



## Audit Committee

**Wednesday, May 29, 2019 at 10:30 a.m.**

5th Floor Board Room, Water Board Building  
735 Randolph Street, Detroit, Michigan 48226  
*GLWater.org*

### AGENDA

*(revised 5.28.2019)*

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
  - A. None
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
7. NEW BUSINESS
8. REPORTS
  - A. External Auditor Request for Proposal Process
    - i. Request for Proposal
    - ii. Minimum Qualifications - Review of Responses Received
  - B. External Auditor Interviews
    - i. 10:45 am – 11:30 am – Rehmann Robson LLC
    - ii. 11:45 am – 12:30 pm – RSM US LLP
    - iii. 12:45 pm – 1:30 pm – Baker Tilly Virchow Krause LLP
  - C. External Auditor Interview Deliberations
  - D. Review Tabulation of Hours and Fees
  - E. Next Steps
9. LOOK AHEAD
  - Next Audit Committee Meetings
    - A. Regular Meeting June 21, 2019 at 8 am
10. INFORMATION
11. OTHER MATTERS
12. ADJOURNMENT

This document was distributed in 4 sections. The page numbers below refer to the Acrobat PDF electronic pages, not the printed number on the page.

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Binder #3-**PDF** page 271

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## Financial Services Audit Committee Communication

**Date:** May 21, 2019

**To:** Great Lakes Water Authority Audit Committee

**From:** Dana Bierer-Casinelli, Management Professional Consultant,  
Internal Audit & Data Integrity Team

**Re:** RFP 1900933 External Auditors Mandatory Qualifications Review

**Background:** According to the Articles of Incorporation, Article 7J, the Audit Committee shall, once every three years, recommend three independent certified public accounting firms that, in the judgment of the Audit Committee, possess sufficient resources and qualifications to conduct annual financial audits of the accounts of the Authority. From the three recommendations of the Audit Committee, the Board may select the independent certified public accounting firm with whom the Authority shall execute an agreement to conduct annual financial audits for the succeeding three fiscal years of the accounts of the Authority.

The Great Lakes Water Authority (GLWA) issued this Request for Proposal (RFP), RFP 1900933 on April 16, 2019. Proposal responses were received on May 20, 2019. The RFP is for qualified independent, certified public accounting (CPA) firms, licensed to practice in Michigan to perform the following.

1. Audit of the basic financial statements included within the Comprehensive Annual Financial Report (CAFR)
2. A Federal Single Audit
3. Separate audited financial statements for both the Water Fund and for the Sewage Disposal Fund
4. Consent letters, if needed, for bond transactions
5. Other technical financial services related to accounting and auditing matters

The proposed contract is for audits for fiscal years 2019, 2020, and 2021. The term of the contract to perform these services with a projected, conservative end date of June, 2022 unless another audit firm is engaged by the GLWA Board prior to that date. Depending on the date that an audit firm is selected by the Board, the contract date would be no more than three (3) years.

**Analysis:** Mandatory requirements were established in RFP 1900933. Firms must pass minimum qualifications for the proposals to be considered. From a review of the mandatory requirements, all three firms meet these mandatory requirements. See tabulation of the mandatory requirements on the next page.

Requirement number	Requirement definition	Baker Tilly	Rehmann	RSM
1	3 audits last 5 years comparable work	Pass	Pass	Pass
2	2 audits last 8 years water and sewer revenue > \$100 million & 300 employees	Pass	Pass	Pass
3	2 audits last 5 years with debt issue > \$50 million	Pass	Pass	Pass
4	Partner 10 years of experience with similar audits	Pass	Pass	Pass
5	Peer review of pass or pass with deficiency (required every 3 years)	Pass-3/31/18	Pass-3/31/17	Pass-4/30/16
6	Licensed in Michigan	Pass	Pass	Pass

**Budget Impact:** None

**Proposed Action:** It is recommended that the GLWA Audit Committee consider the proposals submitted by Baker Tilly Virchow Krause, Rehmann Robson, LLC, and RSM US LLP.

## RFP-1900933

### External Audit Services

The Great Lakes Water Authority (GLWA) is issuing this Request for Proposal (RFP) for qualified independent, certified public accounting (CPA) firms, licensed to practice in Michigan to perform an audit of its basic financial statements included within the Comprehensive Annual Financial Report (CAFR), a Federal Single Audit, a separate audited financial statement for the Water Fund and a separate audited financial statement for the Sewage Disposal Fund (referred to herein as the “Work”). The proposed contract term is for three (3) years.

Solicitation Date:	April 16, 2019
Issued By:	Dionne Graves – Buyer
Pre-Proposal Meeting:	Optional Date: Tuesday, April 30, 2019 Time: 10:30 am (Eastern Standard Time) Location: 735 Randolph St., Detroit, Michigan 48226 5th Floor, Board Room Site Tour: Not Applicable <b><i>Please RSVP for pre-proposal meeting to <a href="mailto:dionne.graves@glwater.org">dionne.graves@glwater.org</a> no later than Friday, April 26, 2019</i></b>
<b><i>Conference dial in available: Dial in: 866-528-2256 Access Code: 1125196</i></b>	
Questions/Inquiries:	All questions and inquiries must be directed under the solicitation number and title, open opportunities messages tab, Opportunity Q&A at <a href="https://glwater.bonfirehub.com/portal">https://glwater.bonfirehub.com/portal</a> by the following:  Date: Friday, May 3, 2019 Time: Time: 3:00 pm (Eastern Standard Time)
Due Date:	<b>Date: Thursday, May 16, 2019</b> <b>Time: 12:00 noon (Eastern Standard Time)</b>  Note: Electronic submission is required via Bonfire. A timely submittal requires that all files must be uploaded and accepted by the due date and time stated above. Please allow sufficient time for files to upload. Late proposals will not be accepted.
Additional Information:	<b>Proposing firms must be prepared for oral interviews within two (2) weeks of proposal submissions.</b>

**Minimum qualifications are identified in Appendix C. These are scored on a pass/fail basis. A score of pass is required for evaluation of the written proposal.**

***Late Proposals will not be Accepted***





**Financial Services**  
**Procurement**  
735 Randolph Street, Suite 1508  
Detroit, Michigan 48226  
Phone: 313-964-9157

## **REQUEST FOR PROPOSAL CONTENTS**

Section I - Instructions to Vendors

Section II - Scope of Work

Section III - Format and Evaluation Criteria

Appendix A - Administrative Information

Appendix B – Technical Work Plan/Approach (Evaluation Criteria)

Appendix C – Experience and Qualifications (Evaluation Criteria)

Appendix D – Project Team and Key Individuals (Evaluation Criteria)

Attachment 1 - Sample Contract/Terms and Conditions with Insurance Requirement

Attachment 2 - Fee Proposal Form

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## Section I Instructions to Vendors

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### 1.0. General Information

- 1.1. Vendors interested in submitting a response to this solicitation are required to be registered with Bonfire at <https://glwater.bonfirehub.com/>. Only registered vendors can submit a response. Registration is free. Any questions related to this proposal or Bonfire should be directed to the Buyer identified on the cover of this request for proposal.
- 1.2. By responding to this solicitation, vendors are agreeing to comply with GLWA's [Procurement Policy](#) available on the GLWA website at [www.glwater.org](http://www.glwater.org).
- 1.3. All communications pertaining to this solicitation are to be directed only to the Buyer designated on the cover of this request for proposal.

### 2.0. Addendums, Questions and Inquiries

- 2.1. It is the responsibility of the vendor to check for any addendum(s) and/or notices posted on Bonfire and to make inquiry as to the changes or notices issued. Only written notices or addendums duly issued by GLWA shall constitute revisions to this solicitation. Vendors are advised that no oral interpretation, information or instruction by any officer or employee of the GLWA shall be binding upon GLWA.
- 2.2. Each interpretation or correction, as well as any additional provision that GLWA may decide to include in this solicitation, will be made only as an addendum.
- 2.3. Should vendors be in doubt as to the true meaning of any portion of this solicitation, find any ambiguity, inconsistency, or omission herein, or intend to take exception to any requirement of the solicitation, the vendor must make a written request for an official interpretation or correction by the questions and inquiries due date of April 26, 2019 as listed on the cover page of this request for proposal.
- 2.4. Any addendum(s) issued by GLWA shall become part of this solicitation and shall be reflected by each vendor in preparation of its response to this solicitation. Vendors shall submit the latest revision of any form(s) or attachment(s) issued by an addendum.

### 3.0. Preparation and Submission

- 3.1. GLWA does not assume any responsibility and will not reimburse any vendor for any costs incurred, however caused, in the process of responding to this solicitation including, without limitation, preparing and submitting its response, withdrawing its response, objecting to the award, being disqualified for the award or negotiating a contract resulting from this solicitation.
- 3.2. The scope of Work is intended to define the minimum standard of quality. GLWA is seeking expertise that is innovative, uses technology, and presents creativity.
- 3.3. By submitting a response to this solicitation, the vendor affirms that except for assumptions and exceptions explicitly stated, the vendor considers its response accurate and sufficient to complete the Work.

## Section I Instructions to Vendors

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- 3.4. Documents included with this solicitation are for the vendor's information and convenience only and do not relieve the successful vendor from its responsibility and obligation to complete contract deliverables as specified in this solicitation.
- 3.5. Vendors requiring any additional information beyond what is contained in this solicitation and/or communicated in pre-proposal/oral interview meetings may be required, in GLWA's sole discretion, to provide evidence of a security clearance from the U.S. Department of Homeland Security for each person that would have access to the information. Providing evidence of the security clearance does not guarantee any firm or person access to any or all of requested information. Following receipt of evidence of the security clearance, additional information may be made available to vendors.

### 4.0. Additional Information

- 4.1. Subcontractors - Vendors shall not replace or add a subcontractor at any time after submission of its response to this solicitation unless vendor gives written notice to GLWA in sufficient time to allow GLWA to conduct an evaluation of the new subcontractor and provide all information as may be requested by GLWA. Any failure to abide by these terms, GLWA may, in its sole discretion, elect not to recommend the vendor for the award.

