

STATEMENT OF WORK

Project **Staff Augmentation**

This is a Statement of Work referred to in the Master Services Agreement (the “**Agreement**”) dated 18th of June, 2012, by and between Lexington-Fayette Urban County Government (“**Client**”) and Protiviti Inc. (“**Protiviti**”). This Statement of Work shall be effective immediately after it is signed by both parties.

1. Protiviti Engagement Team Leaders:

Mike Thor, Managing Director - Relationship Management
John Harrison, Managing Director - Quality Assurance
Martin Nash, Associate Director - Engagement Manager & PeopleSoft Specialist
Phillip Henderson, Manager - Day to Day Manager & ERP Specialist

Upon establishing and confirming the project schedule and specific requirements of Protiviti resources with Bruce Sahli, Client’s project sponsor, Protiviti will require at least two weeks’ notice prior to the effective date of any modification to the Protiviti personnel schedules. In the event of a schedule change imposed by Client that occurs less than two weeks prior to the date Protiviti resources are scheduled to be deployed, Client may be subject to a redeployment fee to compensate Protiviti for the amount of hours dropped or delayed from the schedule at the rate of 75% of the applicable hourly rate if Protiviti is unable to redeploy the resource(s) to another client engagement.

2. Client’s Project Manager and Additional Client Contacts:

Bruce Sahli, Director of Internal Audit

3. Name of Project: PeopleSoft Audit Services

4. Project Description: Protiviti will work to assess the design of key controls, recommend improvement opportunities, and report control compliance areas requiring additional review for the following two key work streams:

I. PeopleSoft IT Controls Audit

The PeopleSoft IT Controls Audit will focus on both application and general controls within the FSCM and HCM environments. Within this work stream, there will be three major phases: Scope, Analyze, and Recommend and Report. A description of each phase is detailed below.

Scope Phase

The Scope Phase will be used to confirm the audit scope based on discussions with LFUCG leaders and Internal Audit. During the scope phase, we will review system documentation and have discussions with LFUCG management to determine the scope of the PeopleSoft audit including modules, processes, and control objectives in scope for the review. The focus of the scoping discussions will include general controls (e.g., logical access, change management, computer controls, etc.) as well as PeopleSoft application controls (authorizations, interfaces, etc.). Deliverables from this phase will

include updating and distributing a planning memo confirming audit objectives, scope, timing, budget, and LFUCG resource expectations/commitments.

Analyze Phase

During the Analyze Phase, we will perform fieldwork by executing procedures in targeted areas based on the confirmed scope. We will be assessing the controls in place to mitigate risks outlined in the planning memo delivered during the 'Scope' phase. Throughout this phase, we will document, communicate, and validate findings with key Internal Audit and LFUCG team members. Although our scope will be further defined in the scoping phase, our audit activities are planned to focus on the following areas within the PeopleSoft environment:

➤ **General Controls**

- *Logical Access* - Assess the design effectiveness of processes in place to protect/secure the PeopleSoft application
- *Change Management* - Assess the design effectiveness of controls in place to prevent negative impacts of changes made to the PeopleSoft application
- *Computer Operations* - Assess the design effectiveness of controls in place to facilitate continuous availability and physical security of resources related to the PeopleSoft application
- *Business Continuity and Disaster Recovery* - Assess business continuity and disaster recovery/preparedness plans (related to PeopleSoft supported processes) to determine if they meet the needs and recovery requirements of LFUCG
- *Organization and Management of PeopleSoft Assets* - Assess the current strategy for managing PeopleSoft assets and determine if they meet the needs of the business

➤ **Application Controls**

- *Authorizations* - Assess security configuration for excessive access or segregation of duty conflicts on limited high risk areas
- *Completeness* - Assess controls configured to ensure completeness of key transactions
- *Accuracy* - Assess controls configured to ensure accuracy of key transactions
- *Interfaces* - Assess controls in place to ensure security, accuracy, and completeness focused on key external interfaces

Recommend and Reporting Phase

During the Recommend and Reporting Phase, we will finalize all findings and action plans before presenting City leadership with our final results. Additionally, we will turn over all final work papers and develop provide assistance with the development of a brief presentation to City Council for purposes of communicating and addressing our audit results.

