

Compensation Summary

I. Fees

<u>For the Year Ending</u>	<u>Audit Fee</u>
June 30, 1996	\$ 169,000
June 30, 1997	\$ 179,000
June 30, 1998	\$ 189,000

Should the City wish to extend the contract, KPMG would propose the fiscal year 1999 and fiscal year 2000 audits at the fee of \$195,000 for each fiscal year.

In addition to the audit services requested in the RFP, our fee includes performing two administrative reviews chosen by management from the listing provided in the additional information section of this proposal.

II. Estimated Billable Hours

<u>For the Year Ending</u>	<u>Audit Hours</u>
June 30, 1996	4,000
June 30, 1997	4,000
June 30, 1998	4,000

III. Supplemental Rates Per Hour

<u>Staffing Level</u>	<u>Rate per Hour</u>
Partner	\$ 180
Manager	\$ 110
Senior	\$ 80
Staff	\$ 60

RESOLUTION OF THE CITY COUNCIL

No. 264

Approved May 23, 1996

RESOLVED, That the City Council hereby selects KPMG Peat Marwick, Certified Public Accountants, 600 Fleet Center, 50 Kennedy Plaza, Providence, Rhode Island, 02903-9605, to complete the Audit of City Departments and Funds in accordance with their proposal submitted to the Committee on Finance of the City Council with Federal and other funds or departments reported both jointly and separately, where required for the following years, at fees not to exceed the following respectively:

<u>FOR THE YEAR ENDING</u>	<u>AUDIT FEE</u>
June 30, 1996	\$169,000
June 30, 1997	\$179,000
June 30, 1998	\$189,000

WHEREAS, That estimated billable hours, years and fees not to exceed the following, respectively:

<u>FOR THE YEAR ENDING</u>	<u>ALL INCLUSIVE AUDIT HOURS</u>
June 30, 1996	4,000
June 30, 1997	4,000
June 30, 1998	4,000

WHEREAS, KPMG Peat Marwick, anticipated that there will be approximately 300 hours in start-up time that the City will not be billed for under the contract, and

WHEREAS, That the increase in hours reflects the expected time to complete the Audit in 1996 and 1997 with the rates and fees not to exceed the following respectively:

<u>STAFFING LEVEL</u>	<u>RATES PER HOUR</u>
Partner	\$180
Manager	\$110
Senior	\$ 80
Staff	\$ 60

NOW, THEREFORE, BE IT RESOLVED, That the City Council does hereby select KPMG Peat Marwick, Certified Public Accountants to perform Auditing Services for the City of Providence, pursuant to the circulated specifications for bidders which is incorporated by reference into our agreement.

THE COMMITTEE ON
FINANCE
Approves Passage of
The Within Resolution
Charles Bontrick
Clerk
May 6, 1996

IN CITY
COUNCIL
MAY 16 1996
FINAL READING
READ AND PASSED

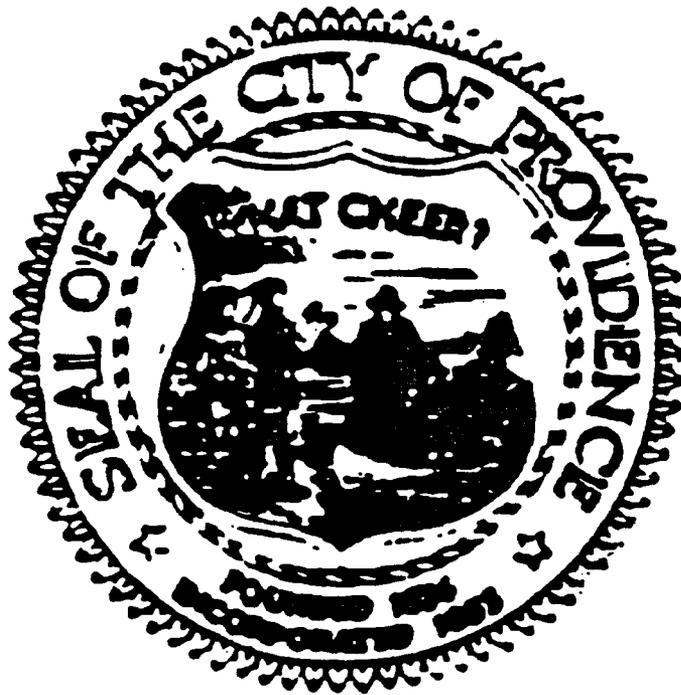
Evelyn V. Fargnoli
PRESIDENT
Jan M. Cradock
CLERK

APPROVED
MAY 23 1996
Vincent A. Ciancica
MAYOR

KPMG

The Global Leader

Proposal to Serve



Providence, Rhode Island

June 1996

CITY OF PROVIDENCE, RHODE ISLAND

Proposal for Auditing Services

For the Fiscal Years Ending June 30, 1996, 1997 and 1998

PROPOSING FIRM:

**KPMG PEAT MARWICK LLP
600 Fleet Center
Providence, Rhode Island 02903**

CONTACT PERSON:

**Shawn Warren, Partner
KPMG PEAT MARWICK LLP
(401) 421-6600
(617) 988-1000**

March 22, 1996



600 Fleet Center
50 Kennedy Plaza
Providence, RI 02903-9605

March 22, 1996

Members of the City Council Committee on Finance
City of Providence, Rhode Island
Providence City Hall
Providence, Rhode Island 02903

Dear Members:

We are pleased to submit our qualifications to serve as independent auditors for the City of Providence, Rhode Island.

SCOPE OF OUR ENGAGEMENT

The engagement will include an audit of the financial statements of all the funds and account groups and a financial and compliance audit of federal financial assistance programs in accordance with the Single Audit Act of 1984 and OMB Circular No. A-128 of the City of Providence, Rhode Island for the years ended June 30, 1996, 1997 and 1998. The audits will be conducted in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants and Government Auditing Standards (1994 revision) issued by the Comptroller General of the United States.

At the conclusion of our audit, we will issue our reports on the following financial statements:

- the City's general purpose combined financial statements;
- the component unit financial statements for the Water Supply Board and the Civic Center Authority;
- the departmental financial statements for the School Department (including reports on Form 31 and ES-J065) and the Planning Department (including the special revenue funds, the Economic Development Corporation and the Providence Redevelopment Agency), and the financial statements of the City's Job Training Partnership funds; and
- a management letter containing our comments and recommendations regarding the City's internal control structure.

We will also issue our single audit reports on:

- whether the supplemental schedule of federal financial assistance presents fairly the federal assistance of the City in relation to the general purpose financial statements;
- whether the City has an internal control structure to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations;
- whether the City has complied with applicable laws and regulations that may have a material effect upon the financial statements and on each major federal financial assistance program.



