




TOWN OF FAIRFAX

STAFF REPORT

September 2, 2015

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager 
Michael Vivrette, Finance Director

SUBJECT: Approve an agreement for audit services with Maze & Associates for the fiscal years 2014-15; 2015-16; 2016-17

RECOMMENDATION

Authorize the Town Manager to sign an agreement for audit services with Maze & Associates for the fiscal years 2014-15; 2015-16; 2016-17 with a Town option to extend for an additional two years.

DISCUSSION

Maze & Associates completed their five year audit services contract with the audit for Fiscal year 2013-14 which was completed in March, 2015. Per Town policy and direction from the Finance Committee, the Finance Director prepared and sent out an RFP for audit services in June, 2015. The key element of the scope of work and selection process included: Audit of the general purpose financial statements for the Town, management letter, report on Gann Appropriations Limit, preparation of State Controller report; and Single Audit Report financial & compliance reports, if needed.

The Town received proposals from four CPA firms: (1) Mann, Urrutia, Nelson; (2) Marcello & Co; (3) Vavrinek, Trine, Day & Co; (4) Maze & Associates.

The proposals were reviewed by the Finance Committee at their meeting on August 25th. Discussion included the quality of the service offered, number of hours; the impact on staff resources, firm experience, response time, cost of service, and similar municipalities audited. The Finance Committee's unanimous decision was to recommend the Council award the contract to Maze & Associates, and authorize the Town Manager to sign the contract. The consensus was that the Town was satisfied with the service received from Maze & Associates and the price was comparable to that of the other proposals submitted.

FISCAL IMPACT

The FY 2014/15 audit proposal by Maze & Associates, for which the Single Audit report is not required, will be \$39,175 which is within the department budget.

ATTACHMENT

Consultant Services Agreement

CONSULTANT SERVICES AGREEMENT

THIS AGREEMENT is made at Fairfax, California, as of _____,
by and between the Town of Fairfax, a municipal corporation, ("TOWN") and Maze &
Associates, an independent CPA firm, ("CONSULTANT"), who agree as follows:

1. SERVICES. Subject to the terms and conditions set forth in this Agreement, CONSULTANT shall provide to the TOWN the services described in Exhibit "A," which consists of the proposal submitted by CONSULTANT. CONSULTANT shall provide said services at the time, place, and in the manner specified in Exhibit "A."

2. PAYMENT. TOWN shall pay CONSULTANT for services rendered pursuant to this Agreement at the times and in the manner set forth in Exhibit "B." The payments specified in Exhibit "B" shall be the only payments to be made to CONSULTANT for services rendered pursuant to this Agreement. CONSULTANT shall submit all billings for said services to the TOWN in the manner specified in Exhibit "B."

3. FACILITIES AND EQUIPMENT. CONSULTANT shall, at its sole cost and expense, furnish all facilities and equipment which may be required for furnishing services pursuant to this Agreement.

4. GENERAL PROVISIONS. The general provisions set forth in Exhibit "C" are part of this Agreement. In the event of any inconsistency between said general provisions and any other terms or conditions of this Agreement, the provisions set forth in Exhibit "C" shall control.

5. INSURANCE REQUIREMENTS. The insurance requirements set forth in Exhibit "D" are part of this Agreement. In the event of any inconsistency between said general provisions and any other terms or conditions of this Agreement, the requirements set forth in Exhibit "D" shall control.

6. EXHIBITS. All exhibits referred to herein are attached hereto and are by this reference incorporated herein.

EXECUTED as of the day first above-stated.

TOWN OF FAIRFAX, a municipal corporation

By: _____
Garrett Toy, Town Manager

CONSULTANT

By: _____
Katherine Yuen, Vice President

EXHIBIT "A"

SCOPE OF SERVICES

Provide services pursuant to the attached Scope of Auditor Services provided by CONSULTANT.

If there are any inconsistencies between CONSULTANT's proposal and this Agreement, the provisions of this Agreement shall control.

SCOPE OF AUDITOR SERVICES

I. General

The Town of Fairfax is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2015 through June 30, 2017 with the option of extending the contract for two (2) additional one-year periods. These audits are to be performed in accordance with the provisions contained in this request for proposals.

The Town of Fairfax desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles, including GASB 34. The audit shall include an examination of all funds of the Town of Fairfax by certified public accountants duly authorized to practice as such by the State of California. The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board, as mandated by generally accepted auditing standards.

Auditor shall review and verify all trial balance worksheets and summary schedules including balance sheets, revenues, expenditures, and changes in fund balance for each fund of the Town. Data source for the schedules will be the financial statements supplied by the Town. An initial draft of the CAFR will be prepared by Town Staff and will be given to the auditors during the final stage of the audit. Final report preparation and necessary editing shall be the responsibility of the Auditor. Reproduction of reports is discussed in Section V below.

Auditor shall submit for management review a draft of all reports. The final reports are subject to review by the Finance committee. Auditor shall incorporate, as part of the basic proposal, meeting time with Staff and the committee for the purpose of discussing the audits or management letter and its conclusions.

Final report preparation and necessary editing shall be the responsibility of the Auditor. Reproduction of reports is discussed in Section V below.

Throughout the year, Auditor will provide financial advice and counsel on matters that would affect the annual report.

II. Basic Reports to Be Issued

Following the completion of the audit of the fiscal year's financial statements for the Town, the auditor shall issue the following:

- A. Independent Auditor's Report - Reports on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including GASB 34, based upon audits of the Basic Financial Statements of the Town. The other supplementary information listed in the Table of Contents in the Town's CAFR, including combining schedules and additional budgetary comparison schedules, are not a required part of the basic financial statements. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules. The information presented shall be based on the auditing procedures applied during the audits of these basic financial statements. The auditor is not required to audit the statistical section of these reports.

B. A Management Letter, which includes findings, statements, observations, opinions, comments, or recommendations, related to:

1. Systems of internal control based upon the auditors' understanding of the control structure and assessment of control risk.
2. Compliance with applicable laws and regulations.
3. Accounting systems, functions, procedures and processes, especially with regard to cost effectiveness.

C. Agreed upon Procedures Performed Related to the calculation of the Gann Appropriations Limitation.

III. Additional Reports to Be Requested At Town Option

Due to the fluctuation in the receipt of special grant funds, the need for some reports will be based upon whether the Town meets the audit threshold for the specific program.