II. *PeopleSoft Hardware Examination*

The PeopleSoft Hardware Examination will focus on assessing the efficiency and effectiveness of critical IT infrastructure supporting the PeopleSoft FSCM and HCM environments. We will follow a consistent approach as outlined above for this work stream. A breakdown of this work stream's objectives and tasks are presented below:

Scope Phase

The Scope Phase will be used to meet with LFUCG IT leaders to understand how key areas responsible for availability and support are utilized for the PeopleSoft infrastructure and hardware. We will make document requests to better understand the IT environment supporting PeopleSoft. Deliverables from this phase will include updating and distributing a planning memo confirming audit objectives, scope, timing, budget, and LFUCG resource expectations/commitments.

Analyze Phase

During the Analyze Phase, the Protiviti team will perform fieldwork by evaluating and assessing the critical processes around availability, reliability, and support of the PeopleSoft hardware for both FSCM and HCM.

The following hardware components will be assessed through a series of meetings with key individuals along with review of supporting documentation to gain an understanding of how hardware supporting FSCM and HCM is utilized.

- *Server and Storage Capacity and Utilization* – Evaluate the mechanisms in place to manage capacity demands of the underlying PeopleSoft servers for each FSCM and HCM.
- *Virtualization* – Based on the server virtualization currently deployed at LFUCG, evaluate the environment to determine if efficiencies have been gained in availability, disaster recovery, and administration, while managing 'sprawl' and spikes from testing/QA.
- *Business Continuity* – Evaluate the adequacy of business continuity and disaster recovery (DR) preparedness plans for the PeopleSoft hardware.
- *Network and Data Security* – Assess the adequacy of processes and tools to protect the network and data security to minimize or eliminate exposures.
- *System Support and Maintenance* – Assess the IT support function and evaluate the responsiveness to demands of the business, including enhancements, ongoing maintenance, and upgrades.
- *Support Staff Training and Development* – Evaluate the skills of PeopleSoft support team members and how training programs consider the ongoing evolution of PeopleSoft and its architecture.

Recommend and Reporting Phase

During the Recommend and Reporting Phase, we will finalize all findings and action plans before presenting City leadership with our final results. Additionally, we will turn over all final work papers and develop provide assistance with the development of a brief presentation to City Council for purposes of communicating and addressing our audit results.

Project Assumptions:

We believe the critical success factors for any project of this nature include our clear understanding of your needs and expectations, timely and adequate communication

between Protiviti and LFUCG, a commitment by both organizations to devote the necessary time and effort to the project, a consistently applied methodology, and experienced personnel.

To create this environment, we will ask that LFUCG:

- Devote time at the project's outset to ensure that we have a clear understanding of your expectations, and from your perspective, what a successful project will look like
- Participate in regularly scheduled status meetings
- Provide one (1) FTE resource with skill set to assist with project activities
- Review and sign off on the project schedule, indicating your commitment to make the necessary resources available at the appropriate time
- Commit to a change control process to ensure that any changes to project scope are agreed upon and approved by appropriate Protiviti and your management
- Provide timely responses to questions or issues presented to you for resolution

Client will perform the following tasks and provide Protiviti the following information:

