of not less than \$1,000,000 for each accident and \$1,000,000 disease for each employee.
- D. *Professional Liability.* If the Agreement is the subject of any professional services or work performed by the CONTRACTOR, or if the CONTRACTOR engages in any professional services or work adjunct or residual to performing the work under this Agreement, the CONTRACTOR must maintain Professional Liability insurance covering errors and omissions arising out of the work or services performed by the CONTRACTOR, or anyone employed by the CONTRACTOR, or anyone whose acts, mistakes, errors and omissions the CONTRACTOR is legally liable, with a liability limit of \$1,000,000 each claim and \$2,000,000 all claims. In the event the Professional Liability insurance policy is written on a "claims made" basis, coverage must extend for 3 years past completion and acceptance of the work or services, and the CONTRACTOR, or its selected Design Professional will submit Certificates of Insurance as evidence the required coverage is in effect. The Design Professional must annually submit Certificates of Insurance citing that the applicable coverage is in force and contains the required provisions for a 3 year period.

3. Additional Policy Provisions Required.

- A. *Self-Insured Retentions Or Deductibles.* Any self-insured retentions and deductibles must be declared and approved by the City. If not approved, the City may require that the insurer reduce or eliminate any deductible or self-insured retentions with respect to the City, its officers, officials, agents, employees, and volunteers.
- B. *City as Additional Insured.* The policies are to contain, or be endorsed to contain, the following provisions:
1. The Commercial General Liability and Automobile Liability policies are to contain, or be endorsed to contain, the following provisions: The City, its officers, officials, agents, and employees are additional insureds with respect to liability arising out of activities performed by, or on behalf of, the CONTRACTOR including the City's general supervision of the CONTRACTOR; Products and Completed operations of the CONTRACTOR; and automobiles owned, leased, hired, or borrowed by the CONTRACTOR.
 2. The CONTRACTOR's insurance must contain broad form contractual liability coverage and must not exclude liability arising out of explosion, collapse, or underground property damage hazards ("XCU") coverage.

3. The City, its officers, officials, agents, and employees must be additional insureds to the full limits of liability purchased by the CONTRACTOR even if those limits of liability are in excess of those required by this Agreement.
 4. The CONTRACTOR's insurance coverage must be primary insurance with respect to the City, its officers, officials, agents, and employees. Any insurance or self-insurance maintained by the City, its officers, officials, agents, and employees shall be in excess of the coverage provided by the CONTRACTOR and must not contribute to it.
 5. The CONTRACTOR's insurance must apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
 6. Coverage provided by the CONTRACTOR must not be limited to the liability assumed under the indemnification provisions of this Agreement.
 7. The policies must contain a severability of interest clause and waiver of subrogation against the City, its officers, officials, agents, and employees, for losses arising from Work performed by the CONTRACTOR for the City.
 8. The CONTRACTOR, its successors and or assigns, are required to maintain Commercial General Liability insurance as specified in this Agreement for a minimum period of 3 years following completion and acceptance of the Work. The CONTRACTOR must submit a Certificate of Insurance evidencing Commercial General Liability insurance during this 3 year period containing all the Agreement insurance requirements, including naming the City of Chandler, its agents, representatives, officers, directors, officials and employees as Additional Insured as required.
 9. If a Certificate of Insurance is submitted as verification of coverage, the City will reasonably rely upon the Certificate of Insurance as evidence of coverage but this acceptance and reliance will not waive or alter in any way the insurance requirements or obligations of this Agreement. If any of the required policies expire during the life of this Agreement, the CONTRACTOR must forward renewal or replacement Certificates to the City within 10 days after the renewal date containing all the necessary insurance provisions.
- 13. NOTICES:** All notices or demands required to be given pursuant to the terms of this Agreement shall be given to the other party in writing, delivered by hand or registered or certified mail, at the addresses set forth below, or to such other address as the parties may substitute by written notice given in the manner prescribed in this paragraph.