GLWA may request the removal and/or replacement of any subcontractor nominated by the vendor prior to awarding the contract. In such event, the vendor shall promptly nominate a qualified substitute or self-perform the work involved if qualified to do so. If the vendor declines to act on either option or otherwise fails to act by the date specified by GLWA, GLWA may, in its sole discretion, elect not to recommend the vendor for the award.

This section shall not be construed to create or impose on GLWA any duty or liability under any legal theory for the performance of any vendor or subcontractor under any contract resulting from this solicitation.

- 4.2. Wage Cost - Wage costs, if any, shall be in full conformance with all applicable laws.

### 5.0. Proposal Withdrawal and Modification

After the time for receiving proposals has expired, no modification, alteration or revision to any vendor's proposal in any form will be accepted, nor will a vendor be allowed to withdraw its proposal and submit another proposal for the Work. All proposals become the property of GLWA upon opening and are subject to public record laws.

### 6.0. Proposal Evaluation

- 6.1. GLWA uses a structured qualification-based selection process to evaluate proposals. Each proposal will be evaluated on its responsiveness to the technical and administrative criteria identified in this RFP. Following the technical response evaluation and the cost schedule review, GLWA will enter into negotiations with a qualified vendor with the objective of reaching an agreement to enter into a contract for the Work.

## **Section I Instructions to Vendors**

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- 6.2. In reviewing technical proposals, GLWA reserves the right to request from any vendor written clarifications or request additional information, reject any or all proposals, waive any non-conformance, defect or informality in any proposal, and/or determine which proposal best serves its needs.
- 6.3. Should GLWA determine, in its sole judgment, that contract negotiations are unproductive, GLWA reserves the right to cease negotiations with vendor and initiate negotiations with another vendor.

### **7.0. Contract Approval and Award**

- 7.1. Prior to contract execution and award GLWA will provide the vendor with a contract for its review. After receipt, the vendor shall sign and return the contract and provide any other documents required for the completion of an executed contract including, without limitation, evidence of insurance.

### **8.0. Post Award**

- 8.1. Debriefings will be held at the request of any vendor after the award of the RFP for receiving information concerning the evaluation.
- 8.2. GLWA's vendor performance evaluation program will be implemented under this contract, whereby performance of the vendor will be evaluated periodically at any time during this contract as determined by GLWA. The evaluation will be conducted during a meeting with the vendor, where the evaluation elements will be discussed, and the vendor will be afforded the opportunity to review the scores and provide input to GLWA. The vendor performance evaluation information may be used by GLWA to help evaluate the vendor's capabilities to perform other work for GLWA in the future.

**End of Instructions to Vendor**

## Section II Scope of Work

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### 1.0. General Description of Scope:

Audit services performed by qualified, independent, certified public accounting (CPA) firms, licensed to practice in Michigan to perform an audit of its basic financial statements included within the Comprehensive Annual Financial Report (CAFR), a Federal Single Audit, a separate audited financial statement for the Water Fund and a separate audited financial statement for the Sewage Disposal Fund, in accordance with:

- 1.1. Generally Accepted Auditing Standards (GAAS) as set forth by the American Institute of Certified Public Accountants (AICPA),
- 1.2. Government Auditing Standards (GAS), issued by the Comptroller General of the United States,
- 1.3. Audit requirements of Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance),
- 1.4. Any applicable standards set forth by legal mandate,
- 1.5. Rules and regulations of any State Department or Agency,
- 1.6. Other provisions applicable to procedures for the audit of local government units,
- 1.7. Reporting guidance from AU 558 regarding required supplementary information based upon the auditing procedures applied during the audit of the basic financial statements, and
- 1.8. Changes to the above standards and requirements which may occur during the course of this contract.

### 2.0. Fiscal Years Subject to Audit Pursuant to this Contract:

The Authority intends to award a contract to a firm to perform the required services for the years ended June 30, 2019, 2020, and 2021.

### 3.0. GLWA Background – Legal Structure

- 3.1. On September 9, 2014, a Memorandum of Understanding (the “MOU”) was executed to establish the formation of the Great Lakes Water Authority (GLWA). The premise of the MOU was to significantly restructure the City of Detroit Water & Sewerage Department (DWSD) to a) lease the regional assets to GLWA for the provision of water and sewer services to a significant portion of southeast Michigan and b) recognize DWSD as a retail service provider for the City of Detroit geographic boundaries and the recipient of the lease payments for reinvestment in City water and sewer infrastructure and/or related debt service.
- 3.2. By November 26, 2014, the GLWA Articles of Incorporation were adopted by the City of Detroit, Counties of Wayne, Oakland, and Macomb, and the State of Michigan (the “Incorporating Municipalities”).
- 3.3. During the course of calendar year 2015, the parties executed key documents to carry out the terms of the MOU.
  - 3.3.1. Regional Sewage System Disposal Lease approved June 12, 2015

## Section II Scope of Work

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- 3.3.2. Regional Water Supply System Lease approved June 12, 2015
- 3.3.3. Water and Sewer Services Agreement approved June 12, 2015
- 3.3.4. Shared Services Agreement approved December 9, 2015
- 3.3.5. GLWA Master Bond Ordinance approved on October 7, 2015 and most recently amended on August 10, 2016
- 3.4. On January 1, 2016, GLWA assumed operation of the regional water and sewer services on January 1, 2016. A restructured City of Detroit Water and Sewerage Department (referred to as DWSD, DWSD-R, and “Local System”), provides local retail water and sewer services within the City of Detroit.
- 3.5. As noted above, GLWA leases the regional assets of the Detroit Water and Sewer Systems from the City. The initial lease term is for 40 years. The annual lease payment of \$50 million per year stays within the local DWSD system for cost of improvements to the Detroit local system, to pay the principal and interest on bonds issued to finance the cost of improvements to the Detroit local system; and/or the City’s share of the principal and interest on bonds issued to finance the cost of the regional system’s common-to-all improvements to the leased facilities.
- 3.6. On June 27, 2018, a Memorandum of Understanding “2018 MOU” was executed to provide clarification of specific sections of the Regional Sewage System Disposal Lease, the Regional Water Supply System Lease, the Water and Sewer Services Agreement and the Master Bond Ordinance.

### **4.0. GLWA Background - Governance**

- 4.1. GLWA is governed by a Board of Directors that is comprised of six members (one member from Wayne, Oakland and Macomb counties, two members from the City of Detroit and one member appointed by the Governor from the State of Michigan from the service area that extends beyond Wayne, Oakland, and Macomb counties).
- 4.2. Consistent with the Articles of Incorporation and By-laws, the Board shall appoint an Audit Committee consisting of three (3) members. As described in the Articles of Incorporation, the Audit Committee shall meet with the independent public auditors not less than four times each year. The Audit Committee is required to recommend three (3) independent certified public accounting firms, that in the judgment of the Audit Committee, possess sufficient resources and qualifications to conduct annual financial audits of the Authority. The Board may select, within 30 days after receipt of recommendations from the Audit Committee, the independent certified public accounting firm with whom the Authority shall execute an agreement to conduct annual financial audits for the succeeding three fiscal years. If the Board does not make a selection within 30 days of the receipt recommendations, the Audit Committee shall have the sole power to select the auditing firm to conduct the audits for the next three years.

### **5.0. GLWA Background - Operations and Management**

- 5.1. Operations

## Section II Scope of Work

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- 5.1.1. GLWA provides water service to nearly 40 percent of the State of Michigan's population with water of unquestionable quality as well as effective and efficient wastewater services to nearly 30 percent of the State's population.
- 5.1.2. GLWA's water service area covers 127 municipalities across eight southeast Michigan counties, which is equivalent to approximately 3.9 million people. The system is comprised of five water treatment plants.
- 5.1.3. Wastewater conveyance and treatment services are provided to 18 wholesale member partners service 76 communities in addition to the city of Detroit, which is equivalent to approximately 2.9 million people. The system includes the largest single-site wastewater treatment plant (Water Resource Recovery Facility) in North America.
- 5.1.4. As a wholesale provider, GLWA's relationship is with its municipal member partners, and those municipalities then have a relationship with their residents and business owners.
- 5.1.5. The capital improvement plan identifies for approximately \$1.6 billion over the course of the five-year plan.
- 5.1.6. The Authority receives revenues from charges to customers. Terms of the wholesale water and model contracts provide significant revenue stability for GLWA. Charges increases to customers are considered moderate to very low for the service sector. Charges to customers are reviewed and approved annually within the context of a five-year planning horizon.
- 5.2. Management Team
  - 5.2.1. Most members of the GLWA executive management team were previously with the DWSD during the development of the Authority concept. This includes the Chief Executive Officer, Chief Financial Officer/Treasurer, Chief Administrative and Compliance Officer, Chief Security & Integrity Officer, Chief Operating Officer for Water Operations, Chief Planning Officer, and Chief Organizational Development Officer. This team joined the GLWA to facilitate the standup of the new entity and to carry forward the significant optimization, regulatory progress initiatives and transformation efforts achieved during the course of recent years.
- 5.3. Financial Systems
  - 5.3.1. GLWA utilizes BS&A software including modules for the General Ledger, Utility Billing, Cash Receipting, Fixed Assets, Purchase Order, and Accounts Payable. To support organizational asset management objectives, purchase requisitions begin in Oracle WAM. Inventory is also maintained in Oracle WAM.
  - 5.3.2. The payroll and human resource system, including time and attendance, Dayforce, is a cloud- based solution. Certain managed services are provided by Ceridian.
- 5.4. Financial Transparency and Competency
  - 5.4.1. The Financial Services Group (FSA) has steadily improved the professionalism, transparency, and staff capacity during the course of the past three years since the "start-up" of the new entity on January 1, 2016.



## Section II Scope of Work

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This is demonstrated in the level of information provided in the monthly financial report presented to the Audit Committee. GLWA FSA is a talented, professional, and experienced team, many with CPA credentials.