Member Firm of
Klynveld Peat Marwick Goerdeler

Members of the City Council Committee on Finance
City of Providence, Rhode Island
March 22, 1996
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QUALIFICATIONS

In view of the complex nature and diversity of municipal governmental functions, we believe KPMG Peat Marwick LLP (KPMG) is uniquely qualified to serve the City. As you review the accompanying proposal, we trust that you will consider the major elements that we believe distinguish KPMG from other firms. Chief among these characteristics are the following:

- **Established Relationship.** As your independent auditors since fiscal year 1993, we are familiar with the City operations and systems and have developed professional relationships with City personnel. **We encourage you to compare the service you received from KPMG to the services provided by your previous auditor and other firms. We think you will agree - KPMG's service is superior.**
- **We Are The Recognized National and Local Leader.** KPMG is considered the leading public sector auditing and consulting firm in the country, currently serving over 2,500 public sector clients, including many states and several large cities. **Locally, KPMG is the only national firm resident in Providence that specializes in government audits.** The scope of our government practice within New England is evidence of KPMG's long-term commitment to the public sector. The government service industry is a viable and integral part of our total audit practice - it does not merely fill slack periods in the audit year. Because of its importance, the City can be assured of our future commitment to it and the government services sector.
- **The Right People.** Regardless of the experience of each of the proposing firms, the quality of service will depend on the individuals who actually serve on the City's audit. I believe that no other firm has a team that can match the technical and practical experience that the KPMG team possesses. Our ability to serve the City is evidenced by the fact that our team members having extensive government industry experience and collectively have over 60 years of audit experience. The knowledge of the team members coupled with their involvement in the industry at both the local and national levels guarantees that the City will benefit from the up-to-the-minute advice available only from KPMG with the difficult financial challenges facing the City, superior counsel and advice from your auditors is critical. Our technical and business expertise, I think you will agree, is far superior to any regional or local firms.

The team we have assembled for this engagement is tailored to the specific operations of the City and consists of the same team of professionals that have served the City successfully over the past 3 years. The team, including myself as engagement partner, Lon Compton as client service partner, Melissa Lolli and Michael Maschio as managers, includes individuals with extensive practical experience in governmental auditing and single audits. The resumes of key members of the audit team are included in Appendix A.

- **Experience.** We have performed audits and single audits in numerous cities and towns as listed in the Professional Experience section. We urge you to call these references regarding our professional services and reputation. We also have significant experience in auditing governmental activities including water and sewer operations, school operations and other municipal activities. **Unlike other small and large firms, KPMG will assist you to plan effectively for the transitions with the year 2000.**

Members of the City Council Committee on Finance
City of Providence, Rhode Island
March 22, 1996
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- **Quality Service Is Assured.** KPMG has a triennial peer review performed by another "Big Six" public accounting firm in accordance with AICPA standards. The latest report dated November 3, 1993, was unqualified and is included in Appendix D. A more in-depth review, by our own Professional Practice Review Team, is performed every two years.

Additionally, KPMG was the first Big-Six Firm to establish a Quality Service Program to enable our clients to respond to the question - "How are we doing?" - and to remedy problems when we find them. The primary vehicle to accomplish this is a survey distributed to individuals at our clients who have a strong service relationship with KPMG people. The survey is conducted annually and client responses go directly to an independent consultant for compilation and reporting to the Chairman of the Firm, Jon Madonna. The corrective action process is then initiated by Jon.

We believe that giving management the opportunity to respond directly to the Firm through this survey process will help ensure that the engagement is **completed to your satisfaction.**

FEEES

We believe that the primary criteria for a professional relationship should be prompt, cost effective client service, responsiveness to clients' needs, a thorough understanding of clients' policies and procedures, and continuity of knowledgeable and experienced professionals serving the client. **We have the commitment, we have a demonstrated record of performance, we have the experience necessary to deliver the most efficient audit services and, most of all, we have the desire to continue to serve the City as its independent auditors.**

We view our proposed association as a year-round commitment and our audit fees cover all informal, periodic consultations on accounting and financial matters.

Preliminary work can be expected to begin within one week after our appointment. We have also included an audit timetable in Appendix B that will enable the required reports to be furnished to you within the time frame established in the Request for Proposal.

Very truly yours,

KPMG PEAT MARWICK LLP



Shawn Warren, Partner

CITY OF PROVIDENCE, RHODE ISLAND

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PROFESSIONAL EXPERIENCE

PROFESSIONAL EXPERIENCE

QUALIFICATIONS

Background

KPMG Peat Marwick LLP (KPMG) is one of the largest and most diversified certified public accounting firms in the world. Our government services department represents a large segment of our total professional practice. We believe the government practice has reached its present size because of the quality of our people and their ability to satisfy client needs.

Since the early 1900's, KPMG has performed audit, accounting, and management consulting services for all levels of government, including municipalities, counties, school districts, municipal and cooperative utilities, and federal and state departments and agencies. Our governmental professionals stay abreast of developments in accounting and auditing techniques pertaining to all units of local government. Our audit work is intended not only to report upon financial statements but also to highlight the strengths and weaknesses of the existing organizational structures, policies, and procedures as they apply to financial responsibility, control, and reporting. In our opinion, such experience with similar entities is a significant measure of a firm's capability to effectively serve the City.

Commitment to the Practice

One of the best measures of a firm's commitment to its governmental practice is its involvement in the governmental area on a national level. Following are brief discussions of examples of KPMG's leadership and contributions to governmental accounting, auditing, and financial reporting:

- National Council on Governmental Accounting Statement No. 1, Governmental Accounting and Financial Reporting Principles, was published by the National Council on Government Accounting (NCGA) in order to update and clarify generally accepted accounting principles for governments. A KPMG partner was a member of the council and its executive committee during the entire time this statement was developed. KPMG conducted the final editing of the statement prior to its publication. Further, KPMG assisted in the issuance of NCGA Statement No. 2, Grant, Entitlement, and Shared Revenue Accounting and Reporting of State and Local Governments.

- A restatement of Governmental Accounting, Auditing and Financial Reporting (GAAFR), the authoritative publication in the area of accounting for governmental units prior to the issuance of Statement No. 1, was issued by GFOA to reflect the principles contained in Statement No. 1. KPMG prepared the financial reporting chapter for the restatement.
- The AICPA committee of state and local government accounting is another major influence on the development of generally accepted accounting principles for governments, and as such prepared in 1974 the industry audit guide, Audits of State and Local Government Units and has recently updated the audit guide to reflect current developments, including Statement No. 1. Further, KPMG is the only accounting firm that had a partner on the committee for the first two years following its reactivation. KPMG partners actively contributed to the development of the 1974 industry audit guide and to the current revision of the audit guide. Additionally, a KPMG partner is a current member of the AICPA task force responsible for development of the authoritative guidance for performing single audits under Circular A-128 that has been incorporated in the updated audit guide.

Professional Development

To ensure that our local office professionals maintain the highest level of technical proficiency, KPMG's government services practice conducts the courses described below. We are certain that no other accounting firm offers comparable governmental audit training to its professional staff:

- Government Audit Training - An Orientation - Explains the principles of governmental accounting and the procedures used for auditing governments to staff accountants.
- Government Services Industry - Conducting a Government Audit - Provides in-charge accountants with an understanding of the requirements for planning and directing the single audit of a governmental unit in an efficient and effective manner.
- Advanced Governmental Accounting and Auditing - Provides an opportunity for audit managers and partners to become familiar with more complex governmental accounting issues and more sophisticated auditing procedures.
- Government Services Roundtable - Provides an update on the latest professional developments concerning accounting, auditing, and consulting for state and local government units.
- Government Consulting Workshop - Provides product profiles, marketing ideas and other information regarding general consulting services provided to the government units.
- Conducting Single Audits - This program is designed to develop the skills necessary to undertake the financial and compliance audit procedures required by the Single Audit Act.
- Governmental Accounting and Reporting Diagnostic Review - Provides an in-depth self-review of accounting, auditing, and single audit issues.