A. Single Audit Report of Federal Financial Assistance

B. Cities Financial Transactions Report to the State Controller

C. Annual Street Report to the State Controller

IV. Supplemental Reports / Studies

Reports on other audits or agreed-upon procedures may be agreed to in writing and as stated in a supplemental audit agreement. Prior to beginning work, the scope of the study and associated costs shall be approved by the Town.

V. Number of Copies of Report to Be Produced

A. CAFR or General Purpose Financial Statement - 8 bound copies and 1 pdf file

B. Independent Auditor's Report – 8 unbound copies and 1 pdf file

C. Management Letter - 8 unbound copies and 1 pdf file

D. Gann Limit - 2 unbound copies and 1 pdf file

E. Single Audit (if applicable) - 8 bound reports and 1 pdf file

F. Cities Financial Transactions Report to the State Controller (if applicable) - 1 unbound copy and 1 pdf file

VI. Standards to Be Followed

To meet the requirements of this request for proposals, these audits are to be performed in accordance with all applicable and generally accepted auditing standards including: the standards set forth for financial audits by the Governmental Accounting Standards Board (GASB), in the General Accounting Office's (GAO) Government Auditing Standards, and in the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations.

VII. Special Considerations

A. The Town of Fairfax hopes to be awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Fiscal Year 2015-16 CAFR.

The format of reports shall allow the Town to meet the requirements of that program. This also requires that the Auditor ensure that the audit report and financial statements are complete in time for submission to GFOA. The Auditor shall also assist with developing responses to any comments or deficiencies noted by GFOA.

B. The schedule of federal financial assistance and related auditor's report, as well as the reports on the internal controls and compliance, are not to be included in the comprehensive annual financial report but are to be issued separately.

VIII. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years following completion of the audit, unless the firm is notified in writing by the Town of Fairfax of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- Town of Fairfax
- Parties designated by the federal or state governments or by the Town of Fairfax as part of an audit quality review process
- Auditors of entities of which the Town of Fairfax is a sub-recipient of grant funds
- State of California, Office of the State Controller

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

IX. Assistance to Be Provided By the Town

A. Town Staff will be available during the audit to assist the auditor by providing timely information, documentation and explanations.

B. Town Staff will generate the necessary confirmation letters prepared by the Auditor.

C. Town will provide the auditor with reasonable workspace. Auditor will also be provided reasonable access to a telephone line, photocopier, and fax machine.

D. Any additional assistance as mutually agreed upon.

FIRM QUALIFICATIONS AND EXPERIENCE (Continued)

Qualifications and Continuity

Our people accumulate over 1500 hours of purely municipal audit and accounting experience annually, far more than in any general service accounting firm. And we keep the same people on the job, normally for at least three years.

We provide our clients continuity while introducing enough new people to keep our perspective fresh and provide you with the benefits of rotation. We intend to retain all the people assigned to your audit throughout this year's entire engagement. In future years we plan to rotate no more than one person on each segment whom we will replace with someone of equal experience.

We do everything we can to ensure continuity because it helps you, it helps our staff and it helps us. We schedule the entire year in advance to avoid conflicts, and we give priority to clients who are able to accurately predict the date their books will be closed, so that the staff on their audit will not be affected if another client's closing or audit is delayed. We attempt to match personalities as well as skills and abilities so that our staff and yours will get along well.

AUDIT APPROACH & METHODOLOGY

Specific Audit Approach

Our audit strategy is designed specifically for municipalities. We perform half our audit well before year-end so we can identify problems early. Our strategy maximizes our efficiency and lessens the load on our clients. When engaged to prepare the financial statements, we prepare proformas of them for your review, well before year-end and we give you detailed interim and final-phase checklists of all the items we will need from you months in advance. We have integrated GASB 34 requirements into our strategy so that there is a seamless transition to the entity-wide statements.

We will plan the audit in detail and prepare a checklist which details the information we will need from you to complete our interim and year-end audits, along with the person responsible for preparing it and the date they will have it ready. We tailor it to refer directly to the schedules you already prepare.

We do not require special reports or reconciliations just for our audit. We have found that coordinating our team and our client's staff works very well because it helps minimize the impact on your staff at year end. This way the checklist includes most data we need from you so you and your staff can plan and schedule your work accordingly. **Our clients know from prior experience with our firm, that we excel at minimizing our impact their staff.**

Specific Audit Strategy - Interim

Unlike older-style firms, **we perform most of our important work at interim**, well before the end of the fiscal year. We use our interim work to identify and solve problems and plan the year-end closing and audit in detail. Well before we begin our interim work we'll send you a list of the items we need, so you will have time to prepare.

AUDIT APPROACH & METHODOLOGY (Continued)

We forecast many year-end amounts at interim, so that we can limit the amount of work required at year-end and concentrate instead on areas of concern. For example, we normally perform all our cash and investment testing at interim, including sending confirmation letters to depositories and determining financial statement categorizations. Performing these last two steps at interim allows plenty of time to follow up on confirmations or resolve questions about the proper categorization of an investment without delaying the audit. As another example, we test long-term debt at interim and forecast year-end balances and transactions for each debt issue.

We use **remote inquiry** as much as possible at interim, in order to increase our efficiency and reduce our impact on your staff. We can download Council Minutes and other documents from your Website for review. Combining these abilities with our checklists has allowed us to perform larger portions of the audit in our own offices and reduce our questions to writing so that you have more time to deal with them.

Laws, Regulations and Compliance

Our audits are designed to ensure that we test transactions for compliance with the Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, California Constitution Gann Limit requirements, requirements of local measures, Transportation Development Act requirements, etc. We identify applicable laws and regulations as part of our audit planning each year.

The California Government Code has many provisions and underlying regulations relating to investments and the investment policy, all of which are tested as part of our audit of cash and investments. That Code and the underlying regulations also form the basis of our compliance audit tests of Housing Successors, Child Development Programs, debt and other areas.

To the extent possible, we also begin our tests of compliance with laws and regulations at interim, including use of the OMB Circular A-133 and the Compliance Supplement and any other applicable compliance guidelines. Even if the work cannot begin until year-end we determine the applicable laws and regulations for our compliance testing so that we may incorporate the necessary information in our year-end closing checklist. Our audit samples for purposes of compliance vary based on the grant or compliance guidelines and are program-specific. The samples are stratified to ensure we test transactions that are representative of the costs charged to grants.