- 5.4.2. GLWA received an unqualified audit opinion on the CAFR for the years ended June 30, 2016, 2017, and 2018. For the year ended June 30, 2016 there were minimal adjustments related to the start-up activities. For the years ended June 30, 2017 and 2018 there have been no auditor-initiated adjustments. For these same years, there were no material weaknesses in the Report on Compliance for Major Federal Program.
- 5.4.3. Single Audit Considerations: GLWA receives Federal funds passed through the Michigan Department of Environmental Quality State Revolving Fund program. In addition, pursuant to the lease and services agreements, certain State Revolving Loan Program proceeds are passed through to the Local System. The DWSD is therefore considered a sub-recipient of GLWA.
- 5.4.4. Significant Activity for FY 2019
  - 5.4.4.1. On October 3, 2018, \$155,595,000 of Water Supply system Revenue Bonds and \$247,465,000 of Sewage Disposal System Revenue Bonds were refunded (\$81,595,000 in new money and \$175,870,000 in refunding bonds). The net present value savings from the refunding transactions was a total of \$59.42 million, with \$24.90 million for the water fund and \$34.52 million for the sewage disposal fund.
  - 5.4.4.2. Consistent with the terms of the leases, GLWA acquired the outstanding debt of DWSD. At one point during the City of Detroit's bankruptcy in 2014, the bonds were downgraded to below investment grade as a result of uncertainty related to potential course of actions during the bankruptcy. In conjunction with the 2018 refunding transaction, GLWA achieved an upgrade to the "AA" category. This action, by Standard & Poor's, increased GLWA's senior lien water system rating by three notches to AA- and its second lien water system rating by three notches to A+. The rating agency also increased GLWA's senior lien sewer system rating by two notches to A+ and its second lien sewer system was increased by two notches to A.
- 5.4.5. **Additional Background**
  - 5.4.5.1. The GLWA website provides additional background, source documents, and financial information at [www.glwater.org](http://www.glwater.org). Specific items of note include the following.
  - 5.4.5.2. Finances Page  
<http://www.glwater.org/financials/>
  - 5.4.5.3. Note also the Financials archive page with prior year audited financial statements  
<https://www.glwater.org/financials/financials-archive/>
  - 5.4.5.4. Capital Improvement Plan  
<https://www.glwater.org/cip/>

## Section II Scope of Work

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- 5.4.5.5. Organizational Documents  
<http://www.glwater.org/investor-relations/>
- 5.4.5.6. Articles of Incorporation <https://www.glwater.org/glwa-resources/articles-of-incorporation/> and  
By-Laws <https://www.glwater.org/glwa-resources/glwa-by-laws/>
- 5.4.5.7. Master Bond Ordinances  
<https://www.glwater.org/?s=master+bond+ordinance>
- 5.4.5.8. Shared Services Agreement  
<https://www.glwater.org/?s=shared+services+agreement>
- 5.4.5.9. Lease Agreement  
<https://www.glwater.org/glwa-resources/regional-sewage-disposal-system-lease/>  
<https://www.glwater.org/glwa-resources/regional-water-supply-system-lease/>
- 5.4.5.10. Water and Sewer Services Agreement  
<https://www.glwater.org/glwa-resources/water-and-sewer-services-agreement/>
- 5.4.5.11. Agreement Re: Detroit General Retirement System Defined Benefit Plan  
<https://www.glwater.org/glwa-resources/agreement-re-detroit-general-retirement-system-defined-benefit-plan/>
- 5.4.5.12. Lease Feasibility Forecasts  
<https://www.glwater.org/glwa-resources/glwa-dwsd-five-year-financial-forecast-lease-feasibility-study/>
- 5.4.5.13. 2018 Memorandum of Understanding  
<https://www.glwater.org/glwa-resources/2018-memorandum-of-understanding/>
- 5.4.5.14. The 2018 official statements, which provide in-depth legal and financial information, are available online at  
<http://www.glwater.org/financials/>
- 5.4.5.15. Monthly Chief Executive Officer Reports at  
<http://www.glwater.org/about/leadership/>
- 5.4.5.16. Board Meeting Documents at  
<http://www.glwater.org/about/leadership/>
- 5.4.5.17. The GLWA Financial Services Area presents a monthly financial report utilizing a full accrual basis. Those reports are in the monthly Audit Committee binder and are available online  
<https://www.glwater.org/?s=audit+committee>

### 6.0. Scope of Work - Services required by the public accounting firm will include the following:

#### 6.1. Annual Audit and Related Annual Services

- 6.1.1. An audit of the basic financial statements for Great Lakes Water Authority included in the CAFR and an independent auditor's report for the years ended June 30, 2019, 2020, and 2021 including an "in relation to" opinion on supplementary information.

## Section II Scope of Work

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- 6.1.2. A Single Audit in accordance with federal requirements with an independent auditors' report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with Government Auditing Standards; a Single Audit Report on Compliance for each Major Federal Program and a Report on Internal Control Over Compliance with an "in relation to" opinion on the Schedule of Expenditures of Federal Awards (SEFA).
- 6.1.3. A separate audited financial statement for the Water Fund (a direct opinion, not an "in relation to" opinion).
- 6.1.4. A separate audited financial statement for the Sewage Fund (a direct opinion, not an "in relation to" opinion).
- 6.1.5. GLWA will draft the financial statement report contents. The auditor should indicate preferred approach for final report processing.
- 6.1.6. Address communications with "Those Charged with Governance".
- 6.1.7. Auditor communications required by the State of Michigan, Department of Treasury and any other reports required to be affirmed by the firm to the State.
- 6.1.8. Assist GLWA in reviewing the requirements of submitting its comprehensive annual financial report to the Government Finance Officers Association (GFOA) of the United States for review in their Certificate of Achievement for Excellence in Financial Reporting program.

### 6.2. **Consent Letters:**

GLWA may prepare one or more official statements in connection with the sale of debt securities which may contain the basic financial statements and the independent auditor's report, thereon. Accordingly, the firm would be requested to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters". These services should be separately identified as additional services with a proposed fee.

### 6.3. **Other Services:**

Separate pricing shall be provided for non-attest services including assisting in preparing the financial statements, and related notes, in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by GLWA. These non-audit services will not constitute an audit under Government Auditing Standards and such services will not need to be conducted in accordance with Government Auditing Standards.

### 6.4. **Working Papers:**

The firm must retain all working papers and reports filed, at the auditor's expense, for a minimum of 5 years unless notified in writing to extend the retention period.

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The working papers will be required to be made available if requested by GLWA.

### 7.0. Contract Deliverables

- 7.1. The completion dates of the Audits and the Single Audits for each June year end will be by the following December 31 (6 months after year-end).
- 7.2. The reporting requirements of the audits shall consist of both hard copy and digital format.
- 7.3. The preliminary findings should be reviewed with the appropriate levels of Financial Services Area management and shall incorporate, as part of the draft audit report, comments or responses by GLWA. The firm shall provide GLWA and the Financial Services Group and Chief Executive Officer with the draft audit report and shall review the audit findings with GLWA Audit Committee prior to publishing and distributing the final audit report.
- 7.4. The firm shall be available for a minimum of one (1) annual public meeting to discuss the audit findings and recommendations related to the final audit report and other matters as requested.
- 7.5. The firm shall be available for a minimum of four (4) Audit Committee meetings.
- 7.6. The firm is required to provide a written report of any irregularities and illegal acts or indications of illegal acts of which they become aware to GLWA's Chief Financial Officer/Treasurer, even if the matter is considered inconsequential.
- 7.7. If the project schedule will not be met, the Chief Financial Officer/Treasurer shall be notified immediately in writing when this has been identified.
- 7.8. If unexpected circumstances occur during the engagement and it will require significant additional time, the Chief Financial Officer/Treasurer shall be notified immediately in writing and must first approve any additional costs and/or time before it is incurred.
- 7.9. If any difficulties are encountered during the engagement, the Chief Financial Officer/Treasurer shall be notified immediately in writing.
- 7.10. If the Chief Financial Officer/Treasurer is not available, or if the auditors seek an alternative contact, the Chief Executive Officer shall be notified.

### 8.0. Project Schedule

- 8.1. **Project Phase and Milestone Dates:** GLWA's *targeted* milestones and *desired* durations for the various phases of this project are shown in the table below. The selected vendor is fully responsible for preparing its project approach, work plan, schedule and cost schedule based on its experience in executing this type of project

## Section II Scope of Work

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and shall not use GLWA's targeted milestones and desired durations to limit its responsibility under the contract, except where GLWA has specified the number of hours to be provided by the vendor or where GLWA has included a specified allowance.

<b>Project Phase</b>	<b>Milestone Date</b>
Year-end planning	June 1, 2019
Preliminary Fieldwork	August 15, 2019
Fieldwork begins; GLWA Audit Schedules Provided	October 9, 2019
<i>Audit Committee Meeting – Update Report</i>	<i>October 18, 2019</i>
CAFR Drafted and Fieldwork Completed	November 15, 2019
<i>Audit Committee Meeting – Update Report</i>	<i>November 15, 2019</i>
CAFR Completed	November 29, 2019
<i>Board of Directors – Present Final Draft</i>	<i>December 11, 2019</i>
File final CAFR and Single Audit Report	December 16, 2019

- 8.2. **Proposer Resources:** The successful proposer will have reasonable access as needed to GLWA facilities and team members to obtain documents and files, and to perform interviews to gain an understanding of the services to be provided.

### End of Scope of Work

## Section III Format and Evaluation Material

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### 1.0 Format

1.1 Vendors shall use complete sets of RFP documents in preparing responses; GLWA shall not assume any responsibility for errors or misinterpretations resulting from the use of incomplete sets of RFP documents.

1.2 Accuracy and completeness are essential. Omissions and ambiguous or equivocal statements will be viewed unfavorably and will be considered in the evaluation of the responses to this RFP. Since all or a portion of the successful responses may be incorporated into an ensuing contract, vendors are cautioned not to make any claim or statement that cannot subsequently be included in a legally binding agreement.

