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PROPOSAL TO PROVIDE PROFESSIONAL SERVICES – SEWER PROGRAM CONSULTING:

## TOWN OF COVENTRY

JANUARY 2, 2018

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January 2, 2018

Members of the Town Council  
Mr. Graham Waters, Town Manager  
Town of Coventry, Rhode Island  
1670 Flat River Road  
Coventry, RI 02816

Dear Members of the Town Council and Mr. Waters:

Thank you for the opportunity to submit our proposal to assist the Town of Coventry, Rhode Island (the “Town”) in its analysis of the financial and other activities related to its sewer program

We understand your desire to work with professionals who have significant experience auditing local governmental entities, including sewer fund activities, and who have an expansive breadth of experience with other municipal activities, that can provide the Town with a comprehensive financial analysis and perspective along with recommendations for consideration to work towards the financial sustainability of the current and proposed future sewer programs.

This proposal includes an overview of the key characteristics that differentiate us from other firms, a summary of the services we propose to provide; a brief profile of our Firm, its governmental practice experience, and assigned professionals; and our fee arrangements.

### Service Considerations

During your review of our experience and qualifications, and other information included within our proposal, we would like you to consider that we:

- Are a leading firm within the community providing audit and consulting services to local governments and their component units, and have extensive experience providing audit and other services to component units of the State of Rhode Island (the “State”) whose financial statements are incorporated into the State’s Annual Comprehensive Financial Report.
- Have assembled a team of professionals to work with the Town that have a complimentary set of unique skills required for this project that allows us to evaluate and provide recommendations from both an external and internal governmental perspective. Their experience includes:
  - Hands-on experience with governmental financial and reporting matters, including various municipalities’ sewer funds. Our experience with sewer funds includes, among others, review of related construction and other project costs and related financing arrangements, and understanding and reviewing sewer assessment and sewer use billing processes;
  - Reviewing enabling legislation and local government ordinances, and evaluating the interrelationship of such legislation and ordinances to the decision making process;



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- Familiarity with various intermunicipal agreements, assessments, bond issuance, and debt refinances; and
  - Evaluating municipal activities and their impact on a local government's financial and strategic decisions, considering potential alternatives, and making informed decisions from the perspective of a member of the Board of Selectmen of a governmental entity.
  - Providing consulting and performing investigative and forensic accounting engagements to follow-up on indications of potential fraud for various types of entities and organizations
- Provide performance and internal audit services to assist the Department of Administration – Office of Internal Audit.
  - Possess the blended characteristics of a national and a regional firm. We possess the resources, training and expertise found in larger firms, but also possesses several unique characteristics that distinguish us from the rest.
  - Commit to the timely delivery of our services. At Citrin Cooperman, we work to deliver the product of our services before stated deadlines to provide the Town Council and management of the Town with the necessary time for review and consideration of potential alternatives.

### **Proposed Services**

To assist the Town in obtaining a comprehensive understanding and evaluation of the financial history of the Town's existing sewer projects, and to provide recommendations of which we become aware for the Town's consideration in its plan to enhance the financial stability of the existing sewer program and its proposed expansion, our proposed services will include the following:

- Review the following documents to obtain an understanding of the provisions that govern the Town's sewer program to use in our evaluation of existing sewer projects and potential alternatives for consideration:
  - General Laws of the State of Rhode Island, Special Acts for Cities and Towns, enacted by the Rhode Island General Assembly, (the "Enabling Acts") that relate to Town's sewer projects.
  - Town ordinances, including any amendments thereto, within the *Town Code of Ordinances* that relate to the Town's sewer projects.
  - Description of the history of the Town's sewer projects prepared by the Town's engineering consultants and/or financial advisors, if available.
  - Minutes of the meetings of the Town Council discussing, and during which the Town Council voted upon, matters related to the Town's existing sewer projects made available to us.