Specific Audit Strategy—Year End

At year-end we do not repeat any of the work we performed at interim. Instead, we focus on the items in your checklist and on the Basic Financial Statements. **Our year-end audit field-work actually starts in our office**, so that when we do arrive in your offices we are fully prepared and we minimize our impact on your operations.

In our offices, we cross-reference or reconcile your checklist information, reports and schedules. The Engagement Partner **performs our detailed Analytical Review and emails our questions to you in advance of our arrival** in your offices. Our experience is that this Analytical Review identifies any issues remaining after our interim work, as well as most potential audit adjustments. This gives all of us time to address these items in person while the audit field-work is proceeding, instead of by telephone, fax and e-mail afterward.

AUDIT APPROACH & METHODOLOGY (Continued)

When we start work in your offices, we will need you to complete your responses to the Analytical Review, but we will not need much of your time and we will not ask for more schedules or reports. Our Engagement Partner and Supervisor will meet with you on the first day of the year-end audit to discuss any remaining unanswered Analytical Review questions, review the status of the year-end closing and to determine if modifications to our year-end approach are needed. This meeting sets the stage for the year-end audit.

At the conclusion of our year-end work, our Partner and Supervisor will review the final financial statement drafts with you and your staff. The following week, our Quality Assurance Director will perform a "quality assurance review" of the financial statements and workpapers so that we will be ready to sign the financial statements as soon as the Town approves them.

We designed this strategy specifically to fit cities and the complications introduced by GASB 34. It requires our Partners to be fully and actively involved in the planning and performance of the work and it allows us to issue final financial statements and reports immediately after we finish our field-work in your offices.

You will find our strategy allows you to control the audit process, enables you to spread the work over the year as you wish and greatly reduces the pressure at year end.

Audit IT Systems, Security and Going Green

Hand-in-hand with our continuing investment in our people has been our increased investment in systems and hardware support. Eight years ago our systems work was handled by an outside consultant. **We have a full-time staff of three people who maintain our state-of-the-art systems capabilities and provide increasing levels of such service to our clients.**

Every person on our staff is provided with a Windows operating system PC networked with other audit team PCs and a printer via our own wireless LAN establish at the start of each audit in our client's office. In 2008, we completely eliminated hardcopy workpapers by converting to *ProSystems fx Engagement* paperless audit software published by Commerce Clearing House. We use Word as our word processor and Excel for preparation of financial statements and schedules and Outlook for personal information management.

Because of our shift from hardcopy documentation to softcopy and our obligation under professional standards to maintain confidentiality of client data, we instituted state-of-the-art security protections to ensure client data remains confidential and secure. For example, many CPAs use email as a method of communicating financial data to and from clients. But emails are not secure communications! We therefore employ a secure data file transfer system called "LeapFile" under which we exchange data files with our clients using a secure website. This keeps data confidential and has the added benefit of permitting downloads of large excel files or Microsoft Office files that may be erroneously rejected by some email scanning software. In the event one of our staff works out of town or telecommutes, they access data via our virtual private network. **Our VPN, LANs, and audit software are password protected and encrypted to ensure your data remains confidential and secure.**

We will also use some type of connection to the internet during our audit, but coordinate it with our client's IT Staff to ensure there are no breaches in security or protocols.

AUDIT APPROACH & METHODOLOGY (Continued)

Local Expertise and Resources

Our expertise and resources are local which provides our clients with timely on-the-spot responses to issues and questions as they arise. Our Audit Supervisors are on site daily while the audit team is in the field. Our Engagement Partners are on site at least weekly checking on progress, discussing and resolving issues with the Audit Team, as well as meeting with our client as needed. In cases of highly complex operations or unusual issues, our Technical Review Partner is brought out to meet with the audit team and provide technical support, consultation and participate in meetings with our clients as needed. With all our resources available locally, our clients are assured of in depth, timely audits and expedient resolutions to questions and issues as they arise.

Auditing Large and Complex EDP Systems

Our approach to auditing EDP systems encompasses information system reviews, system controls and transaction cycle processing, verification and data extraction.

Information System Review

Information System Security became an important part of financial statement audits and we have performed an Information Systems Review (ISR) with every audit since 2001. Unlike our competitors, we extend our review to not only encompass the financial system, but also the network environment that houses that system. From our perspective, the internal controls that are present in the overall network environment are critical to understanding the internal controls over the financial system.

Unlike financial statements, there are currently no authoritative standards that local governments must employ to ensure that adequate and appropriate IT controls are designed and implemented. We extensively researched this area and concluded it was most appropriate to base our ISR on the certification and accreditation framework developed by the National Institute of Standards and Technology (NIST) for the Federal Information Security Management Act (FISMA) which is the minimum security required for federal government agencies information systems. NIST recommends states, local governments and Indian tribes comply with these standards as well. **Our reviews include procedures to determine that your systems are adequately protected from unauthorized internal access, provide for reasonable measures to ensure continuation of service, provide for security of data from physical or network access and have internet access defenses including hacker prevention, detection and deterrent systems.**

Our information systems reviews are performed by qualified information security professionals who hold at least the Information Systems Audit and Control Association's (ISACA) Certified Information Systems Auditor (CISA) or the (ISC)²'s Certified Information Systems Security Professional (CISSP). Both certifications require continuing professional education. As a value added service we will provide the Town with a matrix of the Town's maturity as compared with NIST's certification and accreditation framework. Each internal control taken from NIST SP 800-53Rev4 is ranked in this maturity matrix and an average score is provided to the Town to give the Town a benchmark.

AUDIT APPROACH & METHODOLOGY (Continued)

System Controls and Transaction Cycle Processing Verification

With any data processing system upon which we intend to rely as a means of reducing substantive testing, we perform a variety of tests to verify the accuracy of transaction processing, the reliability of system control points and authorization controls, appropriateness of profile structures including Super-user rights access, and automated functionality such as sub-ledger integration and auto-journal entry validity and set up controls.

Gaining an understanding of the design of relevant procedures, controls and authorization levels is integrated with our risk assessment procedures discussed under the *Client Tailored Risk Assessment* section below. As part of our risk assessment process we identify those transaction cycles we intend to rely on. Both processing procedures and controls that are to be relied on are tested with our audits.

