



500 West Big Beaver
Troy, MI 48084
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CITY COUNCIL AGENDA ITEM

Date: July 15, 2019

To: Honorable Mayor and City Council Members

From: Mark F. Miller, City Manager
Lori Grigg Bluhm, City Attorney

Subject: Forensic Engagement Report Distribution and Presentation and Request for Additional Compensation

Subsequent to the federal criminal bribery prosecution of former Troy City Manager Kischnick, City Administration solicited proposals from independent Certified Public Accounting firms to complete forensic testing and review the City's internal controls and his expenditures. The City received proposals that widely varied in price and the scope of work, and all of the proposals exceeded the Charter purchasing threshold of \$10,000. As a result, the scope of work was revised, and the City solicited formal bids. After the vetting process, Plante Moran was recommended as the best value to provide the requested forensic engagement services. Other bids ranged from \$45,000 to \$290,000, with the average of all bids at \$101,726. On December 17, 2018, City Council authorized City Administration to sign an Agreement with Plante Moran for up to \$50,000 (Council Resolution 2018-12-196-J-4b).

The key objectives for this engagement were:

- Demonstrate to the City Council and City of Troy residents whether or not money was taken from petty cash or any other accounts or Troy resources.
- Review the internal controls as they relate to the City's disbursements and also review business areas that had the possibility of being adversely influenced by the former City Manager during his term of employment.
- Review City of Troy existing internal processes and provide an opinion as to the ability to get and/or take money in accordance with the City's existing policies and procedures.

The designated City Administrative liaison for the project was the City Attorney, which allowed the preliminary information exchanges and communications to be covered by the Attorney Client privilege. This is a standard precaution for all such forensic engagement agreements, in the unlikely event that some of the information would be forwarded to federal or state authorities for further investigation. Fortunately, the entire comprehensive report is now able to be publicly discussed. The team from Plante Moran has prepared a brief power point presentation highlighting its findings, and will answer questions from City Council at the special meeting called for that purpose. Assuming that the questions from City Council do not require further clarification in the report, Plante Moran will subsequently finalize the report, which would then be available to the public, and placed on the City's webpage for enhanced access and included in the July 22, 2019 City Council agenda packet as an informational item.



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In its proposal, Plante Moran anticipated that it would be able to complete all necessary work, including a presentation of the report to the Troy City Council, in approximately 200 hours. The City Council presentation was estimated to take 20 hours, multiplied by a blended rate of \$250 per hour for a total of \$5,000.

Unfortunately, the Plante Moran team invested approximately 400 hours to produce a comprehensive and complete report (which would have been over \$100,000 based on the blended hourly rate). In light of the extra time devoted to the project, and the unanticipated nature of this work at the time of the bid, Plante Moran is requesting an additional payment of \$18,000 to compensate for work necessarily performed, for a total payment of \$68,000. Although the bid was awarded for a not to exceed amount, the Agreement allows for fee adjustments *"In the event that undisclosed or unforeseeable facts regarding these matters causes the actual work required for this engagement to vary from PM's Fee Quotes, those Fee Quotes will be adjusted for the additional time PM incurs as a result."* (Paragraph 5)

Resolutions authorizing the public dissemination of the final forensic engagement report and also the payment of an additional \$18,000 are proposed for your consideration.

Proposed Resolutions:

- A. NOW THEREFORE, BE IT RESOLVED, that the Troy City Council hereby APPROVES a supplemental payment in the amount of \$18,000 to Plante Moran for its additional work on the Forensic Engagement/Forensic Audit Services, which shall be in addition to the \$50,000 already paid by the City, as authorized in Standard Purchasing Resolution 8: Best Value Award- Forensic Audit Services, Resolution #2018-12-196-J-4b (approved December 17, 2018).
- B. NOW THEREFORE, BE IT RESOLVED, that the Troy City Council hereby AUTHORIZES the release of the final forensic engagement report, prepared and submitted to the City by its consultant, Plante Moran, and DIRECTS that the final report be included in the most appropriate location on the City's webpage, and included in the City Council agenda packet for the next regular City Council meeting, and available for request under the Freedom of Information Act.