In addition to our professional staff training, KPMG has developed and provides executive education programs to our clients. These seminars provide training for senior executives and middle managers, as well as entry-level personnel. Training programs developed specifically for, or applicable to, our governmental clients include governmental accounting, reporting and auditing, and financial auditing for governmental auditors.

National Experience

The Line of Business Structure

In 1993, KPMG took the lead and became the first public accounting firm to structure the delivery of professional services along the industry line of business. These five industry lines are as follows:

- Public Services (which is principally comprised of governmental and higher education entities);
- Health Care and Life Sciences;
- Financial Services;
- Manufacturing, Retailing and Distribution; and
- Information, Communication and Entertainment.

The decision to define our firm along these lines is based on direct feedback from our clients. In surveys and focus groups, our clients stressed the need for market-responsive services to help them compete and achieve long-term success in their operations. They cited key issues such as maintaining competitiveness, achieving better financial and non-financial results, and implementing effective operational improvements. Put simply, clients want their professional services firm to go beyond the attest function and to be an advisor who sees their organization the way they do. KPMG is structured to fulfill our clients' needs now and well into the future. Our line of business approach fosters increased market specialization and focus - ensuring that our professionals have a deep understanding of our clients' markets, issues, and competitive environments, in order to provide solution-oriented advice.

KPMG is considered the leading public sector auditing and consulting firm in the country. Within the past two years, we have been appointed auditors for ten of the twenty largest cities in the country. No other firm serves more than four of the largest twenty-five.

A representative listing of the major cities throughout the country which have been served by KPMG follows:

Akron	Detroit	New York	San Diego
Albuquerque	Fort Lauderdale	New Orleans	San Francisco
Boston	Greenwich	Oakland	San Jose
Columbus	Juneau	Phoenix	Scottsdale
Dallas	Long Beach	Pittsburgh	Shreveport
Denver	Memphis	Providence	Stamford
Des Plaines	Midland	Roanoke	Tampa

The Public Services line of business has a long history of serving the New England region. The line of business structure allows KPMG to assign a client service team, virtually all of whom are in the Public Services line of business, to the City of Providence audit. The ability to assign industry-smart professionals to the audit, at all levels of the engagement, is a direct result of the line of business structure.

New England Practice

The New England Practice of KPMG is comprised of offices in Boston, Providence, Springfield/Hartford and Burlington, Vermont. The Practice includes over 75 partners and 750 professionals, approximately two-thirds of whom are in the Boston office. Our practice in Boston represents KPMG's sixth largest office in the United States and serves a wide range of public and private sector clients. The office currently renders audit, tax and consulting services to over 1,500 clients in Massachusetts, Connecticut, New Hampshire, Rhode Island and Vermont.

KPMG's Providence and Boston offices provide a full array of professional services including: audit and accounting, management consulting and tax. Each service is further focused by industry groups (government, financial services, etc.) or functional groups (cash management consulting, international taxation, etc.).

Our strong commitment to providing professional services to government clients is evident in the size of the government practices that exist in both the Providence and Boston offices.

Providence Office Government Practice

The Providence office is one of the largest public accounting firms in the area and represents the only Big Six firm in Providence with a government practice. Our professional staff includes 10 partners, 19 managers, 19 seniors and over 30 staff accountants in the audit and tax practices. Many of these individuals devote a substantial portion of their time serving governmental clients.

Boston Office Government Practice

KPMG's Boston office has the largest governmental practice within the Firm and the largest and most diverse government practice of any firm in New England.

Within the Boston office are professionals who devote all or a large portion of their time to the government industry. The Boston office has the following complement of government professionals:

	<u>Government</u>		
	<u>Audit</u>	<u>Consulting</u>	<u>Totals</u>
Partners	8	3	11
Managers	13	2	15
Staff	<u>75</u>	<u>7</u>	<u>82</u>
	<u>96</u>	<u>12</u>	<u>108</u>

The collective expertise, knowledge and experience of all the individuals in the Providence and Boston offices, as well as our offices throughout the world, is available to assist in meeting your needs.

Our size is important to you as an indication of our ability to respond to the City's needs with the necessary talent and resources. It also provides the flexibility to meet the City's timely reporting requirements.

The following paragraphs summarize the breadth and diversity of the existing public sector client base within the Providence and Boston offices:

- **Local Governments** - Local governments comprise the largest segment of our Business Unit's public sector client base. In the past five years we have performed full scope financial audits of the general purpose financial statements and single audits of numerous cities, towns and counties. A partial list follows:

Cities

Attleboro, MA
Boston, MA
Brockton, MA
Cambridge, MA
Lowell, MA
Portsmouth, New Hampshire
Revere, MA
Springfield, MA
Taunton, MA
Worcester, MA

Counties

Bristol, MA
Essex, MA
Hampden, MA
Middlesex, MA
Norfolk, MA
Suffolk, MA

Towns

Agawam, MA
Ashburnham, MA
Barnstable, MA
Brookline, MA
Chatham, MA
Danvers, MA
Duxbury, MA
Foxborough, MA
Mansfield, MA
Norwood, MA
Oxford, MA
Reading, MA
Salisbury, MA
Scituate, MA
Sharon, MA
South Kingstown, RI
Sterling, MA
Stoughton, MA
Wakefield, MA
Westwood, MA
Weymouth, MA
Winchester, MA

- **Public School Systems** - KPMG has been committed to serving the needs of local public school systems for many years. As with local governments, serving public school systems provides us with a unique understanding of one of the City's largest expenditures. This understanding is particularly useful in the audit efforts applied to the City's school grants.

In addition to serving the public school systems of our local government clients, regional school districts for which we perform full scope financial audits include:

- Greater Lowell Regional Vocational Technical School District
- Groton-Dunstable Regional School District
- Minuteman Regional Vocational School District
- Montachusett Regional Vocational Technical School District
- New Bedford Regional Vocational School District
- Old Rochester Regional School District

- Pathfinder Regional Vocational School District
 - Plymouth Carver Regional School District
 - Silver Lake Regional School District
 - Southeastern Regional Vocational School District
 - Warwick Public Schools, Rhode Island
- **Water Utilities** - While virtually all of the cities and towns that we audit include audits of the water and sewer departments, we have provided audit services to the following stand-alone water utilities:
 - Boston Water and Sewer Commission
 - South Essex Sewerage District
 - Kent County Water Authority
- **State Agencies** - We have provided audit services to the following state agencies:
 - Rhode Island Higher Education Assistance Authority
 - Rhode Island Student Loan Authority
 - Rhode Island Public Transit Authority
 - Rhode Island Convention Center Authority
 - Rhode Island Housing and Mortgage Finance Corporation
 - Rhode Island Turnpike and Bridge Authority
 - Rhode Island Clean Water Protection Finance Agency
 - Rhode Island Lottery Commission
 - University of Rhode Island
 - Rhode Island College
 - Community College of Rhode Island
 - Office of Community Development
 - Massachusetts Water Resources Authority
 - Massachusetts Department of Public Works
 - Massachusetts Department of Public Welfare
- **Other Governmental Entities** - Other governmental entities for which the Boston office performs full-scope audits include:
 - Montachusett Regional Transit Authority
 - Lowell Regional Transit Authority
 - Massachusetts Municipal Wholesale Electric Company
 - Belmont Municipal Light Department
 - Wakefield Municipal Light Department
 - Danvers Municipal Light Department
 - Massachusetts Bay Transportation Authority
- **Certificate of Achievement for Financial Reporting** - Only four local governments in Massachusetts and New Hampshire have received the coveted Certificate of Achievement for Excellence in Financial Reporting. KPMG's Boston office was responsible for three of the four. The Providence office has also assisted one Rhode Island community in obtaining the Certificate.