Transaction cycle processing and control tests typically involve sampling techniques. Most of our transaction samples are selected and tested during the interim portion of our work. Each sample will run from twenty-five to sixty transactions in size. We use interval and judgment sampling techniques with a high degree of stratification. Most municipalities operate more than one major revenue system. Therefore, we typically determine which revenue transactions are processed with common procedures and controls and deem that to be a single population and subject it to a single sample. Other revenue cycles processed with separate controls are tested with their own samples. For example, it is common for separate samples to be selected for governmental receipts and each major enterprise fund. Transaction cycles we sample are dependent on materiality to each client's financial statements but typically include, payroll, disbursements, receipts, loans receivable, investments and budget transactions and in accordance with the requirements of Statement of Auditing Standards #99 we also sample journal entries. Samples from each grant audit or major federal award program are also made. Samples are triple purpose samples and we test for correct recording, compliance with applicable policy or regulation and key control attributes - both manual and automated. This includes verification of sub-ledger integration and auto-journal entry validity, if needed.

Profiles, Access and Setup Controls

Despite advances in information technology automation and system control features, classic segregation of duties concepts remain a mainstay for providing adequate internal controls. What has changed, however is the necessity to determine system profile structures and actual system access. We inquire how our clients establish and maintain system profiles for relevant staff with the objective of determining whether controls are in place to provide for adequate segregation of duties and to determine if system profiles are appropriate based on the individual's duties. We also determine how our clients monitor access and we test access through reviews of access logs, observation and in some extreme cases, with fully observed access attempts.

We will also inquire about procedures and controls used to ensure only those system functions and controls assigned to an employee are in fact setup in system profiles. Considerations include Super User Rights, system profile set up, and system authorization functionality such as transaction initiation, review and approval, automated entry setup and posting. Work typically involves inquiry of staff with Super-User Rights and determining how the organization provides a check and balance against the possibility that one person with Super-User Rights can intentionally or inadvertently assign unauthorized access. We often review access logs and examine approvals of profile changes and review authorization levels.

AUDIT APPROACH & METHODOLOGY (Continued)

Data Extraction

We employ rather simple data extraction techniques these days since most modern systems provide easy download capabilities to text or Excel files. We have been utilizing data extraction for over fifteen years. We first began data extraction as a means of downloading data from our client's financial systems for upload directly into the financial statements. Then we expanded this to include transaction details, account information and other data contained in our clients systems that we need for audit. Our Chief Operations Officer, Chris Hunt, oversees our data extraction needs and has successfully worked with all of our clients and their systems to achieve data extractions for our use. We are extremely adept at converting from text, delimited and fixed width files, and with every system used by clients.

Assessing Risks – Interim Phase

Beginning with fiscal 2007-2008 audits, a new set of Statements of Auditing Standards became effective and required that most auditors change the way they audit. Much of this new guidance came out of the aftermath of highly publicized audit failures such as Enron, Global Crossings and the like. The Statements make it clear that a generalized one-size-fits all audit approach will not be permitted. An audit must be based on a unique audit strategy customized to fit each client and its industry.

The primary objective of these Standards is to require the auditor's application of an audit risk model. The concept is that a set of financial statements should be evaluated for the underlying risks of material misstatement. Then, a customized audit should be tailored to test for misstatements and verify that controls are designed and in place to prevent and detect misstatements.

We have consistently employed a risk based concept from our firm's inception in 1986. Our audit checklists and programs were originated by reference to *Audits of Local Governments* published by the Practitioners' Publishing Company (PPC), a third party vendor specializing in producing audit guides for unique industries. But, we have not simply used their guide as our approach. We have customized it further for the simple reason that California municipalities have many unique risks not faced by municipalities in other states. As you know, California state law and applicable regulations cover a wide variety of areas such as cash and investment management, redevelopment compliance, transportation development act programs, and child development programs. Indeed, even revenues of California municipalities are unusual and complex such as the Triple Flip and Proposition 1A securitization.

Our primary objective in an audit of each client's financial statements is to opine on whether the financial statements, including disclosures, are free of material misstatement. Our opinion must be based on sufficient, appropriate audit evidence that we obtain and this evidence must be documented. To achieve this objective, we further refine our approach to be responsive to each individual audit. We may reduce the scope of our substantive audit tests provided we conclude there are effective specific controls in place which would detect and correct misstatements due to errors or fraud.

AUDIT APPROACH & METHODOLOGY (Continued)

Fraud Considerations

Beginning with our 2004 audits, we employed additional audit steps required by Statement of Auditing Standards #99, *Consideration of Fraud in a Financial Statement Audit*. SAS #99 requires auditors to consider risk areas that may be susceptible to fraud and to then modify their audit strategy. We have been employing a variation of the SAS #99 concept since the early 1990's. For example, for many of our recurring clients, we visited all of their cash collection sites. We performed cash counts and reviewed cash handling practices and procedures, including security measures employed to limit access to cash. This and our planning meetings with our clients staff have resulted in the inclusion of a variety of special emphasis areas in our audits. We combine our fraud consideration brain storming sessions with our overall risk assessment process discussed below.

Client Tailored Risk Assessment

Our strategy to assessing risk begins with a brainstorming session of our audit team where they review your prior year financial statements and operations to identify areas of major audit risk. We also incorporate our consideration of other factors such as the risk of fraud, the economy, regulatory complexities or changes, credit market conditions and others into our initial assessment. We may also compare unusual transactions and estimates to those used by other municipalities or to current trends and issues. Since we are a niche firm specializing in California municipalities this is relatively easy. For example, certain development agreements are unique to municipalities. These agreements usually contain complex financial transactions and legal restrictions. With so much experience in this area we can quickly design an efficient response to these risks.

Major audit risks are further evaluated through consideration of relevant assertions to determine inherent risk due to error or fraud. For example, cash on hand has a relative higher inherent risk of loss due to theft than an infrastructure asset. High and medium inherent risk audit areas are further evaluated to determine relevant internal controls needed to prevent, detect and correct errors or fraud.

We start our evaluation of your internal controls by interviewing staff and meeting with Department heads as needed. We review policies and procedure manuals and other documentation to determine the design of procedures and controls. As part of our evaluations we document narrative memoranda outlining the duties of each pertinent person as well as our GRID evaluation of the important nexus control points. The GRID is our own design; it is a two-axis chart we use to identify potential conflicts of duties in your controls. We enhance our evaluation by reviewing system profile reports, paying special attention to super-user rights. This data is then used to determine the presence or absence of compensating controls designed to mitigate conflicts of duties vested in a single individual.