In the case of the CITY

In the case of the CONTRACTOR

Contract Administrator: Accounting Manager
 Contact: Penny Burczyk
 Mailing Address: _____
 Physical Address: 175 S. Arizona Ave., 4th
Floor
 City, State, Zip Chandler, AZ
 Phone: 480 782 2332
 FAX: 480 782

Firm Name: Heinfeld Meech, LLC
 Contact: Corey Arvisu
 Address: 10120 N. Oracle Rd.
 City, State, Zip Tucson, AZ 85704
 Phone: 520 742-2611
 FAX: 602-277-9297
 E-Mail: _____

E-mail: Penny.burczyk@chandleraz.gov

Notices shall be deemed received on date delivered, if delivered by hand, and on the delivery date indicated on receipt if delivered by certified or registered mail.

14. CONFLICT OF INTEREST:

14.1. No Kickback. CONTRACTOR warrants that no person has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, percentage, brokerage or contingent fee; and that no member of the City Council or any employee of the CITY has any interest, financially or otherwise, in the firm unless this interest has been declared pursuant to the provisions of A.R.S. Section 38-501. Any such interests were disclosed in CONTRACTOR'S proposal to the CITY.

14.2. Kickback Termination. CITY may cancel any contract or agreement, without penalty or obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the agreement on behalf of the CITY is, at any time while the Agreement or any extension of the Agreement is in effect, an employee of any other party to the Agreement in any capacity or a CONTRACTOR to any other party to the Agreement with respect to the subject matter of the Agreement. The cancellation shall be effective when written notice from CITY is received by all other parties, unless the notice specifies a later time (A.R.S. §38-511).

14.3. No Conflict: CONTRACTOR stipulates that its officers and employees do not now have a conflict of interest and it further agrees for itself, its officers and its employees that it will not contract for or accept employment for the performance of any work or services with any individual business, corporation or government unit that would create a conflict of interest in the performance of its obligations pursuant to this project.

15. GENERAL TERMS:

15.1. Ownership. All deliverables and/or other products of the Contract (including but not limited to all software documentation, reports, records, summaries and other matter and materials prepared or developed by CONTRACTOR in performance of the Contract) shall be the sole, absolute and exclusive property of CITY, free from any claim or retention of right on the part of CONTRACTOR, its agents, sub-contractors, officers or employees.

15.2. Entire Agreement. This Agreement, including all Exhibits attached hereto, constitutes the entire understanding of the parties and supersedes all previous representations, written or oral, with respect to the services specified herein. This Agreement may not be modified or amended except by a written document, signed by authorized representatives of each party.

15.3. Arizona Law. This Agreement shall be governed and interpreted according to the laws of the State of Arizona.

15.4. Assignment: Services covered by this Agreement shall not be assigned in whole or in part without the prior written consent of the CITY.

- 15.5. Amendments.** The Contract may be modified only through a written Contract Amendment executed by authorized persons for both parties. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by a person who is not specifically authorized by the City in writing or made unilaterally by the CONTRACTOR are violations of the Contract. Any such changes, including unauthorized written Contract Amendments shall be void and without effect, and the CONTRACTOR shall not be entitled to any claim under this Contract based on such changes.
- 15.6. Independent CONTRACTOR.** The CONTRACTOR under this Contract is an independent CONTRACTOR. Neither party to this Contract shall be deemed to be the employee or agent of the other party to the Contract.
- 15.7. No Parole Evidence.** This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding.
- 15.8. Authority:** Each party hereby warrants and represents that it has full power and authority to enter into and perform this Agreement, and that the person signing on behalf of each has been properly authorized and empowered to enter this Agreement. Each party further acknowledges that it has read this Agreement, understands it, and agrees to be bound by it.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names to this ____ day of _____, 2013.

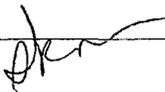
FOR THE CITY OF CHANDLER

MAYOR

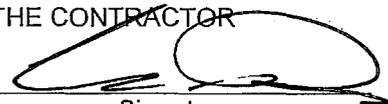
ATTEST:

City Clerk

Approved as to form:

City Attorney 

FOR THE CONTRACTOR

By: 
Signature

ATTEST: If Corporation

Secretary

SEAL

EXHIBIT A

Contractor Immigration Warranty
To Be Completed by Contractor Prior to Execution of Contract

A.R.S. § 41-4401 requires as a condition of your contract verification of compliance by the contractor and subcontractors with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of its employees.

