

1st Reading 4/23/2024

2nd Reading 4/23/2024

BILL NO. 24-01

ORDINANCE NO. 5451

AN ORDINANCE APPROVING AN AGREEMENT WITH ARMANINO LLP,
FOR FRAUD RISK ASSESSMENT SERVICES AND AUTHORIZING THE
MAYOR AND CITY CLERK TO EXECUTE THE SAME ON BEHALF OF THE
CITY

WHEREAS, the City of Crestwood, Missouri (the “City”) issued a Request for
Qualifications for Fraud Risk Assessment Services on February 29, 2024 (the “Project”); and

WHEREAS, companies submitted qualifications and City Staff recommends Armanino
LLP for the Project as the best qualified respondent.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE
CITY OF CRESTWOOD, MISSOURI AS FOLLOWS:

SECTION 1: An agreement with Armanino LLP, for Fraud Risk Assessment Services in
an amount not to exceed \$35,000 plus an additional 5% technology and administrative fee per
invoice, is hereby approved, as attached hereto as Exhibit A and made a part hereof.

SECTION 2: The City Administrator, or his designated representative, is hereby
authorized to approve and execute change orders in the event of contingencies or additional work
related to this Agreement in accordance with the City Purchasing Policy.

SECTION 3: The Mayor and City Clerk are hereby authorized and directed to execute the
Agreement with Armanino LLP, on behalf of the City and to take further action as may be
reasonably necessary to carry out the intent of this Ordinance.

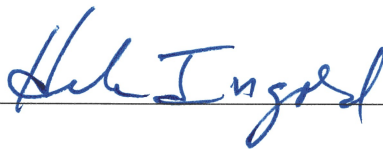
SECTION 4: This Ordinance shall be in full force and effect from and after its passage by the Board of Aldermen and its approval by the Mayor.

PASSED AND SIGNED this 23rd day of April, 2024.



Mayor

ATTEST:



City Clerk

APPROVED this 23rd day of April, 2024.



Mayor

EXHIBIT A

Armanino LLP
6 CityPlace Drive
Suite 900
St. Louis, MO 63141



April 9, 2024

Sara Fleming
Finance Officer
City of Crestwood
sfleming@cityofcrestwood.org

Sara,

Armanino LLP (“**Armanino**,” “**we**” or “**us**”) is pleased to provide the services described below (the “**Services**”) to the **City of Crestwood** (“**City**” or “**Client**”). The Services are subject to the terms and conditions of this engagement letter and the Terms & Conditions for Professional Services, located at <http://www.armaninollp.com/professionalservices/MISSOURI> (together, this “**Agreement**”).

SERVICES

We will provide a high-level occupational fraud risk assessment of the City focused on the following areas:

- Vendor maintenance/vendor payments.
- Cash receipts and accounts receivable functions.
- Cash disbursements and accounts payable functions.
- Refunds, voids and chargebacks.
- Investment-related controls.
- Fuel use management.
- Purchasing operations.
- Permitting operations.
- Claims management.
- False invoices and fraudulent returns.
- Travel advances and expense reimbursements.
- Workers compensation management.
- Systems access controls.
- Approvals, authorizations, verifications, reconciliations, and segregation of controls.
- Security over assets.
- Entity level controls, including IT and cybersecurity (at a high level).

Our approach is broken down into four phases and is summarized as follows:

- **Phase 1 - Planning and Organization**
 - Kick-off meeting and initial discussions with City Finance officials.
 - Obtain an understanding of the City organizational structure and functions of each division.
 - Obtain and review any City financial policies and procedures.
 - Obtain and review any prior risk assessments.
 - Obtain and review any prior audits and audit management comments.
 - Identify processes in scope and confirm with City Finance.
 - Identify potential focus areas to utilize data analysis to assess the effectiveness of controls in place and confirm with Finance.
 - Identify Elected Officials, Board, Department Management and/or Staff personnel to interview/survey.
 - Develop the interview questions and/or survey.