1.3 Responses to this RFP are to be submitted in the following format below.

- 1.3.1 All required appendices as listed in Bonfire for this solicitation.
- 1.3.2 Cost proposal separately

1.4 It is requested that the written proposal should be limited to 15 pages in size 12 font with one-inch margins. The number of pages excludes resumes and required attachments.

### 2.0 Evaluation Criteria

2.1 Criteria: Each response will be evaluated on its responsiveness to the criteria identified below.

Evaluation Criteria	Weight
<b>Written Proposal Evaluation</b>	
1. Technical Work Plan (See "Appendix B – Technical Work Plan/Approach")	25%
2. Experience and Qualifications (See "Appendix C – Experience and Qualifications")	Pass/Fail  20%
Minimum Qualifications	
Experience and Qualifications above Minimum Qualifications	
3. Project Team and Key Individuals (see "Appendix D – Project Team and Key Individuals")	20%
<b>Oral Interview Evaluation</b>	
4. Oral Interviews	35%
Total	<u>100%</u>

2.2 Oral interviews: Based upon the Audit Committee' scoring of items 1 through 3 above, the field of potential vendors will be shortlisted to a minimum of three firms. Only short-listed

## Section III Format and Evaluation Material

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proposers will be offered the opportunity for oral interview. Each short listed proposer shall be required to make a formal presentation and/or respond to clarification questions during an open, public Audit Committee meeting. The proposer's final overall score will include the oral presentation score.

- 2.3 **Board Recommendation and Auditor Appointment:** The GLWA Articles of Incorporation, Article 7 Board of Directors and Officers, Section 1, requires the Audit Committee, once every three years, recommend three (3) independent and certified public accounting firms to the Board of Directors. From the three (3) recommendations of the Audit Committee, the Board may select the independent certified public accounting firm.

### 3.0 Cost Proposal

- 3.1 The cost proposal will not be scored, however, it will be considered in the final recommendation for award. The cost proposal should also include annual estimated number of hours for the Partner, Audit Manager and Staff.
- 3.2 **Annual Audit and Related Annual Services:** The cost proposal is a fixed price contract for annual audit services as described above.
- 3.3 **Consent Letters:** The cost proposal is a fixed price contract for consent letters as described above.
- 3.4 **Other Services:** A table of hourly rates should also be provided for additional services which includes individual name, role, and rate. Services with a minimum charge also need to be noted as such.
- 3.5 There will be no provision for reimbursable expenses for this contract. The proposed fee schedule must be inclusive of all administrative fees.

### End of Format and Evaluation Criteria

## Appendix A - Administrative Information

In the further description of this response, we submit information identified as follows:

Vendors Full Legal Name			
Address			
Designated Representative			
Telephone Number		Email Address	
Company Owner/President			
Officer authorized to execute contracts			
Date of organization or incorporation		State of Incorporation	
Business License Number		D&B D-U-N-S Number	
(IRS) EIN			

Type of Company:     ☐ Partnership ☐ Corporation ☐ Limited Liability Corporation

Minority Business Enterprise (MBE) ☐                      Small Business Enterprise (SBE) ☐

Detroit Based Business (DBB) ☐

Is Organization's principal place of business maintained in the State of Michigan?     Yes ☐ No ☐

If your organization maintains its principal place of business outside the State, attach a copy of the Certificate of Authority which your organization procured in accordance with MCL 450.2011 to this appendix.

Addendum(s) acknowledgement (list each posted addendum number): No addendum(s) posted ☐


**The person signing must have authority to commit the firm to this response.**

**By signing below, the vendor attests that they have read and fully comprehend the Great Lakes Water Authority procurement policy prior to submitting a response to this solicitation and that their response shall remain valid for a period of six (6) months after the due date.**

**GLWA and the vendor under consideration for award, by mutually written consent, may agree to extend the period during which proposals shall remain open (i.e., the hold period). Any such consent shall be based on the following:**

1. **No increase in the vendor's proposal.**
2. **No increase in any contract times stated in days.**

**If the vendor under consideration for award fails or refuses to agree to any such extension, as conditioned here within, GLWA shall disqualify that vendor from further consideration for award of the contract. However, failure to agree to any such extension shall not constitute grounds for forfeiting the bid security of that proposer, if applicable.**

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_



## Appendix A - Administrative Information

### 1. General Information

- A. Is the vendor licensed to do business in the state of Michigan? ☐ Yes ☐ No
- B. Does the vendor have the capacity to acquire all required permits, bonds, escrows or insurances as required under this solicitation? ☐ Yes ☐ No
- C. Does the vendor have the appropriate material, equipment and labor to perform job safely and efficiently? ☐ Yes ☐ No

### 2. Legal Disclosures/Conflict of Interest

- A. Are there any judgements, suits or claims pending against your company? ☐ Yes ☐ No

For any past or present contracts, state whether any such contract has been terminated for default or convenience, the circumstances surrounding the termination, and the name, email address and telephone number of your client. Describe any legal proceeding, lawsuit, or claim that has been filed within the past 5 years by or against vendor or any of the vendor's past or present employees, including the nature and reason for the legal action, the result of the legal action including any binding arbitration or alternative dispute resolution process, and a description of each circumstance where the vendor paid a part or all of a claim or change order brought by a client or third party.

- B. Has your firm operated under any other name(s)? ☐ Yes ☐ No
- C. Has your firm or any partner or officers ever been involved in any bankruptcy action? ☐ Yes ☐ No
- D. Has your firm ever been listed on the federal Debarment Excluded Parties List System? ☐ Yes ☐ No
- E. Are any of your firm's owners, officers, employees, or agents also employees of GLWA or related to any employees of GLWA or have any conflicts of interest? ☐ Yes ☐ No  
If yes attach an explanation.

**Note: For any box checked yes, the vendor must attach a written explanation for each item immediately following appendix A. GLWA reserves the right to request additional information when determining the responsibility of a vendor before award.**

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**Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1)****Work Plan and Organization**

1. Provide a concept narrative clearly explaining the scope of this proposal.
2. Submit a detailed work plan, which describes your audit approach and methodology to all tasks you have determined to be necessary to complete the entire scope of work for this contract. Include the critical evaluations and decisions that must be made to efficiently complete the engagement.
3. Indicate when your firm will be ready to start work on this contract, if awarded.
4. Explain the approach and activities your firm will engage to meet the timelines in the project schedule.
5. Provide a work plan with milestones, durations and a timeline that includes planning, fieldwork, and final report preparation and issuance of the reports. Include the estimated number of hours by category to demonstrate the level of effort for each fiscal year.
6. Describe availability of the firm's resources to ensure that no conflict would exist with timely completion of GLWA's audit and related reports.
7. Describe how your team will communicate among the team and with the assigned partner or other technical resources. Describe how these communications will result in effectively executing the work consistent with professional standards.
8. Describe how your team will communicate with GLWA. Describe how these communications will result in effectively executing the work.
9. Describe the internal quality management program your firm will employ with respect to the execution of this project and the review of the work including the staff levels involved.
10. Identify the quality control system in place for monitoring compliance with independence requirements. The firm must meet all applicable independence requirements.
11. Identify all assumptions made in developing the proposal including but not limited to data, resources, etc.
12. GLWA's Role - Clearly identify the proposed role of GLWA in the project and to what extent will GLWA be encouraged to participate.
13. Quality Control - Provide a written quality assurance/quality control plan that describes procedures for verifying accuracy, quality and completeness of the deliverables; ensuring the quality of the deliverables; identifying and correcting non-complying work and adverse quality trends; and preventing deficiencies from recurring.

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**Appendix C – Experience and Qualifications (*Evaluation Criteria #2*)**

Each proposal will be evaluated on its responsiveness to the technical and administrative criteria identified below.

**A. Minimum Qualifications (Pass/Fail)**

1. A minimum of three (3) Single Audit engagements within the last five (5) years demonstrating experience comparable to the scope of services described for this project including the name, scope of work, location, services provided, and the length of time the respondent's services were provided.
2. A minimum of two (2) audit engagements within the last eight (8) years demonstrating experience with municipal water and sewer enterprise accounting including the name, scope of work, location, services provided, and the length of time the respondent's services were provided for clients with annual revenue greater than \$100 million and more than 300 employees.
3. A minimum of two (2) audit engagements within the last five (5) years providing consent letters for inclusion in revenue bond official statements for debt issuances greater than \$50 million demonstrating experience with the needs of large public debt issuers.
4. The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.
5. The firm must have undergone a peer review in the last three (3) years and received a peer review rating of pass or a pass with deficiency. A pass with deficiency rating requires an explanation on the findings and recommendations made including the remediation efforts to correct the deficiencies noted in the peer review report. Firms with a peer review rating of fail will not be considered.
6. All assigned partners and managers must be licensed to practice public accounting in the State of Michigan. The qualifications of those licensed in the State of Michigan will be considered during the evaluations of the proposal. However, the qualifications of those not currently licensed in the State of Michigan will not be considered during the evaluation process.

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**B. Experience and Qualifications**

1. Explain how the engagements noted above provide you the ability to be uniquely qualified and experienced to fulfill GLWA's audit requirements including the location of the office from which the engagement was performed, and the size of the audit team assigned to the engagement.
2. Identify whether the firm is a member of the AICPA Audit Quality Centers. Identify other resources available in the firm to verify the quality of municipal audits in the firm in accordance with recent changes in accounting pronouncements or best practice.
3. Provide evidence of past performance and your ability to complete tasks on time and within budget.
4. Describe your knowledge of local conditions, GLWA requirements and procedures, and how the proposing firm's knowledge will benefit the engagement.
5. Describe additional industry experts or resources at your firm that may be utilized in this engagement or additional services that may be of interest to GLWA.
6. Describe your level of expertise auditing public sector utilities and understanding of revenue charge setting methodologies.
7. Describe your level of expertise auditing revenue bonds and understanding the related master bond ordinances. Municipal Securities Rulemaking Board requirements (Electronic Municipal Market Access), and related Internal Revenue Service code.
8. Describe your ability and approach to work cooperatively with the City of Detroit, in particular the Detroit General Retirement System, consultants, auditors and other stakeholders.
9. Describe if there have been any engagements where the firm has had disputes with management and resigned from the engagement. Provide an explanation on the effort made to cooperate with management.
10. Describe if there have been any legal proceedings, lawsuits or claims, which have been filed against the firm or present employees within the past five (5) years. Provide a further explanation on the resolution of such claims.
11. Describe any conflicts of interest, real or perceived, in performing the audit for GLWA with other clients and how your firm would address such conflicts.

### Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)

- 1.0 Project Team - Summarize the roles and pertinent experience of each key individual and indicate the percentage of time planned for them to be dedicated to this project using the following chart below.

Part 1 Summary of contractor's current involvement with all projects:					
	Contract No.	Client Name	Involvement Time	Contract Title	Type of Involvement
Involvement time for this project					
Other Projects and Commitments					
Part 2 Explain how the commitments listed under part 1 will impact performance on this project.					
Part 3 Explain how the project manager or consultant representatives allocated percentage of time to this contract will be utilized.					

- 2.0 Staff experience - Identify by name and title the individuals the vendor considers to be key to the successful completion of this project.

Staff Name	Public or Private Sector	Role and Tenure	Project Title (Project list should be relevant to project of similar size and complexity as referenced in this solicitation.)				
			1.	2.	3.	4.	5.
			Experience in years				

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**Staff Experience**

Provide a detailed table with the names of the partner and management to be assigned to this project, other staff to be assigned, their functions, total work hours for each phase of the engagement, the office location, and a two-page maximum resume for the partner and management. Indicate if anyone to be assigned to the engagement is through a third-party service provider. GLWA retains the right to approve all third-party service providers and to approve or reject replacements of personnel in writing that are not related to personnel leaving the firm, promotions, or relocations.

1. Describe the assigned partner's ten (10) years of recent experience auditing similar engagements including Single Audits.
2. Describe the experience of the project team relative to similarly sized engagements and types of engagements.
3. Identify the type of engagement selected if work of the assigned partner was selected in the most recent peer review. Describe any negative responses noted on engagements performed by them and any remediation actions taken.
4. For all proposed staff to be assigned to the engagement, identify the number of hours of continuing professional education required in the firm that is directly related to governmental auditing for the last two years.
5. Provide details on any additional firm requirements for this training including if the training is conducted in house or conducted directly by the AICPA, or another rule governing body.
6. Indicate if the proposed partner, management or assigned staff are currently working on other GLWA contracts and non-GLWA contracts that are scheduled concurrently with the timelines identified in this RFP. If so, please indicate how their involvement on this project will impact timely performance of previous contracted services to GLWA and indicate how their involvement with non GLWA contracts will impact their performance on this project.

**3.0 Key Individuals - Provide staff biography/resume for all individual assigned to this project.**

### Appendix E - Covenant of Equal Opportunity

I, being a duly authorized representative of the \_\_\_\_\_, ("Vendor"), do hereby enter into a Covenant of Equal Opportunity ("Covenant") with the Great Lakes Water Authority, ("GLWA"), effective upon the execution of a written contract between Vendor and GLWA resulting from the above referenced procurement, obligating the Vendor and all sub-vendors on this contract to not discriminate against any employee or applicant for employment, training, education, or apprenticeship connected directly or indirectly with the performance of the contract, with respect to his or her hire, promotion, job assignment, tenure, terms, conditions or privileges of employment because of race, color, religious beliefs, public benefit status, national origin, age, marital status, disability, sex, sexual orientation, or gender identity or expression.

I understand that it is my responsibility on behalf of the Vendor to ensure that all potential sub-vendors on this contract are reported to the GLWA Procurement Department and that each such sub-vendor has executed its own Covenant of Equal Opportunity prior to working on this contract.

Furthermore, I understand that this Covenant is valid for the life of the contract and that a breach of this Covenant shall be deemed a material breach of the contract.

Vendor Name: \_\_\_\_\_

Vendor Address: \_\_\_\_\_

Vendor Phone No: \_\_\_\_\_

Vendor Email: \_\_\_\_\_

Signature of Authorized Representative: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF \_\_\_\_\_ )

)SS

COUNTY OF \_\_\_\_\_)

The foregoing Covenant was acknowledged before me by \_\_\_\_\_ to me known to be the person who signed this Covenant and who, being by me first duly sworn, states that s/he has been authorized by the Vendor named in this Covenant to execute this Covenant on behalf of the Vendor.

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public

County of \_\_\_\_\_ State of \_\_\_\_\_

My Commission Expires: \_\_\_\_/\_\_\_\_/\_\_\_\_

## Appendix F - Non-Collusion Affidavit

### INSTRUCTIONS FOR NON-COLLUSION AFFIDAVIT

1. This Non-Collusion Affidavit is material to any contract/purchase order awarded pursuant to this bid.
2. This Non-Collusion Affidavit must be executed by the member, officer or employee of the bidder who makes the final decision on prices and the amount quoted in the bid.
3. Bid rigging and other efforts to restrain competition, and the making of false sworn statements in connection with the submission of bids, are unlawful and may be subject to criminal prosecution. The person who signs the affidavit should examine it carefully before signing and assure him/herself that each statement is true and accurate, making diligent inquiry as necessary of all other persons employed by or associated with the bidder with responsibilities for the preparation, approval or submission of the bid.
4. In the case of a bid submitted by a joint venture, each party to the venture must be identified in the bid documents and an affidavit must be submitted separately on behalf of each party.
5. The term "complementary bid" as used in the affidavit has the meaning commonly associated with that term in the bidding process and includes the knowing submission of bids higher than the bid of another firm, any intentionally high or noncompetitive bid, and any other form of bid submitted for the purpose of giving a false appearance of competition.
6. Failure to submit the affidavit with the response to this RFP in compliance with these instructions may result in disqualification of the bid.

### NONCOLLUSION AFFIDAVIT

State of \_\_\_\_\_

Contract No: GLWA-\_\_\_\_\_

)SS

County of \_\_\_\_\_

I state that I am the (Title) \_\_\_\_\_ of (Name of Firm) \_\_\_\_\_ and that I am authorized to make this affidavit on behalf of my firm, its owners, directors and officers. I am the person responsible in my firm for the price(s) and the amount of this bid. I have personal knowledge of the matters set forth in this affidavit and I am competent to testify about them.

I state that (Name of Firm) \_\_\_\_\_ understands and acknowledges that the below representations are material and important and will be relied on by GLWA in awarding the contract/purchase order for which this bid is submitted. I understand, and my firm understands that any misstatement in this affidavit is and shall be treated as fraudulent concealment from GLWA of the true facts relating to the submission of this bid.



# NONCOLLUSION AFFIDAVIT

1. The price(s) and amount of this bid have been arrived at independently and without consultation, communication or agreement with any other vendor, bidder or potential bidder.
2. Neither the price(s) nor the amount of this bid, and neither the approximate price(s) nor approximate amount of this bid, have been disclosed to any other firm or person who is a bidder or potential bidder, and they will not be disclosed before bid opening.
3. No attempt has been made or will be made to induce any firm or person to refrain from bidding on this contract, or to submit a bid higher than this bid, or to submit any intentionally high or noncompetitive bid or other form of complementary bid.
4. The bid of my firm is made in good faith and not pursuant to any agreement or discussion with, or inducement from, any firm or person to submit a complementary or other noncompetitive bid.
5. (Name of Firm) \_\_\_\_\_ its affiliates, subsidiaries, officers, directors, partners, members and employees are not currently under investigation by any governmental agency and have not in the last four years been convicted or found liable for any act prohibited by state or federal law in any jurisdiction involving conspiracy or collusion with respect to bidding on any public contract, except as follows:  
\_\_\_\_\_  
\_\_\_\_\_.

Affiant Signature: \_\_\_\_\_ Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_ Date: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 )SS  
COUNTY OF \_\_\_\_\_ )

The foregoing affidavit was acknowledged before me by \_\_\_\_\_ to me known to be the person who signed this affidavit and who, being by me first duly sworn, states that s/he has been authorized by the Firm named in this affidavit to execute this affidavit on behalf of the Firm.

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Notary Public  
County of \_\_\_\_\_  
State of \_\_\_\_\_

My Commission Expires: \_\_\_\_/\_\_\_\_/\_\_\_\_

**Appendix G – Cost Schedule**

Completion of the cost schedule is completed in Bonfire under the Bid Table tab.

1. The vendor's pricing shall include, and payment for completed Work shall be compensation in full for, all services, obligations, responsibilities, labor, materials, devices, equipment, royalties and license fees, supervision, temporary facilities, bonds, insurance, taxes, close-out, overhead and profit and any other incidental items of any kind or nature, as are necessary to complete the Work, in a neat, first quality, workmanlike and satisfactory manner in accordance with the solicitation and as otherwise required to fulfill the objectives of the contract and the intent of the solicitation. Costs shall contain neither any qualifications or conditions nor any recapitulations of the Work whatsoever. Unless alternates are otherwise added to the solicitation by specific provision, no alternates will be accepted.

**Failure to submit Appendix G signed will deem your firm's submittal as non-responsive.**

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Appendix H**  
**Terms and Conditions / Exceptions Checklist**

It is expected that all vendors will execute the form of contract attached to this RFP. However, should a vendor wish to take exception to a term or condition of the contract ("Exception(s)"), the vendor must state with particularity any such Exception and fully explain on the form below the reason for the Exception including, if applicable, providing alternative language in replacement thereof. If the vendor proposes new or additional contract terms and conditions beyond those set forth in the contract attached to this RFP, such terms and conditions must be stated with particularity on the form below and GLWA in its sole discretion may accept or reject, in full or in part, such terms and conditions. New or additional contract terms and conditions are considered an Exception as provided for in this Appendix.

GLWA reserves the right, in its sole discretion, to disqualify any vendor and reject any response to this RFP which contains any Exceptions to the contract terms and conditions when it deems it is in its best interests to do so.