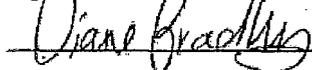
By completing and signing this form the contractor shall attest that it and all subcontractors performing work under the cited contract meet all conditions contained herein.

Contract Number: AC3-946-3212		
Name (as listed in the contract): Heinfeld, Meech & Co., P.C.		
Street Name and Number: 10120 N. Oracle Rd.		
City: Tucson	State: AZ	Zip Code: 85704

I hereby attest that:

1. The contractor complies with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of those employees performing work under this contract;
2. All subcontractors performing work under this contract comply with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of their employees.

Signature of Contractor (Employer) or Authorized Designee:



Printed Name: Diane Bradley

Title: Partner - Administration

Date (month/day/year): 4/5/13

Exhibit B—Scope of Work Requirements

1. General Requirements

1.1 The audits are to be performed in accordance with auditing standards generally accepted in the United States, as set forth by the American Institute of Certified Public Accountants (AICPA), the standards set forth for financial audits in the General Accounting Office (GAO) Government Accounting Standards (as revised in 1994), the provisions of the federal Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as well as the following additional requirements:

- 1.1.1 the State of Arizona Uniform Expenditure Reporting System requirements;
- 1.1.2 the State of Arizona Local Transportation Assistance Fund expenditure requirements;
- 1.1.3 the State of Arizona Department of Environmental Quality Local Government Financial Test,
- 1.1.4 the U.S. Department of Housing and Urban Development (HUD) Financial Data Schedule (FDS) per Chapter 2 of the Statement on Standards for Attestation Engagements (SSAE) No. 10 for the AICPA.

In Addition, the CITY's independent auditors may conduct, at the request of the CITY, other special audits or consulting services for selected departments or programs.

2. Specific Requirements

2.1 The CITY requires the CONTRACTOR to express an opinion on the fair presentation of its basic financial statements in conformity with accounting principles generally accepted in the U.S.

The CONTRACTOR is not required to audit the combining and individual non-major fund financial statements and supporting schedules. However, the CONTRACTOR is to provide an "in-relation-to" report on the combining and individual non-major fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. The CONTRACTOR is not required to audit the introductory section of the report of the statistical section of the report.

The CONTRACTOR shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by auditing standards generally accepted in the U.S.

The CONTRACTOR is not required to audit the schedule of expenditures of federal awards. However, the CONTRACTOR shall provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

2.2 **Reports.** Following the completion of the audit of the year's financial statements, the CONTRACTOR shall issue:

- 2.2.1 A report on the fair presentation of the CITY's financial statements in conformity with accounting principles generally accepted in the U.S., including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards "in-relation-to" to the audited financial statements.
- 2.2.2 A report on the fair presentation of the financial statements of the Volunteer Fireman's Pension and Relief Trust Fund of the CITY in conformity with accounting principles generally accepted in the U.S.
- 2.2.3 A report on the fair presentation of the financial statements of the Chandler Cultural Foundation in conformity with accounting principles generally accepted in the U.S.
- 2.2.4 A report on compliance and on internal control over financial reporting based on an audit of financial

- statements generally accepted government auditing standards.
- 2.2.5 A report on compliance and internal control over compliance applicable to each major federal program.
 - 2.2.6 A report on compliance with the Local Transportation Assistance Fund II expenditure requirements, ARS Title 28, Chapter 24, Article 1, Section 28-8103.
 - 2.2.7 A report on compliance with the Uniform Expenditure Limitation reporting system requirements, ARS 41-1279.07.
 - 2.2.8 A report on compliance with the Arizona Department of Environmental Quality Local Government Financial Tet, 40 CFR 258.74.
 - 2.2.9 Electronic submission of the Financial Data Schedule (SF SAC) to HUD's Real Estate Assessment Center (REAC).
 - 2.2.10 A report on compliance with the Highway User Revenue Fund Requirements, ARS Title 28, Chapter 18, Article 2.
 - 2.2.11 A report on the fair presentation of the financial statements of the Chandler Health Care Benefit Trust Fund of the CITY in conformity with accounting principles generally accepted in the U.S.
 - 2.2.12 A report on the fair presentation of the financial statements of the Chandler Worker's Compensation and Employer Liability Trust Fund of the CITY in conformity with accounting principles generally accepted in the U.S.
 - 2.2.13 A report on the fair presentation of the financial statements of the Chandler Firefighters Employee Benefit Trust in conformity with accounting principles generally accepted in the U.S.