We then test to verify that procedures and controls are operating effectively such that they reduce the risk that errors or fraud could occur and go undetected and uncorrected. We use a variety of techniques to verify controls are effective including: sampling, observation, documentation of reviews, examining system access reports and comparisons with other data.

After this has been completed, we assess the risk of material misstatement which is determined by the relative inherent risk of an area and the associated control risk to plan our substantive tests. That is, the risk that controls are not in place or are not operating effectively. Areas with a low risk of material misstatement assessment may receive limited substantive procedures while those with a high risk of material misstatement will receive significant substantive procedures.

AUDIT APPROACH & METHODOLOGY (Continued)

We then design our final phase audit plan to ensure we obtain sufficient appropriate evidence about the financial statements and disclosures. Specific audit procedures are developed and documented in our audit programs and we develop potential internal control points for further evaluation as to significance and communicate those to staff.

Client Participation in the Risk Assessment Process

Of course, any risk assessment process is incomplete without our clients' active participation. We hold meetings with senior finance staff and others within the organization to discuss their views and assessments of risks affecting the financial statements. Our inquiries are backed up by reviews of the annual budget, mid-year budget revisions, internal audit reports, grantor performance and monitoring correspondence and any other pertinent data we deem relevant.

We must also establish two-way communication with the Council or Audit Committee which we typically accomplish by meeting to discuss the audit process and timing, management representations and fraud considerations. For those organizations without an Audit Committee, we typically attend a Council meeting or meet with representatives of the Council.

Assessing Risks - Final Phase

Although the majority of our evaluations and testing of internal controls is completed with our interim testing, it is during the final phase that actual year end balances, transactions and disclosures are known and our substantive procedures are employed. These procedures and data often reveal unusual or unexpected results that must be considered in the risk assessment process. Risk assessment processes are iterative and cumulative. That is, we must continually re-evaluate our assessments based on information and procedures gathered. It is not uncommon for an initial assessment and the corresponding substantive audit work to be restructured as a result of new data. Indeed it is the intent of current audit standards that the audit be responsive to risks.

Our substantive procedures are selected to be responsive to the assessed risk and relevant assertion and typically involve analytical procedures, third-party confirmation, estimation techniques, mini-max tests, trend analyses, recomputations, corroboration with other tests, tests in total, sampling and comparisons to data gathered in other municipal audits.

Risk assessment procedures would be incomplete without an evaluation of the adequacy of our evidence obtained including internal control tests, any significant deficiencies or material weaknesses and substantive test results. **These factors are considered prior to the release of our opinion in a final re-assessment process that includes our quality assurance review.**

Ability to Provide Services on a Short Notice

We are always ready to provide our clients with the services they need. Depending on the amount of work involved we can adjust our calendar to accommodate smaller projects at any time. Larger projects can be problematic during our peak busy season which lasts from mid-September through December. During those months, our approach to providing services on a short notice is predicated on the principle that we must satisfy our existing obligations before accepting new work. In the rare instance that we are unavailable due to existing commitments, we have a number of recommended consultants that can assist the Town.

AUDIT APPROACH & METHODOLOGY (Continued)

Communication and Coordination

We will meet with you at the start of each phase of work and conduct an exit conference at the end of each phase of work. This will ensure you know everything we do, with plenty of time to address any issues.

Two key objectives for a well-run audit are to ensure timely communication of the audit results and to provide for seamless coordination of the external auditors with Town staff. The concept is virtually identical to our Accounting Issues Memorandum and detailed Interim and Closing Checklists that we typically prepare for our clients.

The Accounting Issues Memorandum concept was originated by one of our staff over a decade ago to function as a partner's brief of an engagement's status. It worked so well we expanded it to all our audits and share it with our clients. It has proven to be an indispensable communication and coordination tool ever since. This informal memo condenses and summarizes the audit status and issues as of the end of our interim work. It includes housekeeping matters, major and minor potential findings, scheduled audit fieldwork start and finish dates, etc. We produce this memo right in your office before the conclusion of our interim work, so you have an idea of what we've found so far and whether there are areas that need work.

Our Memorandum on Internal Control is drafted at year-end and may include significant issues raised with our interim phase Accounting Issues Memorandum as well as issues arising from our year-end work. We review a draft with you, so that you will have plenty of time to consider the facts and discuss our findings before the audit results are presented to the Council and Committees.

Prompt Service and Delivery of Reports

We have always focused on reducing financial statement turn-around time and we have never missed a deadline. We normally complete the review of the final draft of the financial statements on the last day of our field-work in our clients' offices or within two weeks thereafter.

Our audit strategy emphasizes detailed planning and coordination of our staff and client staff to complete the audit as efficiently as possible. We have found that completing all our work and our reports as part of our field-work dramatically reduces the time required to issue final reports to our clients.

Our strategy allows our clients ample time to review all report drafts before issuance, while ensuring that all reports are issued timely. **Many clients have been able to advance the date on which their reports are presented to Council.**

Audit Schedule

We have timed our audits to complete all or your reports so they are ready to print by your deadline. Our timeline below is aimed at meeting those deadlines, but does not affect the timing of your closing. Of course, our timetable may be adjusted to fit your needs. We will start our work as soon as you appoint us your auditors, with an entrance conference as soon as possible.

AUDIT APPROACH & METHODOLOGY (Continued)

Time Line

Our proposed Time Line follows:

Early August 2015:

Final Award, execute contract

August 2015:

Prepare Interim Checklist
Entrance conference and detailed audit plan
Complete interim audit tests
Review and revise financial statement formats and disclosures and provide comments
Prepare Annual Closing Checklist
Prepare Accounting Issues Memorandum
Prepare draft recommendations, if any
Complete GANN Report
Interim exit conference

September 2015:

Town closes books, completes preparation of data on Annual Closing Checklist

Early October 2015:

We review Annual Closing Checklist information
We perform Partner Level Analytical Review of fund-level statement and email questions to Town.
Town answers email Analytical Review questions.
We refine audit scope based on answers to analytical review questions.