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- Perform a comprehensive financial analysis of the funding of existing sewer projects. In our financial analysis, we will, among other activities:
  - Obtain and summarize financial resources made available through grants and tax anticipation notes and other debt offerings, the proceeds of which were used to fund in whole or in part the construction activities of the Town's existing sewer projects.
  - Review AIA construction documents and other contracts and agreements related to the cost of construction, and the Town's financial statements and other financial records, to summarize the dollar amount of project costs.
  - Prepare a matrix of the various sources used to fund construction costs incurred (for example, debt proceeds; sewer assessment charges; general fund subsidies), including developing an estimate of the monetary outlay to be expected in future years and the related sources to fund such monetary outlay.
  - Communicate any indications of potential fraud of which we become aware and work with the Town and the Town Solicitor to consider and develop any appropriate follow-up procedures.
- Review and summarize the financial components contained within the Intermunicipal Agreement entered into by and between the Town and the Town of West Warwick, West Warwick Regional Wastewater Treatment Facility (the "IMA"), and
  - Identify the type of costs incurred by the Town under the IMA and evaluate whether such costs directly or indirectly contribute to the operation of the Town's sewer program or whether such costs do not benefit the Town.
  - To the extent possible, obtain information about how costs charged to the Town under the IMA are allocated and evaluate whether the allocation methods appear reasonable.
  - Provide information to assist the Town with any potential negotiation of the terms contained within the IMA or other decisions related to the IMA.
- Review and summarize the financial aspects of current sewer assessments and the payment terms made available to pay such assessments; and of current sewer use charges. We will, among other activities:
  - Evaluate whether current sewer assessments and sewer use charges are aligned with the Enabling Acts and Town ordinances.
  - Evaluate the effect sewer assessment charge prepayments have had on, and whether such prepayments were used or set-aside to fund, future debt service requirements.



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- Determine whether sewer use charges incorporate all significant cost components incurred by the Town related to its operation of the sewer program. This will include a review of any contracts or agreements entered into by and between the Town and specific users.
- Understand the method and timing of the Town's billing process for sewer assessment and sewer use charges, including the process for unpaid assessments and levying of liens.
- Provide recommendations of which we become aware related to the Town's sewer assessments, including the ability to levy supplemental sewer assessments, and sewer use charges.
- Evaluate aspects related to the Town's consideration of the establishment of a sewer coordinator position, including a calculation of current costs borne by other departments who support the Town's existing sewer program.
- Review our analysis and preliminary recommendations with the Town Manager, and other members of Town management designated by the Town Manager, during scheduled periodic meetings (anticipated to include 3 meetings).
- Meet with the Town Council prior to commencing our work to describe the project and anticipated deliverables; at the mid-point of the project to discuss the project status and expected completion date; and at the end of the project to discuss the results.
- Prepare a written report that will provide a high-level summary of the Enabling Acts and Town ordinances; costs incurred and related funding sources, including any construction cost deficit funding; provisions of the IMA; current sewer assessment and sewer use charge policies, and our recommendations.

It is our understanding that the Town would like to receive project results in advance of its discussion of the Town's fiscal 2019 budget so that it can consider any project recommendations when developing the budget. We will work with the Town Manager to develop a plan to complete our work and present our written report to the Town Council by approximately mid-April. If extraordinary matters or unanticipated events come to our attention that might affect our ability to meet the expected delivery date, we will communicate with the Town Manager as soon as practicable to arrive at a mutually agreeable solution.

### **Firm Profile**

Citricooperman is a leading accounting, tax, and advisory services firm with locations in Rhode Island, Connecticut, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, India, and the Cayman Islands. The firm was founded in 1979 and today is the 21st largest accounting and consulting firm in the United States and 4th largest in the Mid-Atlantic region. We work with our clients to provide strategic advice for their organizations, actively bringing our best-in-class resources so you can *focus on what counts*.