In the required reports on compliance and internal controls, the CONTRACTOR shall communicate any significant deficiencies found during the audit. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles. Material weaknesses shall also be identified as such in the report. Other matters discovered by the CONTRACTOR shall be reported in a separate letter to management, which shall be referred to in the report (s) on compliance and internal controls.

- 2.3 Irregularities and Illegal Acts.** CONTRACTOR shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the Management Services Director of the CITY.

CONTRACTOR shall assure themselves that the CITY is informed of each of the following:

- 2.3.1 The CONTRACTOR's responsibility under auditing standards generally accepted in the U.S.
- 2.3.2 Significant accounting policies
- 2.3.3 Management judgments and accounting estimates
- 2.3.4 Significant audit adjustments
- 2.3.5 Other information in documents containing audited financial statements
- 2.3.6 Disagreements with management
- 2.3.7 Management consultation with other accountants
- 2.3.8 Major issues discussed with management prior to retention
- 2.3.9 Difficulties encountered in performing the audit

2.4 Special Considerations

- 2.4.1 The CITY shall send its comprehensive annual financial report to the Government Finance Officers Association of the U.S. and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program (Certificate Program). It is anticipated that the CONTRACTOR shall be required to review the financial statements against the Certificate Program checklist to ensure compliance with the requirements of that program.
- 2.4.2 The CITY typically prepares one or more official statements each year in connection with the sale of debt securities, which contains the basic financial statements and the auditor's report thereon. Currently, the CITY does not require its CONTRACTOR to issue a "consent and citation of expertise" as the auditor and/or any necessary "comfort letters." However, the CONTRACTOR shall be required,

- if requested by the CITY's financial advisor and/or underwriter, to issue such letters, as needed.
- 2.4.3 The CITY has determined that the U.S. Department of Housing and Urban Development will function as the cognizant agency in accordance with the provisions of the Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- 2.4.4 The schedule of expenditures of federal awards and related auditor's report, as well as the reports on compliance and internal controls are not to be included in the comprehensive annual financial report, but are to be issued separately.

2.5 Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the CONTRACTOR's expense, for a minimum of five (5) years, unless the CONTRACTOR is notified in writing by the CITY of the need to extend the retention period. The CONTRACTOR shall be required to make working papers available, upon request, to the following parties or their designees: CITY, U.S. Department of Housing and Urban Development, U.S. General Accounting Office (GAO), parties designated by the federal or state governments or by the CITY as part of an audit quality review process, and auditors of entities of which the CITY is a sub-recipient of grant funds.

In addition, the CONTRACTOR shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

2.6 Components for Fiscal Year and Calendar Year Audits to include but not limited to the following and will be scheduled with mutually agreed upon dates:

Entrance conference with Accounting Division Manager, Sr. Financial Reporting Analyst and key personnel

Note: The purpose of this meeting will be to discuss the interim work to be performed. This meeting will also be used to establish overall liaison for the audit, to make arrangements for work space and any other needs of the CONTRACTOR.

Detailed Audit Plan

Note: The CONTRACTOR shall provide the CITY with both a detailed plan and a list of all schedules to be prepared by the CITY. Future years meeting dates, as applicable, will be determined mutually by the CITY and CONTRACTOR.

Commencement of year-end-audit field work

Completion of audit field work

Draft Financial Statements

Note: The CITY shall provide the CONTRACTOR with a draft of the Comprehensive Annual Financial Report for review.

Exit interview with Accounting Manager, Sr. Financial Reporting Analyst and Director of Management Services

Note: The purpose of the meeting shall be to summarize the results of the field work, review significant findings and review the draft financial report.

Signed Auditors Opinion delivered to the CITY

3. Assistance to be Provided to the CONTRACTOR and Report Preparation

3.1 Accounting Division and Clerical Assistance—The Accounting Division staff and responsible management personnel shall be available during the audit to assist the CONTRACTOR by providing information, documentation and explanations. The preparation of confirmations shall be the responsibility of the CITY.