The commitment of our personnel to the governmental area extends far beyond the normal professional relationship. Many of our people actively participate in governmental activities as town meeting members, finance committee representatives, members of citizen advisory committees and task forces, and in other roles. For example, Lon Compton, your client service partner, is the only practicing CPA on the Committee formed to rewrite and update the Uniform Municipal Accounting System (UMAS) accounting manual for Massachusetts local governments. We encourage this voluntary activity as a means of demonstrating our concern with the quality of the community environment in which we live and work.

STAFFING

Our staffing philosophy is to assemble the best team possible to meet the clients expectations. For the City this means assembling an experienced group of professionals that understand the issues facing the City and who do not need to be "trained" in municipal issues. We have assembled a team of professionals selected for their experience in the government arena from the Providence and Boston offices. Each team member has a great deal of experience in the government industry and are not "part-time" government auditors. **It is important to note that the Providence office of KPMG will staff the key engagement positions from the expertise within the office.** Both Shawn Warren, the engagement partner and Melissa Lolli, the engagement manager will manage the engagement out of the Providence office.

Of greater importance however, is the **relevant experience** of the proposing firm and, in particular, the relevant experience of the individuals who will **directly serve** the City. These attributes will dictate the quality of service the City receives. A successful audit that meets your needs effectively and efficiently depends upon the experience and skills of the professionals assigned to the audit.

The strengths of each member and the reasons for including them on the team are described on the following page:

Client Service Partner - Lon Compton has over 27 years of experience in serving the government industry. He is the engagement partner on many of our larger and more difficult engagements. His vast experience will be invaluable in dealing with and resolving technical and business issues that the City may face.

Engagement Partner - Shawn Warren has 13 years of government experience and is involved heavily in the industry. He has experience in serving large cities such as Boston (which includes the School department) and large water utilities such as the Boston Water and Sewer Commission and the Salem-Beverly Water Supply Board. He is extremely familiar with the issues surrounding water operations as well as the government reporting requirements and requirements pertaining to federal assistance. He is also the partner in charge of the Public Services practice in New England.

Engagement Manager - Melissa Lolli is an experienced audit manager who has served the City for the past three years. Accordingly, she is very familiar with the City as well as the accounting and auditing issues that are unique to Rhode Island. Melissa's experience makes her extremely qualified to continue to manage the audits of the City, the Civic Center, the School department, the Job Training Partnership Act and the Planning department.

Water Supply Board Manager - Michael Maschio is a senior audit manager with a great deal of experience in serving large cities such as the Cambridge and Revere, Massachusetts. Both these entities have significant water and sewer operations. Mike will continue to serve the Water Supply Board in this capacity.

The City is an important client to the Providence office and to the Firm. Accordingly, all necessary resources will be committed toward the success of this engagement. Besides the personnel identified as the core audit team, an appropriate number of senior, staff and assistant accountants will be available to provide professional services under this contract.

* * * * *

We think that you will agree that the members of our team have more practical and technical expertise than any of the other proposers. Additionally, we possess more large-scale government audit experience and expertise than any other firm. We encourage you to review the resumes of the team members and contact the references we have provided. We would be happy to provide additional references upon request.

It is not size alone or diversity of services offered which sets us apart from the competition. It is doing a professional job for a reasonable fee and being responsive to your needs and questions. In short, it is making certain you are a satisfied client. This will be the responsibility of the engagement team.

QUALITY CONTROL

Stringent quality control procedures in place within KPMG supplement and reinforce the routine review policies followed on each engagement. Our quality control features include:

Preissuance Review - Prior to release of our auditors' reports, the financial statements of our clients are carefully reviewed by an experienced, industry-knowledgeable partner to ensure that the form, content and disclosures reflect the latest developments in Firm and professional standards.

Self-Review Program - Each office of the Firm annually performs a self-review of its audit practice. Partners and managers not otherwise associated with an engagement review the reports and supporting workpaper documentation to ensure that all pertinent Firm and professional standards have been adhered to. This process is performed on a test basis with at least one engagement of each partner and manager being selected for review.

Professional Practice Review Program - This program monitors the performance of the accounting and auditing practice of all KPMG offices. The review procedures performed are substantially similar to those of the self-review program; however, the review is performed by individuals not otherwise associated with the office under review.

While the above quality control programs provide progressively independent reviews of our auditing and accounting practice, maximum independence is achieved through the peer review program. KPMG is the unquestioned leader in the concept of peer reviews.

The former chairman of KPMG, Thomas L. Holton, chaired the AICPA's Special Committee to Study Quality Review for Multi-Office Firms. Although the committee developed a plan for an AICPA program for independent voluntary quality control reviews in 1974, the plan's implementation date was deferred. However, in early 1975, KPMG became the first public accounting firm to engage another firm to review our audit practice and make its findings public.

We have had five peer reviews performed since we first took this leadership position, with the most recent review conducted in 1993. In each case, we have received unqualified opinions on the conduct of our audit practice. Please refer to Appendix C for copy of most recent review.

Audit quality on government audit engagements is an issue that has been raised by the federal government through their quality control reviews of single audit and other types of government engagements. To help auditors address this quality issue, the AICPA has developed the Certificate of Educational Achievement (CEA) Program. The CEA program was established to recognize those individuals completing a series of educationally demanding integrated courses in governmental accounting and auditing. Upon successful completion of these courses, a certificate is awarded.

The Certificate of Educational Achievement is not the equivalent of a CPA Certification nor is it related to a Certification. Rather, a CEA is like a diploma that signifies the completion of the series of government accounting and auditing courses.

Two KPMG partners, Jack Miller and Shawn Warren, authored "Auditing Under the Single Audit Act", the fourth course in the CEA program. These are the same two individuals responsible for developing and updating the Firm's internal government training courses. Also, several of the Firm's partners and managers serve as instructors in the CEA program.

The CEA courses are intended to provide high quality training courses to audit organizations that do not have necessary in-house training for audit professionals. KPMG does not fall into this category. KPMG has long been an outspoken proponent of quality standards for government audits and has structured its internal training curriculum to provide the highest quality and most extensive training program of any accounting firm. Accordingly, our audit professionals are provided with a level of training that is more stringent than the requirements of the CEA program.