October 2015:

Final phase entrance conference, start of year-end field-work in the Town's office
Finalize answers to Analytical Review questions
Complete Fund-level year-end audit tests.
Complete entity-wide audit tests
We complete drafts of reports:

November 2015:

Town prepares Management's Discussion & Analyses
We review Management's Discussion & Analysis
Drafts are finalized and approved
We perform a Quality Assurance Review
Complete final changes

December 15 or earlier:

We issue all reports in final form

December 2015/January 2016:

Present audit reports to the Council

AUDIT APPROACH & METHODOLOGY (Continued)

**TOWN OF FAIRFAX
Proposed Engagement Segments and Budget**

Audit Activities	Budgeted Hours					
	Partners		Staff			
	Engagement	Review	Supervisor	Associates	Admin.	Total
Planning & Budget/Confirm/Checklists	3.00		8.00			11.00
Fraud Assessment	4.00		4.00	4.00		12.00
Minutes-Resolutions			7.00			7.00
Report	8.00		16.00		16.00	40.00
Supervision/Review	16.00	3.00	40.00			59.00
Conferences & Meetings	4.00		2.00			6.00
Management Letter	4.00					4.00
Accounting Issues Memo	4.00					4.00
Analytical Review	3.00					3.00
Adjustments	1.00		2.00			3.00
Internal Control Evaluation	2.00		4.00	16.00		22.00
Information Systems Review			4.00			4.00
Cash & Investments				16.00		16.00
Revenue/Receivables				16.00		16.00
Capital Assets				16.00		16.00
Accounts Payable				16.00		16.00
Payroll/Accrued Liabilities				16.00		16.00
Long-term Debt				16.00		16.00
Retirement Plans/ OPEB				10.00		10.00
Fund Balance & Net Position				6.00		6.00
Self Insurance/Claims				6.00		6.00
Commitments, Contingencies & Others				8.00		
Budgetary Testing				4.00		
Journal Entry Testing				4.00		4.00
Review of Management's Discussion & Analysis	1.00		1.00	3.00		5.00
Subtotal - Basic Financial Statements & Management Letter	50.00	3.00	88.00	157.00	16.00	302.00
Additional Audit Reports To Be Requested At City Option:						
GANN Limit Report	1.00		2.00	4.00		7.00
Single Audit, 1 program	3.00		5.00	32.00	4.00	44.00
Annual Report of City Financial Transactions to State Controller		4.00	15.00			19.00
GRAND TOTAL	54.00	7.00	110.00	193.00	20.00	372.00

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

City Client List

Please see the listing of all of our City clients on page 8.

References

City of San Rafael – A client since 2007

Engagement Partner – Katherine Yuen

Principal contact – Mark Moses, Interim Director, (415) 485-5001

Workscope and Reports:

- Comprehensive Annual Financial Report

- Proposition III Agreed Upon Procedures Report

- Single Audit Report

- Transportation Development Act Audit

- Memorandum on Internal Control and Required Communications

- Child Development Audit

Size of General Fund for the year ended June 30, 2014 - \$63 million

Size of Finance Department staff - 10

Town of Atherton – A client since 2009

Engagement Partner – Katherine Yuen

Principal contact – Robert Baron III, Finance Director, 650-752-0552

Workscope and reports:

- Basic Financial Statements

- Proposition 111 Agreed Upon Procedures Report

- Memorandum on Internal Control and Required Communications

- Measure A

- Single Audit Act Reports

- AUP Road Impact Fee

- Annual Report of Financial Transactions for the Town and District

Size of General Fund for the year ended June 30, 2014 - \$12 million

Size of Finance Department Staff - 4

Novato Fire Protection District

Engagement Partner – Katherine Yuen

Principal Contact – Daniel Hom, Finance Director, 415-878-2690

- Basic Financial Statements

- Memorandum on Internal Control and Required Communications

- Single Audit Report

Size of General Fund for the year ended June 30, 2014 - \$23 million

Size of Finance Department Staff - 2

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

New GASB Implementation

We will provide the Town with whatever support it needs with regard to gaining an understanding of new pronouncements affecting the financial statements and our audits. Our consistent approach is to provide our clients with advance identification of new GASBs as they are issued. With every audit, we provide overviews of new pronouncements including effective dates and we review these with staff.

In the year of implementation we proforma new disclosures and add on additional data requests to our interim and closing checklists. For complex rules, we prepare course materials and conduct training and education sessions during interim for finance and other affected Town staff to ensure they understand the requirements. We include the new GASB provisions as well as any additional resources such as implementation guides, practical application examples and additional technical resources and contacts. After staff has had a chance to think about the Town's operations we conduct a follow-up conference to determine the potential impact to the financial statements and audit. In unusual cases we will schedule additional field work before year end to ensure the new rules do not affect year end timing.

Preparation for GASB Statement No. 68

As with any new Governmental Accounting Standards Board pronouncement, we have familiarized ourselves with the provisions of Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) and its companion Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, through readings of the Statements and attending various training classes. One of our partners is also involved with the group responsible for writing the California Committee on Municipal Accounting's White Paper, Implementing GASB Statement No. 68 Accounting and Financial Reporting for Pensions. We are also providing our clients with web-based training on the subject, and will provide clients with templates for proposed footnote disclosures.

PROJECT COST

Total Cost of Audit

Our Estimated All-inclusive Maximum Price for the services specified in the RFP for the years ending June 30, 2015 through June 30, 2019 are in this section. Our Total All-inclusive Maximum Price for the services specified in the RFP, are a firm fixed fee.

Our policy is to attempt to keep our clients fees constant after inflation. Therefore, the fees for years subsequent to 2015 have been adjusted by 3.0% per year.

PROJECT COST (Continued)

What Our Price Includes

Our price includes all the basic audit work and reports, statements and other deliverables specified in your request for proposal. Our price also includes the items below at **no additional cost**:

- 1) year-round support and telephone consultation on pertinent issues affecting your Town,
- 2) copies of our journal entries and our leadsheets used to support the amounts in your financial statements,
- 3) a study session for the Council to discuss the audit process, financial statements and recommendations,
- 4) active Partner involvement in your work **every year**,
- 5) our Interim Audit Checklist,
- 6) our Annual Closing Checklist,
- 7) our interim Accounting Issues Memorandum,
- 8) preliminary draft financial statements **at interim**,
- 9) overviews and summaries of upcoming pronouncements and regulations affecting the audited financial statements,
- 10) input of general ledger data into our ProSystems trial balance software which is fully linked to financial statement formats, and associated roll-up reports,
- 11) annual on-line training classes.