- 3.2 Electronic Data Processing (EDP) Assistance—The CITY's Information Technology Division personnel shall be available to provide systems documentation and explanations.
- 3.3 Statements and Schedules to be Prepared by the Staff of the CITY—CITY staff shall prepare the trial balances and all required statements and schedules for the CONTRACTOR in accordance with the above schedule.
- 3.4 Work Area, Telephones, and Photocopying/ FAX services—The CITY shall provide the CONTRACTOR with reasonable work space, desks and chairs. The CONTRACTOR shall also be provided with access to a telephone line, and photocopying/fax facilities.
- 3.5 Report Preparation—CITY staff shall prepare, type, print and bind the comprehensive annual financial report, the ADEQ report, the Uniform Expenditure Reporting System report, and the Local Transportation Assistance Fund report. The CONTRACTOR shall type, print, and bind the single audit report, the Volunteer Firemen's Pension Fund Report, Chandler Health Care Benefit Trust report, Chandler Worker's Compensation and Employer Liability Trust report, Chandler Firefighters Employee Benefit Trust report and the Chandler Cultural Foundation report.

III. Offeror's Method of Approach to the Scope of Work

6.4.3.1. Outline of Recommended Approach

Audit Work Plan

This section presents a general outline of the audit steps that will be performed by our firm to meet the required report deadlines.

Audit Planning

- Preparation and issuance of engagement letter
- Conduct entrance conference with key personnel
- Perform risk assessment procedures
 - Inquiries of management and staff
 - Preliminary analytical procedures
 - Observation of operations
 - Perform transaction walkthroughs
 - Engagement team discussions
- Develop an understanding of client, the environment and internal controls
 - Review prior year financial statements and applicable accounting records
 - Review of industry guides, regulatory information, statutes, internal/external reports, etc.
 - Preparation of process and control memorandums
 - Completion and review of internal control questionnaires
 - Obtain understanding of information technology systems
- Compile and assess engagement risks
- Develop a preliminary judgment of materiality and calculate tolerable misstatement levels
- Develop a detailed audit plan to include preparation of audit programs
- Identification of major Federal programs for Single Audit
- Develop sampling scopes for tests of controls and compliance testing
- Identify responsibilities and assign tasks to the audit staff and City personnel
- Submit audit questionnaires to audit liaison for assignment to City staff
- Other planning procedures, as deemed necessary



6.4.3.1. Outline of Recommended Approach (Cont'd)

Core Audit Procedures

- Perform tests of key operational controls. May include, but not limited to the following areas, if applicable.
 - Payroll and related benefits
 - Disbursements and accounts payable
 - Capital asset additions and deletions
 - Cash receipts (e.g. taxes, charges for services)
- Develop and perform compliance tests for applicable compliance requirements
 - Federal compliance requirements
 - State statutes and compliance requirements
 - City policies and/or resolutions
 - Other contractual requirements, as applicable
- Perform substantive procedures on the primary financial statement accounts
 - Cash and investments
 - Receivables (including interfund balances)
 - Capital assets
 - Payables (e.g. accounts payable, accrued payroll/benefits)
 - Long-term debt (e.g. compensated absences, bonds, loans, notes, leases)
 - Tax revenues
 - Intergovernmental (including grants and contributions)
 - Charges for services (governmental and proprietary)
 - Other sources (e.g. interfund activity, debt proceeds, capital contributions)
 - Payroll and related benefit expenditures/expenses
 - Goods and services expenditures/expenses
 - Debt service expenditures
- Other necessary audit procedures, if applicable
 - Evaluation of service organizations
 - Evaluation of internal audit function
 - Consideration of specialist work
 - Consideration of work performed by other auditors



6.4.3.1. Outline of Recommended Approach (Cont'd)

Audit Conclusion

- Perform exit conferences with City staff upon completion of audit
- Perform final analytical review procedures
- Perform subsequent events review
- Perform final review of working papers and audit programs
- Audit staff to draft applicable audit and compliance reports
- Engagement partner to review financial statements and audit reports
- If deemed necessary, financial statements will also be reviewed by a non-engagement partner
- Issuance of applicable audit communications
- Distribute final audit reports to applicable recipients