No Exceptions set forth below will modify, supersede or replace any of the terms and conditions of this RFP unless and until incorporated into a written contract between the parties resulting from this RFP.

- ☐ Vendor has NO EXCEPTIONS
- ☐ Vendor has the Exceptions noted below

Vendor Firm Name: \_\_\_\_\_

Signature of Authorized Representative: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

#	Title	Explanation of Exception



## Bid Evaluation Score File

Request For Proposal Description:	1900933 EXTERNAL AUDITING SERVICES
Vendor Name:	See Separate Tab for each vendor
Evaluator Name:	
Date Evaluated:	

**Technical Proposal Scoring**

Each proposal's criteria will be scored from 0 to 5 as defined below, with five being the best, using whole numbers only.

<b>5 =</b>	<b>EXCELLENT:</b> Exceeds expectations Fulfilment of the criterion at the highest possible level. Excellent probability of success.
<b><u>4 =</u></b>	<b>Highly competent:</b> Acceptable and compliant. Satisfies the selection criterion in all respects. High probability of success.
<b>3 =</b>	<b>GOOD:</b> Satisfies requirements. No shortcomings apparent. Moderate probability of success.
<b><u>2 =</u></b>	<b>FAIR:</b> Acceptable and mainly compliant. Generally meets the requirements except for minor aspects and shortcomings. Low probability of success.
<b><u>1 =</u></b>	<b>POOR:</b> Marginally adequate, does not satisfy all requirements. Concerns regarding competence or capacity and ability to successfully fulfil the contract requirements. Unlikely probability of success.
<b>0 =</b>	<b>NON-COMPLIANT:</b> Fails to satisfy specified requirements.

<b>NOTE:</b>	<b>1900933 External Auditor Services</b> <i>Next to each score, Evaluators must list the Proposer's page number(s) that correspond to the score assigned. Should a case arise in which a Proposer did not address the information requested, please place a "N/A" for page number.</i>
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Column1	Evaluation Criteria Description	Score 0 - 5	Number	information)
<b>Appendix B</b>	<b>Technical Work Plan</b>			
1	Provide a concept narrative clearly explaining the scope of this proposal.			
2	Submit a detailed work plan, which describes your audit approach and methodology to all tasks you have determined to be necessary to complete the entire scope of work for this contract. Include the critical evaluations and decisions that must be made to efficiently complete the engagement.			
3	Indicate when your firm will be ready to start work on this contract, if awarded.			
4	Explain the approach and activities your firm will engage to meet the timelines in the project schedule.			
5	Provide a work plan with milestones, durations, and a timeline that includes planning, fieldwork, and final report preparation and issuance of the reports. Include the estimated number of hours by category to demonstrate the level of effort for each fiscal year.			
6	Describe availability of the firm's resources to ensure that no conflict would exist with timely completion of GLWA's audit and related reports.			
7	Describe how your team will communicate among the team and with the assigned partner or other technical resources. Describe how these communications will result in effectively executing the work consistent with professional standards.			
8	Describe how your team will communicate with GLWA. Describe how these communications will result in effectively executing the work.			
9	Describe the internal quality management program your firm will employ with respect to the execution of this project and the review of the work including the staff levels involved.			
10	Identify the quality control system in place for monitoring compliance with independence requirements. The firm must meet all applicable independence requirements.			
11	Identify all assumptions made in developing the proposal including but not limited to data, resources, etc.			
12	GLWA's Role - Clearly identify the proposed role of GLWA in the project and to what extent will GLWA be encouraged to participate.			
13	Quality Control - Provide a written quality assurance/quality control plan that describes procedures for verifying accuracy, quality and completeness of the deliverables; ensuring the quality of the deliverables; identifying and correcting non-complying work and adverse quality trends; and preventing deficiencies from recurring.			
	<b>Sub-Total:</b>	<b>0</b>		
<b>Appendix C-a</b>	<b>Minimum Qualifications</b>	<b>Pass</b>	<b>Fail</b>	
1	A minimum of three (3) Single Audit engagements within the last five (5) years demonstrating experience comparable to the scope of services described for this project including the name, scope of work, location, services provided, and the length of time the respondent's services were provided.	<b>PASS</b>		
2	A minimum of two (2) audit engagements within the last eight (8) years demonstrating experience with municipal water and sewer enterprise accounting including the name, scope of work, location, services provided, and the length of time the respondent's services were provided for clients with annual revenue greater than \$100 million and more than 300 employees.	<b>PASS</b>		
3	A minimum of two (2) audit engagements within the last five (5) years providing consent letters for inclusion in revenue bond official statements for debt issuances greater than \$50 million demonstrating experience with the needs of large public debt issuers.	<b>PASS</b>		
4	The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.	<b>PASS</b>		
5	The firm must have undergone a peer review in the last three (3) years and received a peer review rating of pass or a pass with deficiency. A pass with deficiency rating requires an explanation on the findings and recommendations made including the remediation efforts to correct the deficiencies noted in the peer review report. Firms with a peer review rating of fail will not be considered.	<b>PASS</b>		

Column1	Evaluation Criteria Description	Score 0 - 5	Number	information)
6	practice public accounting in the State of Michigan. The qualifications of those licensed in the State of Michigan will be considered during the evaluations of the proposal. However, the qualifications of those not currently licensed in the State of Michigan will not be considered during the evaluation process.	PASS		
<b>Appendix C-b</b>	<b>Experience and Qualifications</b>			
1	Explain how the engagements noted above provide you the ability to be uniquely qualified and experienced to fulfill GLWA's audit requirements including the location of the office from which the engagement was performed, and the size of the audit team assigned to the engagement.			
2	Identify whether the firm is a member of the AICPA Audit Quality Centers. Identify other resources available in the firm to verify the quality of municipal audits in the firm in accordance with recent changes in accounting pronouncements or best practice.			
3	Provide evidence of past performance and your ability to complete tasks on time and within budget.			
4	Describe your knowledge of local conditions, GLWA requirements and procedures, and how the proposing firm's knowledge will benefit the engagement.			
5	Describe additional industry experts or resources at your firm that may be utilized in this engagement or additioanl services that may be of interest to GLWA.			
6	Describe your level of expertise auditing public sector utilities and understanding of revenue charge setting methodologies.			
7	Describe your level of expertise auditing revenue bonds and understanding the related master bond ordinances. Municipal Securities Rule-making Board requirements (Electronic Municipal Market Access), and related Internal Revenue Service code.			
8	Describe your ability and approach to work cooperatively with the city of Detroit, in particular the Detroit General Retirement System, consultants, auditors and other stakeholders.			
9	Describe if there have been any engagements where the firm has had disputes with management and resigned from the engagement. Provide an explanation on the effort made to cooperate with management.			
10	Describe if there have been any legal proceedings, lawsuits or claims, which have been filed against the firm or present employees within the past five (5) years. Provide a further explanation on the resolution of such claims.			
11	Describe any conflicts of interest, real or perceived, in performing the audit for GLWA with other clients and how your firm would address such conflicts.			
	<b>Sub-Total:</b>	<b>0</b>		
<b>Appendix D</b>	<b>Project Team and Key Individuals</b>			
<b>Project Team 1.0</b>	Project Team - Summarize the roles and pertinent experience of each key individual and indicate the percentage of time planned for them to be dedicated to this project using the Summary of contractor's current involvement chart.			
<b>Staff Experience 2.0</b>	Staff experience - Identify by name and title the individuals the vendor considers to be key to the successful completion of this project.			
1	Describe the assigned partner's ten (10) years of recent experience auditing similar engagements including Single Audits.			
2	Describe the experience of the project team relative to similarly sized engagements and types of engagements assigned partner was selected in the most recent peer review. Describe any negative responses noted on engagements performed by them and any remediation actions taken.			
3				
4	For all proposed staff to be assigned to the engagement, identify the number of hours of continuing professional education required in the firm that is directly related to governmental auditing for the last two years.			

Column1	Evaluation Criteria Description	Score 0 - 5	Number	information)
5	Provide details on any additional firm requirements for this training including if the training is conducted in house or conducted directly by the AICPA, or another rule governing body.			
6	Indicate if the proposed partner, management or assigned staff are currently working on other GLWA contracts and non-GLWA contracts that are scheduled concurrently with the timelines identified in this RFP. If so, please indicate how their involvement on this project will impact timely performance of previous contracted services to GLWA, and indicate how their involvement with non GLWA contracts will impact their performance on this project.			
Staff Experience 3.0	Provide staff biography/resume for all individual assigned to this project.			
	<b><u>Sub-Total:</u></b>	<b><u>0</u></b>		
	<b>TOTAL Technical Proposal Score:</b>	<b>0</b>		

**Sections are automatically totalled. Do not enter anything into the sub-total or total lines.**

Do not enter anything into the summary score page. When all sections have been scored, Evaluators should save the file with their name and the proposer's name in the title and forward it to Procurement in EXCEL. **NO PDF's PLEASE!**



**Technical Proposal Scoring**

Each proposal's criteria will be scored from 0 to 5 as defined below, with five being the

<b>5 =</b>	<b>EXCELLENT:</b> Exceeds expectations Fulfillment of the criterion at the highest possible level. Excellent probability of success.
<b><u>4 =</u></b>	<b>Highly competent:</b> Acceptable and compliant. Satisfies the selection criterion in all respects. High probability of success.
<b>3 =</b>	<b>GOOD:</b> Satisfies requirements. No shortcomings apparent. Moderate probability of success.
<b><u>2 =</u></b>	<b>FAIR:</b> Acceptable and mainly compliant. Generally meets the requirements except for minor aspects and shortcomings. Low probability of success.
<b><u>1 =</u></b>	<b>POOR:</b> Marginally adequate, does not satisfy all requirements. Concerns regarding competence or capacity and ability to successfully fulfil the contract requirements. Unlikely probability of success.
<b>0 =</b>	<b>NON-COMPLIANT:</b> Fails to satisfy specified requirements.