Fees and Billings

Our fees are on a not-to-exceed basis. In determining our fees, we understand that the Town's records will be in condition to be audited; that is, transactions will be properly recorded in the general ledger and subsidiary records, these accounting records and the original source documents will be readily available to use, we will be furnished with copies of bank reconciliations and other reconciliations and analyses prepared by the Town and Town personnel will be reasonably available to explain procedures, prepare audit correspondence and obtain files and records.

We do not post separate rate structures for municipal audit work. We view this work as being every bit as important and valuable as the work we perform for other clients and we put our best people on it. Any consulting work you request will be performed at the same rates as our audit work.

Cost Rationale

We have always completed our work in the time budgeted and for the agreed upon fee. We have never requested additional fees after our work was completed. As always, we finish what we start, regardless of the accuracy of our budgets.

Additional Services

Any additional services will be performed and billed only on the Town's prior authorization at our standard billing rates.

EXHIBIT "B"

PAYMENT

1) The total contract price for services rendered by CONSULTANT under this Agreement shall not exceed Fees detailed on the Not to Exceed Price for Proposed Services Schedule (as revised) submitted by CONSULTANT with their proposal submitted June 30, 2015 attached.

2) Payment shall be made to CONSULTANT on a time and materials basis, and CONSULTANT shall submit monthly invoices to the Town of Fairfax, Attention: Finance Director, for the same.

3) Any additional meetings or work required beyond that set forth in Exhibit "A" shall be mutually agreed to by the TOWN and CONSULTANT, and shall be billed on a time and materials basis to the Town of Fairfax, Attention: Finance Director.

NOT TO EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE (REVISED)

In accordance with the Request for Proposal for Audit Services issued by the Town of Fairfax,
the firm referenced below hereby submits the following cost proposal

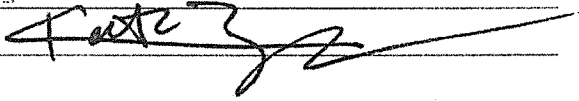
	Year Ended June 30th				
	2015	2016	2017	2018	2019
Basic Reports to Be Issued					
Town Audit including Basic Financial Statements and Management Letter	\$ 39,965	\$ 41,164	\$ 42,399	\$ 43,671	\$ 44,981
Continuing client discount	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)
Assistance in CAFR preparation		5,000	5,150	5,305	5,464
GANN Limit	860	886	912	940	968
Total	\$ 36,325	\$ 42,550	\$ 43,961	\$ 45,415	\$ 46,913
Additional Audit Reports To Be Requested At City Option					
Single Audit (Per Tested Program)	\$ 4,430	\$ 4,563	\$ 4,700	\$ 4,841	\$ 4,986
Annual Report of Financial Transactions to State Controller	2,850	2,936	3,024	3,114	3,208
Subtotal	7,280	7,498	7,723	7,955	8,194
Total	\$ 43,605	\$ 50,048	\$ 51,685	\$ 53,370	\$ 55,106

Please include an hourly fee quotation and hours proposed for all positions assigned to the audit:

	Hours	Hourly Rate
Partners	61	\$ 300
Supervisory Staff	110	110
Professional Staff	193	85
Clerical/Support Staff	20	65
Other (Specify)		

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected, authorized to sign a contract with the Town for the services identified in the Request for Proposals.

Firm Name: Maze & Associates

Signature: 

Printed Name: Katherine Yuen

Title: Vice President

Date: August 25, 2015

EXHIBIT "C"

GENERAL PROVISIONS

1) INDEPENDENT CONSULTANT. At all times during the term of this Agreement, CONSULTANT shall be an independent contractor and shall not be an employee of TOWN. TOWN shall have the right to control CONSULTANT only insofar as the results of CONSULTANT's services rendered pursuant to this Agreement; however, TOWN shall not have the right to control the means by which CONSULTANT accomplishes services rendered pursuant to this Agreement.

2) LICENSES; PERMITS; ETC. CONSULTANT represents and warrants to TOWN that CONSULTANT has all licenses, permits, qualifications, and approvals of whatsoever nature which are legally required for CONSULTANT to practice CONSULTANT's profession. CONSULTANT represents and warrants to TOWN that CONSULTANT shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any licenses, permits, and approvals which are legally required for CONSULTANT to practice his profession.

3) TIME. CONSULTANT shall devote such services pursuant to this Agreement as may be reasonably necessary for satisfactory performance of CONSULTANT's obligations pursuant to this Agreement.

4) CONSULTANT NOT AN AGENT. Except as TOWN may specify in writing, CONSULTANT shall have no authority, express or implied, to act on behalf of TOWN in any capacity whatsoever as an agent. CONSULTANT shall have no authority, express or implied, pursuant to this Agreement, to bind TOWN to any obligation whatsoever.

5) ASSIGNMENT PROHIBITED. No party to this Agreement may assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligation pursuant to this Agreement shall be void and of no effect.

6) PERSONNEL. CONSULTANT shall assign only competent personnel to perform services pursuant to this Agreement. In the event that TOWN, in its sole discretion, at anytime during the term of this Agreement, desires the removal of any person or persons assigned by CONSULTANT to perform services pursuant to this Agreement, CONSULTANT shall remove any such person immediately upon receiving notice from TOWN of the desire of TOWN for the removal of such person or persons.

7) STANDARD OF PERFORMANCE. CONSULTANT shall perform all services required pursuant to this Agreement. Services shall be performed in the manner and according to the standards observed by a competent practitioner of the profession in which CONSULTANT is engaged in the geographical area in which CONSULTANT practices its profession. All products which CONSULTANT delivers to TOWN pursuant to this Agreement shall be prepared in a workmanlike manner, and conform to the standards of quality normally observed by a person practicing in CONSULTANT's profession. TOWN shall be the sole judge as to whether the product of the CONSULTANT is satisfactory.

8) CANCELLATION OF AGREEMENT. This Agreement may be canceled at any time by the TOWN at its discretion upon written notification to CONSULTANT. CONSULTANT is entitled to receive full payment for all services performed and all costs incurred up to and including the date of receipt of written notice to cease work on the project. CONSULTANT shall be entitled to no further compensation for work performed after the date of receipt of written notice to cease work. All completed and incomplete products up to the date of receipt of written notice to cease work shall become the property of TOWN.