Reports to be Issued

Our firm will provide the following deliverables within the scope of this engagement as described in RFP No. AC3-046-3212:

- An independent auditors' report on the City's financial statements in conformity with accounting principles generally accepted in the United States, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards "in-relation-to" the audited financial statements.
- An independent auditors' report on the financial statements of the Volunteer Fireman's Pension and Relief Trust fund of the City in conformity with accounting principles generally accepted in the U.S.
- An independent auditors' report on the financial statements of the Chandler Cultural Foundation in conformity with accounting principles generally accepted in the U.S.
- An independent auditors' report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*
- An independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133
- A report on compliance with the Local Transportation Assistance Fund II expenditure requirements, ARS Title 28, Chapter 24, Article 1, Section 28-8103.
- A report on compliance with the Uniform Expenditure Limitation reporting system requirements, ARS 41-1279.07.



6.4.3.1. Outline of Recommended Approach (Cont'd)

Reports to be Issued (Concl'd)

- A report on compliance with the Arizona Department of Environmental Quality Local Government Financial Test, 40 CFR 258.74.
- Electronic submission of the Financial Data Schedule (SF SAC) to HUD's Real Estate Assessment Center (REAC).
- A report on compliance with the Highway User Revenue Fund Requirements, ARS Title 28, Chapter 18, Article 2.
- An independent auditors' report on the financial statements of the Chandler Health Care Benefit Trust Fund of the City in conformity with accounting principles generally accepted in the U.S.
- An independent auditors' report on the financial statements of the Chandler Worker's Compensation and Employer Liability Trust Fund of the City in conformity with accounting principles generally accepted in the U.S.
- A biennial report on the review of purchasing card transactions evaluating internal controls of the program and identification of efficiencies if they exist and in conformity with standards established by the American Institute of Certified Public Accountants.
- A communication letter to those charged with governance regarding key audit matters
- Auditors' letter of recommendations to management (if applicable)

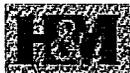


City of Chandler, Arizona

6.4.3.1. Outline of Recommended Approach (Cont'd)

Proposed Segmentation of Engagement and Estimated Hours by Level of Staff

	Level of Staff					Total
	Partner	Managers	In-Charge	Staff	Admin	
Audit planning:						
Development of audit programs	2	5	5			12
Risk assessment & materiality	5	10	20			35
Preliminary analytical procedures	2	5	15			22
Documentation internal controls	5	5	20	20		50
Other planning procedures	2	5	10	10		27
Substantive audit procedures:						
Assets -						
Cash and investments	2	5	15	10		32
Receivables	2	2	15	10		29
Other assets		2	10	5		17
Capital assets	1	2	20	10		33
Liabilities -						
Payables	1	2	10	20		33
Long-term debt	2	13	5			22
Other liabilities	1	5	10	5		21
Revenue -						
Taxes and intergovernmental		2	15	5		22
Grants and contributions		2	10	5		17
Charges for services	1	9	20	5		31
Other revenues		5	5	5		15
Expenses -						
Payroll related expenses	1	2	10	10		23
Goods and services expenses	1	2	10	10		23
Other expenses		2	10	10		22
Tests of operational controls		2	35	90		127
Compliance procedures	5	5	40	70		120
Audit conclusion:						
Analytical procedures	5	5	15	5		30
Final review of audit programs	5	10				15
Review of financial statements	15	5	5			25
Other conclusion procedures	2	2	6	5		15
Administrative					32	32
TOTAL	60	112	336	310	32	850



6.4.3.1. Outline of Recommended Approach (Cont'd)

Sample Sizes

Our firm will select sample sizes derived from the entire population of transactions within the major transaction cycles, depending on materiality, our assessment of the City's internal control as a result of risk assessment procedures, and/or other considerations such as OMB Circular A-133 requirements. Typical sample sizes for a particular control test range from 40 to 60 transactions; however sample sizes are modified based on our assessment of the controls and risk of misstatement or noncompliance.