<b><u>NOTE:</u></b>	<b>1900933 External Auditor Services</b> <i>Next to each score, Evaluators must list the Proposer's page number(s) that correspond to the score assigned. Should a case arise in which a Proposer did not address the information requested, please place a "N/A" for page number.</i>
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Column1	Evaluation Criteria Description	Score 0 - 5	Number	Information)
<b>Appendix B</b>	<b>Technical Work Plan</b>			
1	Provide a concept narrative clearly explaining the scope of this proposal.			
2	Submit a detailed work plan, which describes your audit approach and methodology to all tasks you have determined to be necessary to complete the entire scope of work for this contract. Include the critical evaluations and decisions that must be made to efficiently complete the engagement.			
3	Indicate when your firm will be ready to start work on this contract, if awarded.			
4	Explain the approach and activities your firm will engage to meet the timelines in the project schedule.			
5	Provide a work plan with milestones, durations, and a timeline that includes planning, fieldwork, and final report preparation and issuance of the reports. Include the estimated number of hours by category to demonstrate the level of effort for each fiscal year.			
6	Describe availability of the firm's resources to ensure that no conflict would exist with timely completion of GLWA's audit and related reports.			
7	Describe how your team will communicate among the team and with the assigned partner or other technical resources. Describe how these communications will result in effectively executing the work consistent with professional standards.			
8	Describe how your team will communicate with GLWA. Describe how these communications will result in effectively executing the work.			
9	Describe the internal quality management program your firm will employ with respect to the execution of this project and the review of the work including the staff levels involved.			
10	Identify the quality control system in place for monitoring compliance with independence requirements. The firm must meet all applicable independence requirements.			
11	Identify all assumptions made in developing the proposal including but not limited to data, resources, etc.			
12	GLWA's Role - Clearly identify the proposed role of GLWA in the project and to what extent will GLWA be encouraged to participate.			
13	Quality Control - Provide a written quality assurance/quality control plan that describes procedures for verifying accuracy, quality and completeness of the deliverables; ensuring the quality of the deliverables; identifying and correcting non-complying work and adverse quality trends; and preventing deficiencies from recurring.			
	<b>Sub-Total:</b>	<b>0</b>		
<b>Appendix C-a</b>	<b>Minimum Qualifications</b>	<b>Pass</b>	<b>Fail</b>	
1	A minimum of three (3) Single Audit engagements within the last five (5) years demonstrating experience comparable to the scope of services described for this project including the name, scope of work, location, services provided, and the length of time the respondent's services were provided.	<b>PASS</b>		
2	A minimum of two (2) audit engagements within the last eight (8) years demonstrating experience with municipal water and sewer enterprise accounting including the name, scope of work, location, services provided, and the length of time the respondent's services were provided for clients with annual revenue greater than \$100 million and more than 300 employees.	<b>PASS</b>		
3	A minimum of two (2) audit engagements within the last five (5) years providing consent letters for inclusion in revenue bond official statements for debt issuances greater than \$50 million demonstrating experience with the needs of large public debt issuers.	<b>PASS</b>		
4	The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.	<b>PASS</b>		
5	The firm must have undergone a peer review in the last three (3) years and received a peer review rating of pass or a pass with deficiency. A pass with deficiency rating requires an explanation on the findings and recommendations made including the remediation efforts to correct the deficiencies noted in the peer review report. Firms with a peer review rating of fail will not be considered.	<b>PASS</b>		

Column1	Evaluation Criteria Description	Score 0 - 5	Number	Information)
6	All assigned partners and managers must be licensed to practice public accounting in the State of Michigan. The qualifications of those licensed in the State of Michigan will be considered during the evaluations of the proposal. However, the qualifications of those not currently licensed in the State of Michigan will not be considered during the evaluation	PASS		
<b>Appendix C-b</b>	<b>Experience and Qualifications</b>			
1	Explain how the engagements noted above provide you the ability to be uniquely qualified and experienced to fulfill GLWA's audit requirements including the location of the office from which the engagement was performed, and the size of the audit team assigned to the engagement.			
2	Identify whether the firm is a member of the AICPA Audit Quality Centers. Identify other resources available in the firm to verify the quality of municipal audits in the firm in accordance with recent changes in accounting pronouncements or best practice.			
3	Provide evidence of past performance and your ability to complete tasks on time and within budget.			
4	Describe your knowledge of local conditions, GLWA requirements and procedures, and how the proposing firm's knowledge will benefit the engagement.			
5	Describe additional industry experts or resources at your firm that may be utilized in this engagement or additioanl services that may be of interest to GLWA.			
6	Describe your level of expertise auditing public sector utilities and understanding of revenue charge setting methodologies.			
7	Describe your level of expertise auditing revenue bonds and understanding the related master bond ordinances. Municipal Securities Rule-making Board requirements (Electronic Municipal Market Access), and related Internal Revenue Service code.			
8	Describe your ability and approach to work cooperatively with the city of Detroit, in particular the Detroit General Retirement System, consultants, auditors and other stakeholders.			
9	Describe if there have been any engagements where the firm has had disputes with management and resigned from the engagement. Provide an explanation on the effort made to cooperate with management.			
10	Describe if there have been any legal proceedings, lawsuits or claims, which have been filed against the firm or present employees within the past five (5) years. Provide a further explanation on the resolution of such claims.			
11	Describe any conflicts of interest, real or perceived, in performing the audit for GLWA with other clients and how your firm would address such conflicts.			
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<b>Appendix D</b>	<b>Project Team and Key Individuals</b>			
<b>Project Team 1.0</b>	Project Team - Summarize the roles and pertinent experience of each key individual and indicate the percentage of time planned for them to be dedicated to this project using the Summary of contractor's current involvement chart.			
<b>Staff Experience 2.0</b>	Staff experience - Identify by name and title the individuals the vendor considers to be key to the successful completion of this project.			
1	Describe the assigned partner's ten (10) years of recent experience auditing similar engagements including Single Audits.			
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3	Identify the type of engagement selected if work of the assigned partner was selected in the most recent peer review. Describe any negative responses noted on engagements performed by them and any remediation actions taken.			
4	For all proposed staff to be assigned to the engagement, identify the number of hours of continuing professional education required in the firm that is directly related to governmental auditing for the last two years.			
5	Provide details on any additional firm requirements for this training including if the training is conducted in house or conducted directly by the AICPA, or another rule governing body.			

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6	Indicate if the proposed partner, management or assigned staff are currently working on other GLWA contracts and non-GLWA contracts that are scheduled concurrently with the timelines identified in this RFP. If so, please indicate how their involvement on this project will impact timely performance of previous contracted services to GLWA, and indicate how their involvement with non GLWA contracts will impact their performance on this project.			
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	<b>TOTAL Technical Proposal Score:</b>	<b>0</b>		

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3	A minimum of two (2) audit engagements within the last five (5) years providing consent letters for inclusion in revenue bond official statements for debt issuances greater than \$50 million demonstrating experience with the needs of large public debt issuers.	<b>PASS</b>		
4	The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.	<b>PASS</b>		

Column1	Evaluation Criteria Description	Score 0 - 5	Page Number	Evaluator Notes: (Optional but helpful for Board information)
5	The firm must have undergone a peer review in the last three (3) years and received a peer review rating of pass or a pass with deficiency. A pass with deficiency rating requires an explanation on the findings and recommendations made including the remediation efforts to correct the deficiencies noted in the peer review report. Firms with a peer review rating of fail will not be considered.	PASS		
6	practice public accounting in the State of Michigan. The qualifications of those licensed in the State of Michigan will be considered during the evaluations of the proposal. However, the qualifications of those not currently licensed in the State of Michigan will not be considered during the evaluation process.	PASS		
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4	For all proposed staff to be assigned to the engagement, identify the number of hours of continuing professional education required in the firm that is directly related to governmental auditing for the last two years.			
5	Provide details on any additional firm requirements for this training including if the training is conducted in house or conducted directly by the AICPA, or another rule governing body.			
6	Indicate if the proposed partner, management or assigned staff are currently working on other GLWA contracts and non-GLWA contracts that are scheduled concurrently with the timelines identified in this RFP. If so, please indicate how their involvement on this project will impact timely performance of previous contracted services to GLWA, and indicate how their involvement with non GLWA contracts will impact their performance on this project.			
Staff Experience 3.0	Provide staff biography/resume for all individual assigned to this project.			
	<b><u>Sub-Total:</u></b>	<b><u>0</u></b>		
	<b>TOTAL Technical Proposal Score:</b>	<b>0</b>		