9) PRODUCTS OF CONSULTING. All products of the CONSULTANT provided under this Agreement shall be the property of the TOWN.

10) INDEMNIFY AND HOLD HARMLESS.

a) If this AGREEMENT is an agreement for design professional services subject to California Civil Code § 2782.8(a) and CONSULTANT is a design professional, as defined in California Civil Code § 2782.8(b)(2), CONSULTANT shall hold harmless, defend and indemnify the TOWN, its officers, agents, employees, and volunteers from and against all claims, damages, losses, and expenses including attorneys' fees arising out of, or pertaining to, or relating to the negligence, recklessness, or willful misconduct of the CONSULTANT, except where caused by the active negligence, sole negligence, or willful misconduct of the TOWN.

b) If this AGREEMENT is not an agreement for design professional services subject to California Civil Code § 2782.8(a) or CONSULTANT is not a design professional as defined in subsection (a) above, CONSULTANT shall indemnify, defend, and hold harmless the TOWN, its officers, agents, employees and volunteers from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omissions, ultra-hazardous activities, activities giving rise to strict liability, or defects in design by CONSULTANT or any person directly or indirectly employed by or acting as agent for CONSULTANT in the performance of this Agreement, including the concurrent or successive passive negligence of the TOWN, its officers, agents, employees or volunteers.

c) It is understood that the duty of CONSULTANT to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code.

d) Acceptance of insurance certificates and endorsements required under this Agreement does not relieve CONSULTANT from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies are determined to be applicable to any such damages or claims for damages.

11) PROHIBITED INTERESTS. No employee of the TOWN shall have any direct financial interest in this Agreement. This Agreement shall be voidable at the option of the TOWN if this provision is violated.

12) LOCAL EMPLOYMENT POLICY. The TOWN desires wherever possible, to hire qualified local residents to work on Town projects. Local resident is defined as a person who

resides in Marin County. The TOWN encourages an active affirmative action program on the part of its contractors, consultants, and developers. When local projects require, subcontractors, contractors, consultants and developers will solicit proposals from qualified local firms where possible.

13) FEDERAL REQUIREMENTS. If federal funds are involved in this Agreement, CONSULTANT shall comply with the federal requirements in Exhibit "E". As a way of responding to the provisions of the Davis-Bacon Act and this program, contractor, consultants, and developers will be asked, to provide no more frequently than monthly, a report which lists the employee's name, job class, hours worked, salary paid, city of residence, and ethnic origin.

14) CONSULTANT NOT A PUBLIC OFFICIAL. CONSULTANT is not a "public official" for purposes of Government Code §§ 87200 et seq. CONSULTANT conducts research and arrives at his or her conclusions, advice, recommendation, or counsel independent of the control and direction of the TOWN or any TOWN official, other than normal contract monitoring. In addition, CONSULTANT possesses no authority with respect to any TOWN decision beyond these conclusions, advice, recommendation, or counsel.

EXHIBIT "D"

INSURANCE REQUIREMENTS

CONSULTANT shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the CONSULTANT, its agents, representatives, or employees.

1) MINIMUM SCOPE AND LIMITS OF INSURANCE

a) Commercial General Liability coverage (occurrence Form CG 00 01) with minimum limits of \$1,000,000 per occurrence for bodily injury, personal injury, products and completed operations, and property damage. If Commercial General Liability or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

b) Automobile Liability coverage (Form CA 00 01 with Code 1 – any auto) with minimum limits of \$1,000,000 per accident for bodily injury and property damage.

c) Workers' Compensation insurance as required by the State of California and Employers' Liability insurance, each in the amount of \$1,000,000 per accident for bodily injury or disease.

2) INDUSTRY SPECIFIC COVERAGES

The following insurance is also required.

- Professional Liability Insurance / Errors and Omissions Liability in the minimum amount of \$1,000,000 per occurrence.

3) INSURANCE PROVISIONS

a) DEDUCTIBLES AND SELF-INSURED RETENTIONS. Any deductibles or self-insured retentions must be declared to and approved by the TOWN. At the option of the TOWN, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the TOWN, its officers, officials, employees and volunteers; or the CONSULTANT shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

b) The general and automobile liability policies (and if applicable, pollution liability, garage keepers liability and builder's risk policies) are to contain, or be endorsed to contain, the following provisions:

- i) The TOWN, its officers, officials, employees and volunteers are to be covered as additional insureds as respects: liability arising out of work or operations performed by or on behalf of the CONSULTANT; products and completed operations of the

CONSULTANT; premises owned, occupied or used by the CONSULTANT; or automobiles owned, leased, hired or borrowed by the CONSULTANT. The coverage shall contain no special limitations on the scope of protection afforded to the TOWN, its officers, officials, employees or volunteers.

- ii) For any claims related to this project, the CONSULTANT's insurance coverage shall be primary insurance as respects the TOWN, its officers, officials, employees and volunteers. Any insurance or self-insured maintained by the TOWN, its officers, officials, employees or volunteers shall be excess of the CONSULTANT's insurance and shall not contribute with it.
 - iii) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the TOWN, its officers, officials, employees or volunteers.
 - iv) The CONSULTANT's insurance shall 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.
 - v) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the TOWN.
 - vi) The policy limits of coverage shall be made available to the full limits of the policy. The minimum limits stated above shall not serve to reduce the CONSULTANT's policy limits of coverage.
- c) ACCEPTABILITY OF INSURER. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the TOWN.
- d) VERIFICATION OF COVERAGE. CONSULTANT shall furnish the TOWN with original endorsements effecting coverage required by this Exhibit D. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. The endorsements are to be on forms provided by the TOWN or on forms equivalent to CG 20 10 11 85 subject to TOWN approval. All insurance certificates and endorsements are to be received and approved by the TOWN before work commences. At the request of the TOWN, CONSULTANT shall provide complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications.
- e) SUB-CONTRACTORS. CONSULTANT shall require all subcontractors to procure and maintain insurance policies subject to the requirements of Exhibit D. Failure of CONSULTANT to verify existence of sub-contractor's insurance shall not relieve CONSULTANT from any claim arising from sub-contractors work on behalf of CONSULTANT.