REFERENCES OF SELECTED GOVERNMENTAL CLIENTS

Listed below are the names, addresses, and telephone numbers of individuals who may be contacted for references. We are proud of our reputation and invite you to contact these people or other people in cities and towns we have audited with whom you may be acquainted.

City of Boston, MA (617) 725-4671
Ms. Sally Glora, City Auditor

City of Worcester, MA (508) 799-1053
Mr. James Delsignore, City Auditor

Kent County Water Authority (401) 821-9300
Mr. Timothy Brown

Boston Water and Sewer Commission (617) 330-9400
Mr. Henry Vitale, Chief Finance Officer

Town of East Greenwich, RI (401) 886-8612
Mr. Albert Papineau, Finance Director

Town of South Kingstown, RI (401) 789-9331
Mr. Alan Lord, Finance Director

Commonwealth of Massachusetts, Department of
Revenue, Bureau of Accounts (617) 727-4401
Ms. Mariellen P. Murphy, Director
Mr. Ellis Fitzpatrick, Deputy Director

If additional references are required, please advise.

PROPOSER'S APPROACH TO THE AUDIT

PROPOSER'S APPROACH TO THE AUDIT

OBJECTIVES AND SCOPE

The first objective of our audit will be to render an opinion on the general purpose financial statements of the City of Providence, Rhode Island, the component unit financial statements of the Water Supply Board and the Civic Center Authority, the financial statements for the Job Training Partnership funds, and the departmental statements for the School and Planning Departments.

Our audit of these financial statements will be made in accordance with applicable generally accepted governmental auditing standards, including provisions of the revised AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units. Our procedures will include tests for determining whether the City has:

- complied with applicable provisions of the Laws of Rhode Island; and
- adhered to the accounting requirements prescribed by the Auditor General.

The second objective will relate to the additional audit procedures and reporting requirements imposed by the Single Audit Act of 1984, OMB Circular A-128 and Government Auditing Standards issued by the U.S. Comptroller General. Specifically, this objective includes:

- expressing an opinion on the City's supplementary schedule of federal financial assistance;
- reporting on the City's internal control structure used in administering the federal financial assistance programs; and
- reporting on the City's compliance with the laws and regulations pertaining to its federally-assisted programs.

Additionally, our audit will provide us with sufficient evidence to:

- determine and report on the City's compliance with applicable laws and regulations that may have a material effect upon the financial statements and on each major federal financial assistance program;
- report on the internal controls that were evaluated, the controls that were not evaluated, and any material weaknesses identified as a result of the evaluation;

- provide a statement of positive assurance with respect to items tested for compliance, including compliance with laws and regulations pertaining to financial reports and claims for advances and reimbursements and negative assurance on those items not tested;
- provide a summary of all instances of noncompliance and recommendations for corrective action; and
- provide a summary of total amounts questioned, if any, for each federal assistance award, as a result of noncompliance.

As the City's auditors, we will be interested in the City's overall success as an efficient and cost-effective institution of local government. The City Council can expect us to contribute constructive suggestions in a management letter regarding the City's operations in the following manner:

- During each phase of the engagement, we will note matters that come to our attention affecting internal controls, operating systems, and procedures that result in duplication, inefficiencies, or other impediments to streamlined operations. We will accumulate our observations and develop recommendations for eliminating the noted weaknesses and inefficiencies; and
- We will review and explain our observations and recommendations with the responsible personnel to ensure that our observations are accurate and that operating personnel understand the recommendations and are able to implement the suggested changes.

We view the development of a comprehensive management letter as a major by-product of the audit process. It is designed to assist the City in improving operations and reducing costs, and recommendations may address revenue sources and collection, purchasing and payroll procedures, accounting and reporting systems, fixed asset inventory records, investment policies, overall financial condition, insurance coverage, debt administration, and related subjects.

APPROACH AND PROCEDURES

General Approach

KPMG believes that the function of the public accounting firm today has evolved beyond the traditional role of the auditors, and now includes a full range of management, financial and operational services. The strength and diversity of our firm demonstrates that we have made a major commitment to such an integrated full service concept. At KPMG, we use an audit approach in the audit of a client's financial statements that is designed to maximize our understanding of the organization and minimize the time required to conduct the audit. In performing our audits, our professionals recognize that a properly planned audit is most efficient and least disruptive to our clients' normal accounting activity.

We recognize the importance of timely reporting and efficient auditing procedures and, accordingly, have designed an audit approach which will allow us to meet your needs. This approach is based upon maximum coordination of our procedures with your personnel and an efficient audit approach on our part designed to meet the timing of your reporting requirements. **It is also based upon using technology to the maximum extent possible.**

Our audit approach differs from other major public accounting firms because we focus on the significant systems and controls that produce financial statements, rather than numerical recordings. Once reviewed and evaluated, these procedures enable us to design an efficient and cost-effective audit program that is truly tailored to your needs.

Planning, systems evaluation, testing, and reporting are the four major phases of our audit approach. Each of these phases and its relevance to the City is described below:

Planning

Our engagement will begin with a review of pertinent background information, including:

- City and State statutes and ordinances;
- Bond covenants;
- Federal grant awards and related documents;
- Legislative proceedings;
- Organizational structure of the City government;
- Long-range plans of the City;
- The City's operational and financial systems and reports;
- Unusual financial trends and results; and
- Contracts and major commitments.

During the planning phase, we will also discuss with City officials the timing of the audit, the extent of participation in the audit by City personnel, federal compliance matters, and the significance of recent changes in municipal accounting and reporting practices promulgated by the Auditor General and the Government Accounting Standards Board.

Systems Evaluation

Having established the audit framework in the planning phase, we will then determine the extent to which existing internal controls and accounting systems can be relied upon to produce reliable and timely financial data. We will develop and document our understanding of the City's major accounting systems and the internal accounting and administrative control systems relating to the City's federally-funded programs.

The review of the City's internal controls and accounting system will be performed by flowcharting transaction cycles and having discussions with the responsible officials. After gaining an understanding of the internal controls of the City's major financial and compliance systems, we will conduct tests to ascertain that they are functioning as described. Transactions will be selected and reviewed in sufficient detail to permit us to formulate conclusions regarding compliance with control procedures.

Testing

Upon completing our systems evaluation, audit procedures will be designed that will enable us to assess whether:

- City Council directives included in the minutes of meetings have been carried out;
- billings, including real and personal property and excise taxes, are properly controlled and accurately recorded;
- receipts are properly accounted for and recorded on a timely basis;
- only properly hired, authorized personnel are on the payroll and being compensated in accordance with collective bargaining agreements or other directives;
- purchases are authorized, subjected to prescribed procurement procedures, and within budgetary limitations;
- expenditures are recorded and charged to proper budgetary accounts;
- the encumbrance process is not being abused near the end of the year;
- the City adheres to the significant compliance features of its "major" federally-assisted programs;
- documentation supporting expenditures is appropriate;
- assets are properly recorded and adequately safeguarded; and
- liabilities, commitments, and contingent liabilities are properly recorded or appropriately disclosed.

Significantly more testing would be carried out in those areas where internal controls are weak or not functioning as designed.

