

INTERNAL CONTROL REVIEW & EXAMINATION PROPOSAL

September 16, 2019

C. David Pedri, Esquire
Luzerne County Manager
200 N. River Street
Wilkes Barre, PA 18711
570-825-1635
David.Pedri@luzernecounty.org

RE: Luzerne County Government Engagement to Correct Internal Control
Deficiencies Cited in External Audit Reports

Pursuant to our discussion on Thursday, August 29, 2019, Nathan R. Lipton, CFE presents this proposal to the County of Luzerne, Pennsylvania, at their request to engage my services. The services requested by Luzerne County are for me and/or my team of professional colleagues to perform a review of Luzerne County's internal control deficiencies cited in external audit reports, segregation of duties regarding accounting functions, and to determine whether said internal control deficiencies have created an environment for material fraud to exist or occur. This letter is to confirm our understanding of the terms of our engagement and the nature and limitations of the services we will provide to the County of Luzerne.

The examination will be conducted in accordance with lawful fraud examination techniques, governmental accounting standards, and in accordance GAAP which include, but are not limited to, examination of books and records, voluntary interviews of appropriate individuals, and other such evidence-gathering procedures as I deem necessary under the circumstances. The review will also include a review of the counties current policies, procedures, controls, and organizational structure. The independent audit reports and work papers of external auditors will also be reviewed during this engagement. I cannot provide assurances that fraud, if it exists, will be uncovered as a result of our examination. I cannot make assurances that any criminal activity may have been perpetrated by any individuals. However, I will make recommendations and assist in referring this matter to law enforcement should this situation rise to that level. My primary goal is to correct any internal control deficiencies and material weaknesses in Luzerne County's accounting and organizational structure.

The scope of this examination will be determined based on interviews with members of Luzerne County government, in conjunction with County Manager David Pedri, Esquire and Division Head of Budget and Financial Services, Mr. Brian Swetz. The primary scope will be external audit findings reported during the calendar year ended December 31, 2018. If the scope needs to be expanded upon, I will broaden the scope to ensure the appropriate financial information and deficiencies are captured during the examination.

I will work jointly with all members of Luzerne County government as we examine the evidence.

The fee for this examination will be \$ 175.00 per hour, plus expenses, which include, but are not limited to, travel, telephone, photocopying, and facsimile charges. Senior Level Consultants will also be billed at \$175 per hour, Mid-Level consultants will be billed at a rate of \$125 per hour and lower level staff and personnel will be billed at an hourly rate of \$90.00 per hour, plus expenses when applicable. A retainer of \$10,000 is due upon signing this letter. All

time and expenses will be billed at the conclusion of each month on a detailed invoice, which will apply the billing against your then-outstanding retainer balance. Once the retainer has been fully applied, additional retainers of \$2,500.00 each will be required as needed. Any invoice balance due that remains outstanding for more than 30 days will be subject to a billing charge (to include a 10% late fee.) In addition, overdue accounts are charged interest after 30 days of 20.0% annually.

I estimate the cost of the engagement to be about \$12,000-\$15,000, excluding any testimonial requirements. Should there arise the likelihood that engagement costs will significantly exceed this estimate, I will promptly contact you for further discussion and instructions.

Expert witness testimony, if necessary, including depositions, will be billed at a flat rate of \$1,750 per day plus expenses. It should be noted that Nathan R. Lipton, CFE has proven history of being certified as an Expert Witness in several courts of common pleas across Pennsylvania as well as the Middle District of Pennsylvania at the Federal adjudication level as well as other Senior Level Consultants and colleagues used during the course of this engagement.

All outstanding invoices must be paid before any testimonial appearances. Please review this proposal. If it meets with your approval, please sign and return one copy along with a check of \$10,000.00, made payable to Nathan R. Lipton, CFE. The initial meeting with Luzerne County personnel is scheduled for Friday, September 13, 2019, at approximately 9:00am in the County Manager's suite.




Luzerne County Manager or Agent

9/17/19
Date

Thank you.

Sincerely yours,

Nathan R. Lipton, CFE
277 Louisa Ave.
Pottsville, PA 17901
Email: liptonnr@gmail.com
Phone: 570-640-7510



Indemnity Clause

The County of Luzerne, its heirs, agents, and assigned personnel agrees to indemnify and hold harmless Nathan R. Lipton, CFE, its personnel, agents, subcontractors, and consultants from and against any and all claims, liabilities, cost, and expenses, including labor arbitration or related proceedings, (including without limitation, independent legal representation of Mr. Lipton's choice, attorney's fees, and the time of Mr. Lipton's personnel, operatives, and consultants involved to defend or appear at any judicial or quasi-judicial proceeding, brought against, paid, or incurred by Mr. Lipton as a result of any of the services provided to the County of Luzerne as a result of engaging in this project.

This includes, but is not limited to, any claims arising from violations of any laws relating to personal injury or property damage whatsoever suffered by the County of Luzerne, its heirs, assigns or third parties. This provision shall survive the termination of this agreement.

LUZERNE COUNTY PENNSYLVANIA

Check No. 582903

INVOICE NO.	DESCRIPTION	AMOUNT
09/16/2019	CONTRACT TO CORRECT INTERNAL CONTROL DEFICIENCIES CITED EXT AUDI other contractual svcs. 550.15-contract to correct internal control deficiencies cited ext audi G/L Account: 100.20.4114.550.15 - other contractual services 10,000.00	10,000.00 1 EA 10,000.00
Vendor Number: 13364	Check Total	\$10,000.00

▼ REMOVE DOCUMENT ALONG THIS PERFORATION ▼



LUZERNE COUNTY PENNSYLVANIA
 200 N. RIVER ST.
 WILKES BARRE, PA 18711

PNC BANK, N.A. 030
 NORTHEAST PA
 60-1 / 313

CHECK NO: 582903

DATE
09/17/2019

AMOUNT
\$10,000.00

NON NEGOTIABLE AFTER 60 DAYS

PAY: Ten Thousand and 00/100 Dollars

PAY
 TO THE
 ORDER
 OF

NATHAN R LIPTON
 277 LOUISA AVE
 POTTSVILLE, PA 17901

David Fedra
Brian A. Suits

DOCUMENT CONTAINS BLUE PANTOGRAPH & MICROPRINTING. BACK HAS THERMOCHROMIC INK & A WATERMARK. HOLD AT AN ANGLE TO VIEW & VOID IF NOT PRESENT.

582903 031300012 9009703344



Right-To-Know Response Form

January 27, 2020

Emily Previti
c/o PA Post/WITF
4801 Lindle Rd.
Harriburg, PA 17111
Via email only to epreveti@papost.org

RTK REQUEST #2020-009

Dear Ms. Previti:

Thank you for writing to Luzerne County with your request for information pursuant to the Pennsylvania Right- To-Know law ("RTKL").

Recently, the Luzerne County Office of Law received a request for documents from you described in the Right to Know submitted to our office. Please be advised that your request is granted and the documents are available for your review on our website.

For your convenience allow me to direct you to www.Luzernecounty.org . You can do a basic search for "Dominian contract" and this will give you all the information for the contract for our electronic voter machines.

If you have further questions, please contact Laura C. Dennis. Please be advised that this correspondence will serve to close this record with our office as permitted by law.

Respectfully,

Laura C. Dennis, Esq.
Luzerne County
Open Records Officer
200 North River Street
Wilkes-Barre, PA 18711