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The firm has an executive committee that works closely with its chief executive officer with respect to the firm's strategy and governance. In addition, each of the firm's offices has an office managing partner who reports to the firm's chief executive officer and is responsible for the operations in each of the firm's locations, which consist of more than 900 employees firm-wide. Citrin Cooperman provides a full range of attest, tax and specialty tax, business advisory, economic advisory, and transaction support services through its industry-focused groups, including government, distribution, employee benefit plans, construction, entertainment, financial services, franchising, health care, manufacturing, not-for-profit, private equity, real estate, and technology.



To expand our global reach, Citrin Cooperman is an independent member firm of Moore Stephens North America, which is itself a regional member of Moore Stephens International Limited. All firms in Moore Stephens North America are independent entities, owned and managed in each location.

### Governmental Industry Practice Experience

We have made a commitment of firm-wide resources and developed industry-focused engagement teams to provide the highest level of professional services to our governmental clients. Our experience in, and commitment to, serving governmental entities provides unique opportunities for our clients. Issues faced by our governmental clients are discussed among our Firm's governmental practice team members so that our clients can benefit from their collective knowledge and experience empowering us to provide our clients with expertise and insights based on hands-on experience.



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We are recognized as a leading firm within the community providing audit and other attest, accounting, and consulting services to local cities and towns and their component units. Also, we have extensive experience providing such services to component units of the State of Rhode Island. Our governmental industry clients presently include:

- Local municipalities and their component units.
- Component units of the State of Rhode Island (the “State”) which are included in the State’s comprehensive annual financial report.
- The Department of Administration – Office of Internal Audit

As part of our services to local municipalities, we have experience with various municipalities’ sewer funds including, among other aspects, recognition of construction costs related to the various phases of a municipality’s sewer project, understanding and review of financing arrangements related to construction and related project costs, understanding the sewer assessment process and controls, understanding and reviewing billing processes and controls, and review of intermunicipal arrangements.

Our Providence Office’s governmental practice group includes approximately 25 professionals who perform audits of component units of the State, local governments, and federal award programs under Office of Management and Budget’s (“OMB”) Uniform Guidance. Two partners/directors and five managers lead our governmental practice group in our Providence office. We also have professionals in other offices with governmental experience.

Effective September 1, 2016, certain partners of LGC&D LLP were admitted to the partnership of Citrin Cooperman & Company, LLP (“Citrin Cooperman”). Our experience described herein includes the combined experiences and resources of both LGC&D LLP and Citrin Cooperman.

We have provided a list of governmental entities for whom we have provided or are currently providing professional services in Appendix I. References from our governmental clients are available upon request.

Our Firm’s Peer Review Quality Control Report is available upon request.

### **Engagement Team**

Based on our understanding of nature and complexity of this project, we have assembled a team of professionals to work with the Town that have a complimentary set of unique skills required for this project. Our team members have:

- Hands-on experience servicing governmental entities and component units of the State of Rhode Island, with extensive experience in governmental financial and reporting matters (including sewer funds).
- A breadth of experience evaluating municipal activities, considering potential alternatives, and making informed decisions from the perspective of a member of the governing body of a governmental entity.

We believe that no other firm can provide the unique skill set to evaluate and provide recommendations from both an external and internal perspective.





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*Stephen W. Geremia, CPA*  
*Partner*

Stephen Geremia is a partner in Citrin Cooperman's Providence office. With over 35 years of accounting experience, he directs audit, attest, and consulting for governmental entities and privately-held and public entities. His exceptional expertise extends to the areas of government, manufacturing, distribution, financial services, commercial and subsidized real estate sectors. Steve specializes in the areas of internal audit, internal control (financial and compliance), compliance auditing, and providing forensic and litigation support. Stephen's hand-on experience with governmental financial and reporting matters (including sewer funds of various municipalities) is an invaluable component in understanding financial and operation matters related to the Town's sewer program and making practical recommendations based on experience.