Reporting

Upon completing our audit, drafts of all financial statements, and the supplemental schedule of federal financial assistance, as well as our reports on the City's internal control structure over the administration of its federally-assisted programs, the City's adherence to major federal program compliance requirements, and our management letter will be reviewed with the City's Finance officials and other affected department heads prior to their issuance. These post-audit review procedures will eliminate surprises in the final reports and help assure that the potential benefits of audit results, conclusions, and recommendations are maximized. Additionally, we will meet with the City Council Committee on Finance and other appropriate officials to verbally present our findings, conclusions, and recommendations at no additional cost. This meeting will provide officials with an opportunity to discuss our observations and recommendations and clarify issues in the financial statements, comments on the internal controls in administering and adhering to compliance requirements of the federal programs and the management letter.

Timing

The City expects delivery of the final audit report no later than six months after year end. The preparation of the audit report will be a major focus of the entire audit team and will drive the process we undertake during our planning process. **We are committed to meeting the City's reporting deadline**, and are anxious to begin working with City officials to ensure it is met. Drafts of the audit report will be presented to management and a meeting will be set to discuss the drafts prior to finalizing them. Additionally, an audit timetable is included in Appendix C that outlines key dates and deliverables that will enable the December 31 deadline to be met.

Quality Service Program

At the end of the engagement, management will be given the opportunity to participate in the Firm's Quality Service Program. KPMG has taken the lead in the accounting profession by listening -- and responding -- to our client concerns. In 1988, we became the first major accounting and consulting firm to institute a formal quality service program that measures our clients' satisfaction and acts to ensure positive change. This program, and the thinking that it embodies, will benefit The System. Our quality service program is geared to ask our clients one basic question -- "How are we doing?" -- and to remedy problems when we find them.

The primary vehicle to accomplish this is a survey distributed to audit, tax, personal financial planning, and consulting clients. Under the program, a questionnaire is sent to key individuals at our clients who have a strong service relationship with KPMG people. (While outside accountants and consultants traditionally have strong relationships with financial executives, our program is designed to measure the working satisfaction of all the relevant officers at our clients, including CEOs, executive and senior vice presidents, etc.)

The survey is conducted annually or at the completion of a major engagement. We are interested in all responses, not just favorable ones. To ensure fairness and follow-up, KPMG has retained an objective consultant to administer the program. In that way, when a client returns a report, it goes to an impartial party and is then relayed to the partner-in-charge of the local office's quality service program. It is this partner's duty to inform both his superiors in KPMG and the engagement team of the client's comments, as well as to make sure any problems uncovered are addressed.

We believe that having a meeting with System management and giving management an opportunity to respond directly to the Firm through this process will help ensure that the engagement is **completed to your satisfaction.**

COMPENSATION

COMPENSATION

Our fees are based on the amount of time spent on an engagement and the level of personnel assigned. We are also reimbursed for out-of-pocket expenses, including travel, typing, and report reproduction. Our fee includes all out-of-pocket expenses associated with the audit. Should our actual time be less than anticipated, we will bill a lesser amount. It is our practice to submit monthly progress billings as work progresses.

We view our proposed association as a year-round commitment. We expect to be consulted throughout the year on questions relating to accounting and management decisions and would provide reasonable assistance without additional costs to the City. If it becomes clear that a significant amount of time or effort would be required to respond to the City's needs, we would prepare a detailed proposal outlining the objectives of the effort, a work plan, timing, and estimated fees before proceeding. Additionally, if the scope of the audit should change during the contract period we would prepare an estimate of the hours and fees for the change in scope and discuss the audit and fee impact with you before starting any work.

We are prepared to begin our audit within one week after acceptance of this proposal, or later at your convenience. Draft reports should be ready for your review and reports will be delivered in final form after your review and approval.

Compensation Summary

I. Fees

<u>For the Year Ending</u>	<u>Audit Fee</u>
June 30, 1996	\$ 169,000
June 30, 1997	\$ 179,000
June 30, 1998	\$ 189,000

Should the City wish to extend the contract, KPMG would propose the fiscal year 1999 and fiscal year 2000 audits at the fee of \$195,000 for each fiscal year.

In addition to the audit services requested in the RFP, our fee includes performing two administrative reviews chosen by management from the listing provided in the additional information section of this proposal.

II. Estimated Billable Hours

<u>For the Year Ending</u>	<u>Audit Hours</u>
June 30, 1996	4,000
June 30, 1997	4,000
June 30, 1998	4,000

III. Supplemental Rates Per Hour

<u>Staffing Level</u>	<u>Rate per Hour</u>
Partner	\$ 180
Manager	\$ 110
Senior	\$ 80
Staff	\$ 60

ADDITIONAL INFORMATION

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KPMG prides itself in being a total services firm, one that can fulfill not only the independent audit needs of the City but also a wide range of management consulting skills. Our New England region consulting practice employs over 100 professionals and has qualified specialists in a variety of functional and industry areas including state and local government.

Our qualifications and experience in the public sector are summarized in the following categories:

- Governmental Accounting and Financial Management.
- Rate Studies and Financial Planning for Governmental Agencies,
- Administrative Reviews, and
- Actuarial Studies.

Governmental Accounting and Financial Management

We have extensive experience in designing and implementing financial accounting and reporting systems for municipalities, designing uniform charts of accounts, conducting federal reimbursement studies (e.g., OMB Circular A-87) and other cost analyses, and assisting management in selecting automated system hardware and application software. KPMG has designed its own automated financial accounting and management information systems, known as FAMIS (main-frame and mini-version). FAMIS (Financial Accounting and Management Information System) operates in an on-line interactive mode and is suitable for operation on hardware ranging from very large mainframes to medium-scale minicomputers.

Projects undertaken by our consulting practice include:

- Implementation of the automated accounting system - including establishment of the accounting system, a revised chart of accounts, and modified accounting records and feasibility analysis of system automation.
- Enhancement of a retirement system's accounting and organization system, including a review of existing inputs, processing of outputs, and the organization structure that supports the work flow.

- Development of special revenue funds consistent with generally accepted accounting principles in support of a betterment assessment program, including information requirements, account code structure, chart of accounts, and a user's procedures manual.

Rate Studies and Financial Planning for Governmental Agencies

KPMG has performed a variety of cost reimbursement, management planning, and user charge and cost recovery studies for municipalities and regional agencies as summarized below:

- Assistance to a number of cities in the development, negotiation, and implementation of the city-wide Central Service Association Plan and Departmental Indirect Cost Proposals in compliance with Office of Management and Budget Circular A-87 and Department of Health and Human Services Guide OASC-10 for the purpose of maximizing recovery of indirect costs on federal and state grant programs and to establish chargebacks to enterprise funds.
- The development of policy and procedure options to implement water and sewer enterprise funds. This included a review of past, current, and projected policies regarding water and sewer activities, the billing structure, and development of rates to maintain self-sustaining utilities.
- The development of a water rate schedule to recover, on an equitable basis, sufficient revenues to maintain the water department on a self-sustaining basis and develop sufficient documentation to support an application for a rate increase.

Administrative Reviews

We have developed a series of administrative review programs designed specifically for local governments. An administrative review, which involves a thorough and detailed analysis of a specific administrative function, provides the basis for a report of recommendations to ensure the efficiency of the procedures and the effectiveness of the function.