Extent and Use of Software

We will rely on City reports to the extent possible for the purpose of our analytical procedures and documentation of our audit procedures. We use the CCH electronic audit programs and basic software applications including word processing and spreadsheets to achieve our documentation and reporting objectives. In addition, the receipt of the City's trial balance in an Excel or comma-separated value (CSV) file format will facilitate the use of our software applications. Our firm utilizes IDEA data analysis software as needed to import, analyze, sample and/or extract data from the electronic data files provided by the City.

In addition, our firm will utilize a secured client portal to receive data from and send information to the City. Access to the internet-based portal is password-protected and controlled by our firm.

Information Technology

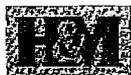
A review and evaluation of the City's information technology systems will be performed during the audit due to the integral nature and relationship to the financial reporting of the City. Both general information technology (IT) controls and application controls will be assessed during the planning of the audit.

The audit procedures that will be applied to the City's IT systems will include:

- The determination of the effect of IT on the audit
- Understanding the IT controls
- Identification of IT risks

Systems tests for integrity, system security tests, use of computer assisted audit tools (CAATs), and/or the use of an IT specialist will be applied as deemed necessary to achieve the planned audit objectives.

In addition, two associates of our firm, including Corey Arvizu, are members of the Information Systems Audit and Control Association (ISACA). The ISACA is a global organization for information governance, control, security and audit professionals and its Information Systems auditing and Information Systems control standards are followed by practitioners worldwide. Through our memberships, our firm has access to these resources and standards.



6.4.3.1. Outline of Recommended Approach (Cont'd)

Type of Extent of Analytical Procedures

As required by auditing standards generally accepted in the United States of America analytical procedures are performed both in the planning and the final phases of the audit. The following are analytical methods and informational sources that may be used during the audit:

- Trend analysis:
 - Reporting transaction classes
 - Receivables and payables
 - Inventories
 - Compensated absences
 - Salaries and benefits
 - Depreciation
- Reasonableness testing:
 - Current year activity to budget
 - Investment income
 - Salaries and benefits
 - Depreciation
- Ratio analysis:
 - Margin analysis (enterprise activities)
 - Inventories
 - Salaries and benefits
 - Year-end cutoff
 - Interest expense
 - Functional expense
- Other analytical procedures as deemed necessary

The use of analytical procedures will assist in identifying high risk areas as well as help us focus the audit test work on significant areas and accounts that require detailed testing. The use of the City's internal reports will be used to the extent possible to perform the analytical procedures.



6.4.3.1. Outline of Recommended Approach (Cont'd)

Gaining an Understanding of Internal Controls

An understanding of the City's financial operations, funding source requirements, transaction processing procedures, and internal control structure will be achieved through inquiry, observation, and tests of transactions. As outlined in the City responsibilities, your personnel will complete a series of internal control questionnaires to assist in this process. We will also use other resources such as the City's budget, organizational charts, policy and procedure manuals, and other management information systems.

Determining Laws and Regulations Subject to Test Work

The determination of which laws and regulations that will be subject to audit test work will be determined through a number of inquiry and review procedures such as the following –

- Inquiry with City personnel, including finance staff and grant administrators.
- Consideration of compliance requirements that have been identified in prior years' audits.
- Review the relevant portions of any directly related agreements, such as those related to grants and debt agreements.
- Review pertinent sections of laws and regulations, including State statutes.
- Review the minutes of meetings of the governing body.
- Inquiry of oversight organizations about applicable compliance requirements.
- Review of the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, the Catalog of Federal Domestic Assistance, federal audit guides, and state and local policies and procedures.

Audit Sampling for Tests of Compliance

Both statistical and nonstatistical sampling methods may be utilized to identify samples from the entire population of transactions within the major transaction cycles. The transaction cycles tested will be determined based on materiality considerations and our assessment of the City's internal control completed during the planning phase of the audit.

Statistical sampling will typically be utilized for larger, significant transaction classes such as payroll, disbursements, and certain cash receipts. Dependent upon the nature of the sample population either random selection through the use of a random number generator, or systematic selection with a random start, will be utilized for the sample selection.

