



Request for City Council Committee Action from the Department of Internal Audit

Date: August 27, 2012

To: The Honorable Betsy Hodges
Chair, Ways & Means/Budget Committee

Subject: Contract with PricewaterhouseCoopers (PWC)

Recommendation: Authorize a contract with PWC for professional advisory services for the Accounts Payable review, included in the 2012 Audit Plan.

Prepared by: Shayna Gilbert, Undergraduate Student Intern (612-673-2574) Approved by: Magdy Mossaad, Director of Internal Audit (612-673-2056) Presenters in Committee:

Background: The Accounts Payable review was scheduled as part of the City's 2012 Audit Plan. The review was planned to include outside help from a consultant and PWC was selected for the review. PWC is an international audit, tax, and advisory corporation that provides a range of services on a wide range of topics. The disagreements between PWC and the City's standard contract have delayed this review originally scheduled to begin in June. The Accounts Payable review was included for this year because it was indicated as a high risk area in last year's risk assessment **due to the overall high dollar amount and volume of transactions.** Further delaying this review could cause increased risk exposure to the City.

Financial Impact: Staff has negotiated the following contract terms with PWC, with a number of additional provisions:

- (1) Establishes a total contract authorization of up to and not to exceed \$30,000;
- (2) Limits PWC's liability for negligence to an amount equal to three times the authorized contract (\$90,000);
- (3) PWC accepts unlimited liability if gross negligence or intentional misconduct can be determined;
- (4) PWC accepts liability for death or bodily injury or damage to or loss or destruction of real or tangible personal property, but only to the extent caused by the negligent acts or omissions of PWC. This clause is contingent on the prompt notification from the City of negligent acts and PWC's right to control the defense and settlement of the claim;
- (5) Authorizes use by PWC for third party service providers for administrative, technical, and clerical functions in connection with this project;
- (6) PWC agreed that travel expenses will be included in their hourly rate; therefore the travel reimbursement clause was omitted from the contract;

- (7) PWC does not agree to hold the City harmless from any claims resulting for PWC's unlawful disclosure or use of data protected under state and federal laws;
- (8) PWC specifies that only relevant time sheets and expense reports will be provided in the case of an audit;
- (9) The City does not have the right to withhold payment from PWC for the purpose of settling any damages due to the City;
- (10) The City and PWC agree to settle all contract disputes without trial by jury, proceedings, or counterclaim; and
- (11) PWC agrees to supply a copy of all work papers used directly for the review but all existing and non-related papers and other intellectual property will be owned exclusively by PWC.

Other terms and conditions match the pre-approved conditions set forth in the City's standard contract from which is prepared by the City Attorney's office

Supporting Information: *See attached draft of the proposed contract.*