The following are examples of administrative functions in government and the concerns KPMG's administrative review programs encompass:

- Purchasing - considers such aspects as the organization and staffing of the purchasing function; procedures to secure bids, place orders, and ensure quality materials; methods used for regular recurring orders and for emergency purchases; the handling of surplus and scrap; etc.
- Cash management - comprises the four basic elements of cash management - bank relations, collections, cash flow planning and management, and investment policy and practices.

- Data processing - reviews the adequacy and the utilization of data processing equipment; the leadership, skills, and initiative of data processing management and staff; the effectiveness of user involvement; the procedures used for systems analysis and design, programming, and operations; data file storage and protection practices; input/output controls; etc.
- Personnel administration - examines the role of the personnel function, i.e., as a resource to the government or solely for enforcement of personnel policies and rules; recruiting and employee termination practices; the process used to determine salary and wage levels; employee development programs, employee benefit packages; etc.
- Mobile and support equipment - evaluates the effectiveness of the acquisition, operation, and maintenance of this equipment in public works departments, departments of parks and recreation, motor vehicle pools, and, to a certain degree, police and fire departments.
- Budgeting - examines such considerations as the way needs and priorities are incorporated into the budgeting process; operating management's participation in the budget process and the manner in which requests are developed; procedures for budget modifications; capital budgeting processes; etc.

Administrative review programs have also been developed for:

- Cost allocation;
- Accounting;
- Grants management;
- Internal audit;
- Management reporting;
- Retirement systems;
- Capital projects programming and implementation;
- Debt management and administration; and
- Facilities maintenance.

RESUMES OF KEY PERSONNEL

RESUMES OF KEY PERSONNEL

This section of our proposal provides a detailed description of KPMG's proposed client service team and the capabilities of the individuals selected for these key positions. Our emphasis in this section is to provide the City Council Committee on Finance with our management organization that will be responsible for directing the execution of the City's audits.

Because of the prestige associated with serving the City and in view of its size and complexity, it will be an important client of the office and the Firm. The quality of personnel assigned underscores this importance. Our engagement team brings to the City an unsurpassed combination of technical skills, broad and relevant experience in the government environment, and an understanding of the nature and diversity of the City's activities, operations and accounting issues. As a result, you can be assured that City personnel will not be required to "train" its external auditors.

We believe the team we have assembled for the City sets us apart from our competitors. A summary of this experience is presented below:

- **All key members have served the City for the past three years of the contract.**
- All key members of the team have extensive practical audit experience in the public sector and specifically in the transportation industry.
- Two members of the team are members of the Government Finance Officers' Association Special Review Committee.
- All management members of the team work almost exclusively in the public sector. These full time government specialists have a depth of knowledge that cannot be matched by other auditors who dedicate themselves to several disciplines.
- The key members of the team are heavily involved in the activities of the industry through their participation in state and national groups and associations.

The responsibilities and qualifications of each of the key team members are summarized in the following resumes for these individuals.

LON COMPTON
Client Service Partner

RESPONSIBILITIES:

Lon will serve as client services partner for the audit of the City of Providence. In this capacity he will be responsible for ensuring audit quality is maintained and for assisting with resolution of technical issues. Lon is also responsible for performing a "second review" of all reports City officials.

RANGE OF EXPERIENCE:

Lon has devoted a substantial portion of his career to serving governmental clients. Examples of his engagement responsibilities and other activities in the government sector are described below.

- In 1976, he was the engagement manager on one of the first audits of a Massachusetts city or town conducted by an independent public accountant. Since that time he has managed or served as the engagement partner on the audits of such large Massachusetts cities as Boston, Worcester, Lowell, Brockton, Somerville, and Revere; twenty other small and medium sized communities; six districts and many federal grant programs.
- He has served as engagement partner on the audit of four of the five largest cities in New Hampshire: Concord, Portsmouth, Rochester and Nashua.
- In connection with his governmental clients he has:
 - Made presentations before Standard & Poor's and Moody's for bond rating reviews.
 - Prepared comfort letters and responded to questions raised by underwriters and bond counsel at due diligence meetings in connection with bond offerings.
 - Made recommendations for restructuring the financial management function to the electorate.
- The Commonwealth of Massachusetts selected KPMG to assist in the conversion from statutory to GAAP reporting. Lon has served as the engagement partner on the Commonwealth's GAAP conversion project from 1983 to 1986.

In his capacity as engagement partner and partner-in-charge, he frequently speaks on the subject of understanding governmental financial statements to audit committees, professional associations and elected officials and boards.

EDUCATION:

Lon holds a Bachelor of Science degree in business administration from Babson College. He received many national honors for graduating with the highest grades in the class of 1967.

OTHER ACTIVITIES:

He is a member of the American Institute of Certified Public Accountants and the Massachusetts Society of Certified Public Accountants. He is also a member of the Government Finance Officers Association (GFOA).

He is the only practicing CPA member of the Committee formed to rewrite and update the UMAS Manual.

He has been a member of the Special Review Committee for the GFOA's Excellence in Financial Reporting program since 1988.

Lon's commitment to his profession is demonstrated by his responsibilities to the Massachusetts Society of Certified Public Accountants:

- Chairman of the Municipal Accounting and Auditing Committee
- Liaison to the Massachusetts Municipal Auditors and Accountants Association
- Instructor at the Society's annual governmental training course for certified public accountants
- Member of the committee that responds to exposure drafts issued by the Governmental Accounting Standards Board
- Member of the committee selected to comment on the revisions to Government Auditing Standards, published by the GAO

He served as Chairman of his town's finance committee for ten years and, thus, is well aware of the problems, opportunities, and challenges facing public officials.

SHAWN WARREN

Engagement Partner

RESPONSIBILITIES:

Shawn Warren will continue to serve as the engagement partner for the audit of the City of Providence. In this capacity, he will be responsible for administering, planning, reviewing critical areas of the audit and contents of all reports and communicating results to City officials.

RANGE OF EXPERIENCE:

Shawn has had significant experience servicing government clients, including serving as the engagement partner on the State of Vermont, the cities of Providence and Boston, the Massachusetts Bay Transportation Authority, Boston Water and Sewer Commission, Rhode Island Airport Corporation and Kent County (R.I.) Water Authority. He previously served as engagement manager for the audits of the Towns of Brookline, Plymouth, and Walpole and the cities of Somerville and Everett, Massachusetts and Portsmouth, New Hampshire as well as Tri-County Regional School District and Southeast Regional School District. Non-governmental clients that he currently serves include Blue Cross and Blue Shield of Massachusetts.

PROFESSIONAL HISTORY:

Shawn joined KPMG's Boston office in 1982, and was promoted to manager in 1986. He transferred to the New York office in 1988 to work for the Firm's National Director of Government Services, Jack Miller, and transferred back to Boston in 1990. He was promoted to partner in 1993 and was made the partner in charge of the New England Public Services practice in 1995. Mr. Warren is a member of the Massachusetts Society of Certified Public Accountants. He was the recipient of the Bronze Medal for his performance in the uniform CPA exam. He has taught for a national government training courses and for the AICPA's Certificate of Educational Achievement (CEA) program as well as other AICPA programs. He co-authored the fourth course of the CEA program "Auditing Under the Single Audit Act", and the Study Guide for the Government Finance Officers Association's 1988 Government Accounting, Auditing and Financial Reporting (1988 GAAFR). He has also written several articles and delivered many speeches on various topics in government accounting and auditing.