- **Phase 2 - Fraud Risk Assessment**
 - Conduct interviews of Elected Officials and Board to identify any areas of concern.
 - Conduct interview with external auditors to identify any concerns.
 - Conduct interviews and/or survey of City management and staff to identify any areas of concern.
 - Based on interview/surveys and review of documents obtained in phase 1, identify fraud risks related to:
 - ✓ Asset Misappropriation – Theft or misuse of City resources.
 - ✓ Corruption – Use of influence in a transaction in a way that violates duty to the City for the purpose of obtaining benefit for self or someone else.
 - ✓ Financial Statement Fraud – Intentional misstatement or omission of material information in the City's financial reports.
 - Assess inherent fraud risk based on likelihood and potential magnitude.
 - Discuss risks with Finance officials.
- **Phase 3 - Internal Controls Review**
 - Walk-through key processes and identify current internal controls in place to mitigate fraud risks in those areas assessed at a moderate to high level of risk.
 - Assess the adequacy of those internal controls.
 - Identify any control gaps and/or opportunities to improve efficiency and effectiveness of controls.
 - Recommend internal control and fraud prevention and detection improvements.
 - Discuss improvements with Finance officials.
- **Phase 4 - Reporting**
 - Draft report to include:
 - ✓ Methodology and approach.
 - ✓ Fraud risk assessment matrix with heatmap identifying risks, overall risk score, responsible department, existing controls and effectiveness, residual risk and recommendations to mitigate the risk.
 - Discuss draft report with Finance officials.
 - Finalize report.
 - Present as requested to the City.

DELIVERABLES

Armanino will provide a report containing a fraud risk assessment matrix with heatmap identifying risks, overall risk score, responsible department, existing controls and effectiveness, residual risk and recommendations to mitigate the risk.

Our Services will not be in accordance with accounting principles generally accepted in the United States of America. Armanino's services are performed in conformity with the American Institute of Certified Public Accountants' (AICPA) Statement on Standards for Consulting Services as well as the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing. The Services are not intended to detect fraud or defalcations. You understand that we will not perform an audit or review of either the business financial statements of any party. Consequently, we will not express an opinion or any other form of assurance on those financial statements. We cannot and do not predict results or final developments in this matter. Our fees are not contingent upon the outcome of this matter.

CITY RESPONSIBILITIES

We understand that the City will provide us with (1) access to all information and personnel that are relevant to our services, (2) additional information that we may request to complete our services, (3) unrestricted access to identified persons within the City from whom we determine it necessary to obtain evidence and (4) appropriate guidance and oversight from an assigned member of the City's management. If you do not fulfill these responsibilities, we will communicate in writing that we are unable to satisfactorily complete our services and must withdraw from the engagement.

It should be noted that all documents and reports prepared by Armanino are intended solely for the information and internal use by City management. The documents and reports should not be used by or distributed to others for any other purposes, except as may be necessary by reason of the regulatory requirements applicable to the City.

INCORPORATION

Armanino and City acknowledge and agree that the City's Request for Proposals ("RFP") and Armanino's Response ("Response") are incorporated herein by reference and made a part hereof. In the event of any inconsistency or conflict between the terms of the RFP, the Response and this Agreement, the terms of the RFP and the Response shall prevail.

ENGAGEMENT ADMINISTRATION; FEES

Ron Steinkamp is the engagement Partner and is responsible for quality assurance. **Keenan McKinney** will be the Director responsible for overall delivery and will be actively involved in conducting the work as well as responsible for supervising the engagement and directing others to assist, as necessary.

Our fee for the Services will be **\$35,000**. As we intend to perform these services remotely or utilize local resources for onsite work where required, we will have no reimbursable expenses related to travel. Any additional professional services not specifically described in the scope of services above, will be billed separately using our standard hourly rates.

In addition, we charge a technology and administrative fee of 5% of each invoice. This fee includes costs not separately itemized such as engagement and project management technology (e.g., hosted/cloud services, equipment, internet and engagement software), time for scheduling resources, billing report production and, where applicable, local travel time for local resources staffed to provide Services under this engagement letter.

We appreciate the opportunity to be of service to you and believe this Agreement accurately summarizes the terms applicable to the Services. If you have any questions, please let us know. If you agree with the terms of this Agreement, please sign the enclosed copy, and return it to us.

Sincerely,

A handwritten signature in cursive script that reads "Ron Steinkamp".

Ron Steinkamp, CPA, CIA, CFE, CRMA, CCA, CCP
Partner

THIS AGREEMENT, INCLUDING THE TERMS & CONDITIONS FOR PROFESSIONAL SERVICES LOCATED AT <http://www.armaninollp.com/professionalservices/MISSOURI>, IS HEREBY APPROVED AND ACCEPTED:

Date: 4/25/2024

The City of Crestwood
By: Scott Shipley

Name: Scott Shipley

Title: MAYOR