Nonstatistical haphazard selection will often be utilized for smaller populations or populations that do not have characteristics that provide for the application of statistical sampling.



6.4.3.1. Outline of Recommended Approach (Cont'd)

Audit Sampling for Tests of Compliance (Concl'd)

Nonstatistical judgmental selection sampling is generally utilized for tests of compliance in order to ensure items selected meet the specific objectives of the OMB A-133 compliance requirement of the program or other applicable compliance requirement. The samples selected will be based on the specific requirements as outlined in the grant agreements, the OMB Circular A-133 Compliance Supplement, or other applicable source. Sampling for tests of compliance for a Single Audit requires a planned low level of control risk. In addition, dual purpose samples will be utilized for OMB A-133 audit procedures when deemed appropriate to test both the operating effectiveness of controls over compliance as well as compliance with a particular compliance requirement.

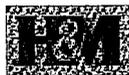
Review and Quality Control Procedures

As required by quality control standards, Heinfeld, Meech & Co., P.C. has developed and implemented quality control review procedures for the audit reports issued by the firm. The audit engagement partner is responsible for ensuring the financial and compliance audits issued comply with auditing standards generally accepted in the United States of America, Government Auditing Standards, OMB Circular A-133, Arizona Revised Statutes, or other regulations, as applicable.

Both the engagement partner and audit managers perform quality control of the audit documentation requirements and adherence to audit standards throughout the audit. The engagement partner performs final quality control reviews on all reports and authorizes the release of the independent auditors' report to the client. Additional second quality control reviews by a non-engagement partner are completed for new industry areas, reports with complex or unusual accounting matters, or whenever deemed appropriate by the engagement partner.

The quality control review process of the firm includes the following procedures –

- Evaluation initial audit planning and risk assessment procedures by the engagement partner
- Detail working papers review by audit manager and engagement partner
- Determination that audit procedures addressed relevant audit areas
- Report referencing to disclosure checklist
- Consideration of uncorrected audit adjustments, if any
- Clearance of all open items prior to report issuance



6.4.3.2 Identification of Anticipated Potential Audit Problems

Based upon known information provided by the City during the proposal process, there appears to be only two potential audit problems in future fiscal years. Significant changes in Federal funding in future years could potentially create audit issues if the City does not meet the compliance requirements of the new funding source. Significant changes in Federal funding may also require a change in the scope of the audit depending on the nature and scope of required audit procedures of the new program.

In addition, personnel changes or position vacancies in key financial or accounting positions can potentially create audit problems if the change or vacancy prevents audit requests from being completed in an accurate and timely manner.



EXHIBIT C

Description	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	Total (\$)
Comprehensive Annual Financial Report	\$58,905	\$60,780	\$62,480	\$64,385	\$66,260	\$312,810
Volunteer Fireman's Pension and Relief Trust Fund Report	1,255	1,295	1,330	1,371	1,411	6,662
Chandler Cultural Foundation Report	9,220	9,515	9,780	10,075	10,370	48,960
Single Audit Reports (A-133)	11,123	11,481	11,794	12,150	12,508	59,056
Local Transportation Assistance Fund Report	1,255	1,295	1,330	1,371	1,411	6,662
Annual Expenditure Limitation Report	1,981	2,044	2,099	2,164	2,227	10,515
ADEQ Landfill Assurance Report	2,510	2,590	2,660	2,742	2,822	13,324
Highway User Revenue Fund Report	1,201	1,239	1,274	1,313	1,351	6,378
Chandler Worker's Compensation and Employer Liability Trust Fund Report	3,782	3,904	4,011	4,130	4,252	20,079
Chandler Purchasing Card Review Report	3,822	N/A	4,053	N/A	4,298	12,173
Total	\$95,054	\$94,143	\$100,811	\$99,701	\$106,910	496,619

Description	CY2013	CY2014	CY2015	CY2016	CY2017	Total (\$)
Chandler Health Care Benefits Trust Fund Report	\$5,952	\$6,144	\$6,311	\$6,500	\$6,692	\$31,599

Totals	Year 1	Year 2	Year 3	Year 4	Year 5	Grand Total (\$)
	\$101,006	\$100,287	\$107,122	\$106,201	\$113,602	\$528,218