EDUCATION:

Shawn received a Bachelor of Science degree in business administration, with highest honors, from Merrimack College, and a Master's degree in Computer Information Systems from Bentley College.

OTHER ACTIVITIES:

Shawn is a member of the Government Finance Officers Association's Special Review Committee and the Massachusetts Society of CPA's Government Accounting and Auditing Committee. He is also a member of the Association of Government Accountants.

MELISSA LOLLI

Engagement Manager

FIRM RESPONSIBILITY:

Melissa is an audit manager in the New England Public Service Practice and specializes in the Governmental practice. She will continue to serve as engagement manager for the City and will be responsible for coordinating the audit, assisting in the planning process and overseeing the day-to-day activities.

PROFESSIONAL EXPERIENCE:

Melissa joined KPMG's Providence office in 1990, and has served a diverse range of government clients in addition to several education and other not-for-profit entities. She specializes in the government industry and services governmental clients such as the City of Providence, Kent County Water Authority, Rhode Island Airport Corporation, the University of Rhode Island, Town of Sharon, Town of Foxborough, and Southeast Regional School District.

CERTIFICATES AND MEMBERSHIPS:

She is licensed to practice as a Certified Public Accountant in Rhode Island. She is a member of the American Institute of Certified Public Accountants and the Rhode Island Society of Certified Public Accountants.

EDUCATION:

Melissa received a bachelor of science degree and graduated magna cum laude from Bryant College.

OTHER RELEVANT:

Melissa is a member of the Rhode Island Society of Certified Public Accountants and the Rhode Island Government Finance Officers Association. She serves on the Society's Governmental Accounting and Auditing Committee is an instructor for a national CPA review program and for the firm's educational courses.

MICHAEL MASCHIO

Audit Senior Manager

RESPONSIBILITIES:

Michael Maschio will continue to serve as engagement manager for the audit of the Providence Water Supply Board. In this capacity he will be responsible for coordinating and planning these audits and overseeing the day-to day activities.

RANGE OF EXPERIENCE:

Mike joined KPMG's Boston office in 1985, having previously worked for the City of Boston as a senior accountant in the City Auditor's Department. He was promoted to manager in 1989. Mike has significant experience serving our government clients, including Massachusetts cities and towns of Cambridge (the first Massachusetts community to receive the GFOA's Certificate of Achievement for excellence in financial reporting), Revere, Lowell, Brookline and Weymouth. These clients have all been subject to the audit requirements of the Single Audit Act of 1984. In addition, Mike has participated in federal grant audits including the audit of the Job Training Partnership Act administered by the Commonwealth of Massachusetts.

EDUCATION:

Mike earned a Bachelor of Science degree, with high honors, from Bentley College.

OTHER ACTIVITIES:

Mike is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants and the Massachusetts Society of Certified Public Accountants.

AUDIT TIMETABLE

AUDIT TIMETABLE

(Based on Financial Statement Delivery Date of 12/31/96)

<u>Major Milestones</u>	<u>Scheduled Dates</u>
PLANNING	
Conduct initial planning meetings with City officials, review of internal and external audit activities, analytical review, etc.	May, 1996
Evaluate use of quantitative and computer techniques	May, 1996
Meet with City officials to discuss results of planning	May 30, 1996
INTERNAL CONTROL SYSTEMS EVALUATION	June - August, 1996
SUBSTANTIVE TESTING, INCLUDING TESTS OF LAWS AND REGULATIONS	Sept. - Nov., 1996
REPORTING	
First Draft Trial balances due:	
• Providence Civic Center and JTP	August 15, 1996
• Providence Economic Development Commission	August 15, 1996
• Providence Department of Planning and Development	August 30, 1996
• Providence City Departments	September 15, 1996
• Providence School Departments	September 15, 1996
• Providence Water Supply Board	September 15, 1996
Financial Reports, first draft due to City:	
• Providence Civic Center and JTP	September 15, 1996
• Providence Economic Development Commission	September 15, 1996
• Providence Department of Planning and Development	September 30, 1996
• Providence City Departments	October 15, 1996
• Providence School Departments	October 15, 1996
• Providence Water Supply Board	October 15, 1996
Final Trial Balances and adjustments due:	
• Providence Civic Center and JTP	September 30, 1996
• Providence Economic Development Commission	September 30, 1996
• Providence Department of Planning and Development	October 15, 1996
• Providence City Departments	October 30, 1996
• Providence School Departments	October 30, 1996
• Providence Water Supply Board	October 30, 1996
Financial Reports, final draft due to City:	
• Providence Civic Center and JTP	October 30, 1996
• Providence Economic Development Commission	October 30, 1996
• Providence Department of Planning and Development	November 15, 1996
• Providence City Departments	November 30, 1996
• Providence School Departments	November 30, 1996
• Providence Water Supply Board	November 30, 1996
Issue Final Financial Reports	December 31, 1996
Single Audit Reports - Draft	November 30, 1996
- Final	December 31, 1996
Management letter - Draft	November 30, 1996
- Final	December 31, 1996
PROGRESS MEETINGS AND OTHER COMMUNICATION	
Monthly Status Meetings	May - December, 1996

PEER REVIEW

Price Waterhouse



November 3, 1993

To the Partners of KPMG Peat Marwick:

We have reviewed the system of quality control for the accounting and auditing practice of KPMG Peat Marwick (the "Firm") in effect for the year ended March 31, 1993. Our review was conducted in conformity with standards for peer reviews promulgated by the peer review committee of the SEC Practice Section of the AICPA Division for CPA Firms (the "Section"). We tested compliance with the Firm's quality control policies and procedures at the Firm's Executive Office and at selected practice offices in the United States and with the membership requirements of the Section to the extent we considered appropriate. These tests included the application of the Firm's policies and procedures on selected accounting and auditing engagements. We also tested the supervision and control of portions of engagements performed outside the United States.

In performing our review, we have given consideration to the general characteristics of a system of quality control as described in quality control standards issued by the AICPA. Such a system should be appropriately comprehensive and suitably designed in relation to the firm's organizational structure, its policies, and the nature of its practice. Variance in individual performance can affect the degree of compliance with a firm's prescribed quality control policies and procedures. Therefore, adherence to all policies and procedures in every case may not be possible. As is customary in a peer review, we are issuing a letter under this date that sets forth comments relating to certain policies and procedures or compliance with them. None of these matters were considered to be of sufficient significance to affect the opinion expressed in this report.

In our opinion, the system of quality control for the accounting and auditing practice of KPMG Peat Marwick in effect for the year ended March 31, 1993, met the objectives of quality control standards established by the AICPA, and was being complied with during the year then ended to provide the Firm with reasonable assurance of conforming with professional standards. Also, in our opinion, the Firm was in conformity with the membership requirements of the Section in all material respects.

Price Waterhouse

KPMG