- Partner with Protiviti by providing sufficient resources and focus in this process consistent with the Client contributions assumed in the Deliverables section below.
- Assign a liaison for periodic correspondence with internal stakeholders as well as securing participation and commitments to the evaluation and decision processes
- Assign a liaison for logistical support during the course of the demonstration sessions (rooms, invitations, electronic access, copies, etc)
- Maintain senior management sponsorship (and co-management) of the project, providing ongoing direction regarding scope and objectives
- Provide timely access to any relevant Client materials, personnel, and information needed to further project objectives
- Provide adequate workspace for the Protiviti project team members
- Perform timely review of Protiviti work product and deliverables (the work product and/or deliverable will be deemed accepted upon ten (10) business days after receipt by Client during which no notice of non-acceptance has been communicated to Protiviti)

5. **Estimated Start Date:** July 10, 2012
6. **Estimated End Date:** October 31, 2012 unless otherwise modified or terminated in accordance with the terms of the Agreement.
7. **Special Conditions:** None.
8. **Fees:** Protiviti will charge for this work based upon the level of expertise and time required for completing this project, plus out-of-pocket expenses. Client acknowledges that Protiviti's work is highly dependent on the availability of Client's personnel, other contractors of Client and other factors beyond the control of Protiviti. Protiviti will use commercially reasonable efforts to assist Client in meeting any stated deadlines but

Client acknowledges that despite these efforts, due to such factors, any stated deadlines and timelines may not be met.

Work Stream	Estimated Hours	Estimated Fees
PeopleSoft IT Controls Audit	400 - 440	\$63,200 - \$69,520
PeopleSoft Hardware Examination	200 - 225	\$31,442 - \$34,174
Total	600 - 665	\$94,642 - \$103,694

Protiviti estimates fees for PeopleSoft IT Controls Audit and Hardware Examination to range between \$94,642 to \$103,964 based on the scoped and approach outlined in this Statement of Work. Since LFUCG awarded both projects to Protiviti, we have granted a 5% discount on all work resulting in an estimated range of \$89,910 to \$98,766.

Actual documented out-of-pocket expenses, which include travel costs to/from Lexington, KY, will be included in billings as incurred. Protiviti estimates out-of-pocket expenses will be twelve percent (12%) of professional fees (roughly \$12,000 based on the high end of the range). Protiviti hereby agrees that any flight travel will be only economy class. Protiviti will receive Client approval prior to incurring any out-of-pocket expenses. Protiviti agrees to keep lodging and meals expense within the range of the U. S. General Services Administration (GSA) per diem.

Based on the estimates above, our fees and expenses are estimated to not exceed \$110,766 based on the high end of the range. This estimate will be refined as we continue our discussions on the scope of the project. Any fees incurred beyond the estimated fees outlined above must be pre-approved in writing by both Client and Protiviti via an amendment to this Statement of Work. A detailed schedule of expenses will be provided with each invoice.

Should circumstances arise that would require a modification to such arrangements, we will communicate these to you on a timely basis in an effort to reach a mutually satisfactory arrangement. Proposed changes to Project Activities, Deliverables, Start / End Dates or Fees and Expenses will be documented and discussed with Client Sponsor for approval. This Statement of Work will be amended with a Change Order, in an agreed upon format, for all approved changes.

9. **Deliverables:** Deliverables that will be prepared and provided as part of this project (utilizing Protiviti templates) include the following:

- Finalized audit planning memo outlining objectives, scope, approach, and timing
- Ongoing status dashboard reporting
- High-level system diagram showing PeopleSoft system relationships
- Audit dashboard template to be used to facilitate ongoing communication and status
- Final report detailing findings, control gaps and process improvements having a direct impact on the processing of financial information. All findings, gaps, and improvement opportunities will contain risk ranking of high, medium and low, in addition to estimated costs to perform a follow up audit.
- All work papers, including audit programs, test plans and evidence

- If necessary, brief presentation to communicate audit results to City Council or Public Forum

Executed this _____ day of _____ 2012.

All of the terms, covenants and conditions set forth in the Agreement are incorporated herein by reference as if the same had been set forth herein in full.

PROTIVITI INC.

Lexington-Fayette Urban County Government

By: _____
Michael Thor
Managing Director

By: _____
Jim Gray
Mayor