*Mitzi Hollenbeck, CPA*  
*Partner*

Mitzi Hollenbeck is a partner in Citrin Cooperman's Boston office with over 15 years' experience who started her career at the Governmental Accounting Standards Board ("GASB"). Mitzi is also a member of the Board of Selectmen of the Town of Lakeville, Massachusetts. In her capacity with the Town of Lakeville, she overviews and evaluates the financial affairs of the town and evaluates the financial and non-financial aspects of various agreements and municipal activities to make informed decisions. Mitzi's experience and perspective in evaluating municipal affairs and making informed decisions from within a governmental entity is an invaluable component in identifying matters to be considered during this project and making practical recommendations from the perspective of a government's management.

Other professionals may assist Stephen and Mitzi with preparing financial analysis schedules and other procedures, but Stephen and Mitzi will be responsible to perform the evaluative analysis and develop recommendations. Also, we have the availability of professional resources through our Firm's valuation and forensic services practice group to perform high level financial analysis and projections if required.

### **Proposed Fees**

Citrin Cooperman is certified under Master Price Agreement ("MPA") 503. Our hourly rates for professional services within MPA-503 are as follows:

Staff	\$110
Senior	\$135
Manager	\$165
Management Services/Consulting Staff	\$165
Senior Management Services/Consulting Staff	\$180
Director	\$225
Partner	\$325

Our fees will be based on the actual time incurred to provide the services described herein and any other services requested by the Town based on the rates within MPA-503. We estimate that our fees to provide the services described herein will range between \$31,500 and \$36,500. Out-of-pocket costs are included in the hourly rates within MPA-503.





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Prior to performing any work, we will use our best efforts to match the level of the professional assigned to complete the work with the requirements and complexity of the task to limit, to the extent practical, the fees associated with performing the work.

If, based on the actual time incurred to provide the services described herein, the fees are less than the low end of our estimated range, we will bill you for the lower amount based on the actual time incurred. If we anticipate that our fees to provide the services described herein will exceed the high end of our estimated range by more than 10%, we will communicate with the Town Manager as soon as practicable to arrive at a mutually agreed to fee range. If based on performing the services described herein there are additional procedures requested to be performed, we will discuss those services with you and a separate arrangement for those services will be provided.

We do not want fees to be an obstacle in being selected to work with the Town. We would welcome an open discussion about this matter to provide additional information and work with the Town to develop an appropriate work plan.

Thank you for the opportunity to submit our proposal. If you require any additional information about our Firm and this proposal, please do not hesitate to call us.

We look forward to the opportunity of working with the Town of Coventry, Rhode Island in the near future.

Very truly yours,

CITRIN COOPERMAN & COMPANY, LLP

Stephen W. Geremia, Partner  
Certified Public Accountant



## APPENDIX I – List of Governmental Agencies to Whom We Have Provided Services

Listed below are those public and quasi-public entities for whom we have or currently are providing attest services:

### **Cities and Towns**

Block Island Land Trust  
Town of Bristol, Rhode Island  
City of Fall River, Massachusetts  
Town of Glocester, Rhode Island  
Town of Hopkinton, Rhode Island  
Town of Lincoln, Rhode Island  
Town of Middletown, Rhode Island  
Town of Narragansett, Rhode Island  
Town of New Shoreham, Rhode Island  
City of Newport, Rhode Island  
Town of North Kingstown, Rhode Island  
Town of Portsmouth, Rhode Island

### **Component Units of the State of Rhode Island**

Affordability Housing Trust  
HealthSource Rhode Island Trust  
Rhode Island Airport Corporation  
Rhode Island Convention Center Authority  
Rhode Island Commerce Corporation  
Rhode Island Higher Education Assistance Authority  
Rhode Island Higher Education Savings Trust  
Rhode Island Housing and Mortgage Finance Corporation  
Rhode Island Industrial Facilities Corporation  
Rhode Island Industrial-Recreational Building Authority  
Rhode Island Public Telecommunications Authority  
Rhode Island Turnpike and Bridge Authority

We also provide internal and performance audit services to the Department of Administration – Office of Internal Audit.



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