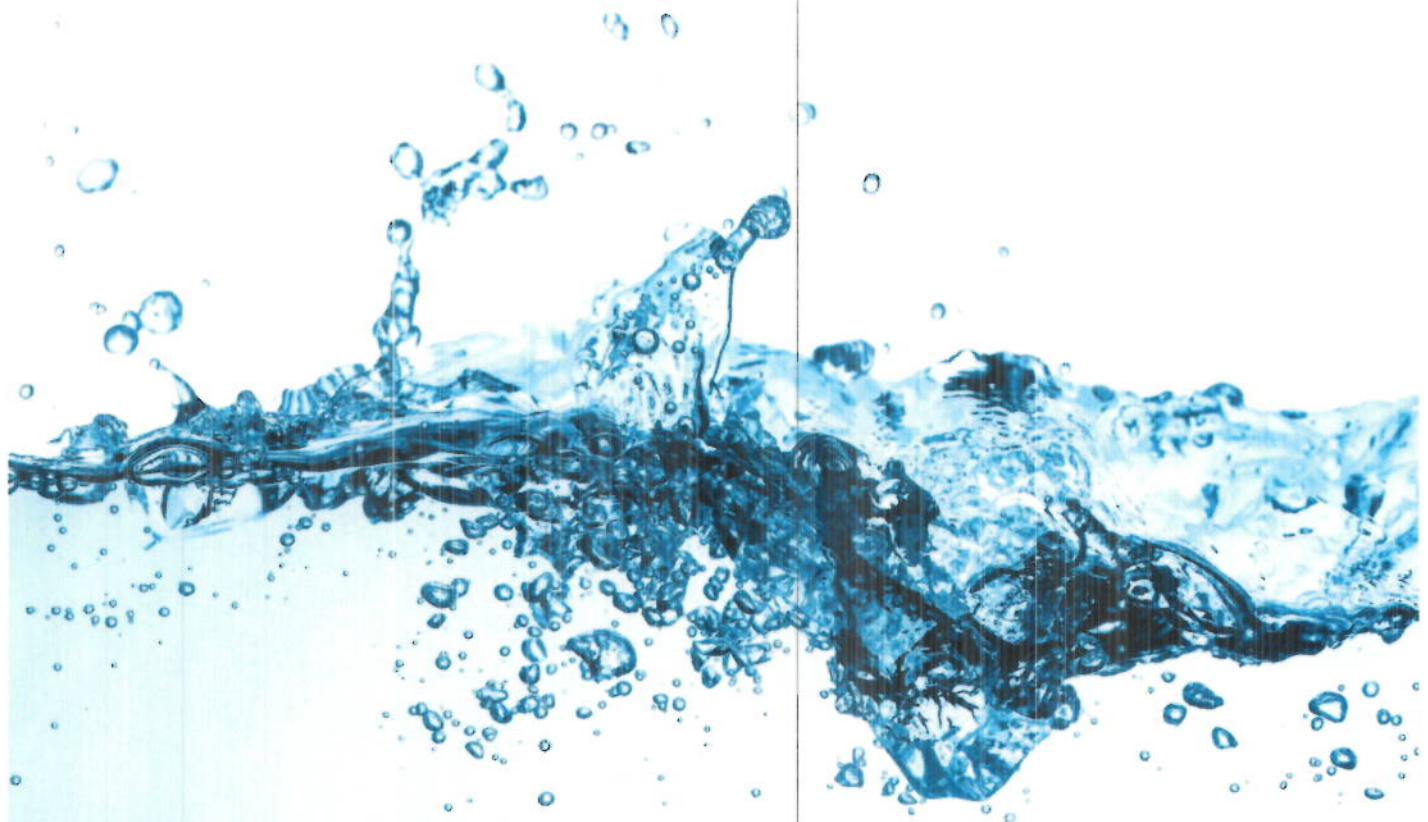
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# Baker Tilly Virchow Krause, LLP





# Great Lakes Water Authority

External audit services  
from utility industry specialists

May 16, 2019



Baker Tilly Virchow Krause, LLP  
2000 Town Center, Suite 900  
Southfield, MI 48075  
tel 248 372 7300  
fax 248 368 8950  
bakertilly.com

May 16, 2019

Ms. Dionne Graves, Buyer  
Great Lakes Water Authority  
735 Randolph Street  
Detroit, MI 48226

Dear Ms. Graves:

Baker Tilly Virchow Krause, LLP (Baker Tilly) appreciates the opportunity to respond to the Great Lakes Water Authority (GLWA) regarding your request for proposal (RFP) no. 1900933 for external audit services.

We understand GLWA is seeking a qualified, independent certified public accounting (CPA) firm to perform external audit services for the fiscal years ending June 30, 2019, 2020 and 2021. Our proposal is based on our substantial experience serving water and wastewater utilities and other governmental agencies in Michigan and throughout the United States. The following key factors differentiate our firm and make us the right choice for your audit needs:

- Utility specialization and knowledge, serving more than 600 utility clients nationwide
- Specialized public utility audit expertise extending across more than 40 states
- Exemplary record of assisting clients in achieving the Government Finance Officers (GFOA) Certificate of Achievement for Excellence in Financial Reporting for their Comprehensive Annual Financial Report (CAFR)
- Single audit capabilities, performing more than 500 single audits each year
- Experience with bond issuance services and recognition by bond rating agencies
- Large firm resources with responsive client service from our Detroit office
- Seamless audit transition and a fresh perspective

The following pages describe Baker Tilly's tailored approach to working with you to accomplish your objectives and exceed your expectations. If you have any questions or would like more information, please do not hesitate to contact me at 608 240 2469 or via email at [jodi.dobson@bakertilly.com](mailto:jodi.dobson@bakertilly.com). We look forward to discussing our proposal and approach in detail.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

A handwritten signature in black ink that reads "Jodi L. Dobson".

Jodi L. Dobson, CPA | Partner



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This document contains confidential material that is proprietary to Baker Tilly Virchow Krause, LLP, and other related entities (collectively referred to herein as Baker Tilly). The materials, ideas, and concepts contained herein are to be used exclusively to evaluate the capabilities of Baker Tilly. The confidential information and ideas herein may not be disclosed to anyone outside parties and may not be used for purposes other than the evaluation of Baker Tilly's capabilities.



# Executive summary

*Baker Tilly’s utility industry expertise and familiarity with local conditions through our work with DWSD uniquely qualify our team to add value to your audit and provide guidance and advice to you throughout the year.*

## Why choose Baker Tilly?

Baker Tilly is the right firm to perform GLWA’s audit services for many reasons. As you evaluate professional service providers, we encourage you to consider how the unique combination of Baker Tilly’s strengths makes us the right fit to serve you.

Utility specialization and knowledge
--------------------------------------

Baker Tilly provides accounting and advisory services to more than 600 energy and utility organizations. You will be served by our dedicated energy and utilities team — *a nationally recognized group of 60 professionals specializing in your industry*. Our utility professionals are also committed to leading the industry as educators by serving as speakers at industry association meetings and authors of thought leadership. We understand the issues facing GLWA and have the knowledge and resources to help you navigate your challenges and opportunities.

Nationwide public utility audit expertise
---

With experience extending across more than 40 states, *our energy and utilities team provides financial and internal audit services to major water and wastewater utilities across the nation*, including other utilities similar in size and complexity to GLWA. Our reference list of is extensive and includes the *Detroit Water & Sewerage Department*, San Antonio Water System, Lower Colorado River Authority, Bexar County Water Control and Improvement District #10, Modesto Irrigation District, Metropolitan Water Reclamation District of Greater Chicago, Sacramento Municipal Utility District, Lansing Board of Water & Light, Snohomish County Public Utilities District No. 1, Milwaukee Metropolitan Sewerage District, Colorado Springs Utilities, Madison Water Utility, Middlesex Water Company and Connecticut Water Service, among many others.



### Exemplary GFOA CAFR record

The quality of financial audits performed by Baker Tilly is evidenced by our excellent record of GFOA CAFR award submissions. We have assisted many governmental clients in receiving the award and currently have 16 of our team members volunteer as CAFR reviewers — more than any other accounting firm in the country. *Jodi Dobson, your proposed engagement partner, is one of our firm's CAFR reviewers.*

### Single audit capabilities

You require a firm with single audit expertise. Since the passage of the Single Audit Act of 1984, Baker Tilly has recognized the importance of specializing in this highly complex audit area. *We currently perform more than 500 single audits each year, ranking our firm in the top three nationally* based on number of single audits performed by CPA firms. In order to stay ahead of changing single audit requirements, our partners also serve on various American Institute of Certified Public Accountants (AICPA) committees studying financial and single audit issues and actively participate in specialized industry events.

### Experience with bond issuance services

Baker Tilly is recognized by bond rating agencies and underwriters as a national firm. We have provided our clients with bond issuance services in connection with billions of dollars of bond issues, including the review of official statements, inclusion of the audit opinion in official statements and representation of utilities at S&P, Fitch and Moody's.

### Large firm resources with responsive client service from our Detroit office

Baker Tilly is large enough to offer GLWA the professional capabilities you need, yet we have the focus of a smaller firm that ensures you receive responsive, personalized attention. Our Detroit area office is located in Southfield, just a just a short 20 minute drive from GLWA. *Our firm's Chief Executive Officer, Alan Whitman, is based in Detroit, along with the local office liaison partner assigned to your engagement.* As your neighbor, we will provide direct and responsive service to GLWA. You will receive thoughtful strategic guidance from partners who see the “big picture” and work with you to enhance and strengthen your organization over the long term.

Seamless audit transition and a fresh perspective.

You want to work with an experienced team of assurance advisors who can drive an efficient process. Baker Tilly is prepared to deliver from day one. As evidence, we ask clients who have made the move to our firm to tell us about their transition experience. Their answers speak volumes, with one common theme: *greater satisfaction with Baker Tilly compared to their previous auditor*. Your decision to change firms will not only offer a fresh perspective but also provide you with personalized service including significant partner involvement. In addition, Baker Tilly's fee quote does not include any hours for our work on the audit transition — we absorb those hours as part of our investment in our professional relationship with you.

Working with an advisor you can trust is important. With our years of experience and skilled team of professionals, you can rest assured that we will provide exceptional service to GLWA for years to come. We look forward to building a successful and lasting relationship as your Valued Business Advisor.



## About Baker Tilly

*Accounting firms are not all the same. Baker Tilly is a leader among professional service firms when it comes to connecting with you to truly understand what is important to you.*

### Firm profile

Baker Tilly is a nationally recognized firm with a proven track record of serving clients across the United States — and internationally. With clients located in essentially every part of the country, our locations enjoy brand recognition among our peers and the public. And as a member of Baker Tilly International, the world's 10<sup>th</sup> largest accountancy and business advisory network, we are able to extend our reach through trusted relationships with other member firms around the world.

Baker Tilly was founded in 1931 with one central objective: use our industry specialization to help our clients improve their businesses. And that objective still holds true today. We will assemble an integrated team to serve GLWA, blending our utility-focused professionals with experienced specialists in the areas that are most important to you. This combination of financial, business and industry-specific specialization ensures you will be working with knowledgeable professionals who understand your organization and the challenges you face — and can create innovative solutions to help you overcome them. And because GLWA will be working with a tailored engagement team, you can expect to receive consistent, efficient and Exceptional Client Service.

Our commitment to GLWA extends across your entire organization. We are prepared to bring our full resources to bear on your behalf through offerings such as business and technology services, financial planning services, litigation support and forensic accounting services and risk advisory services.

14<sup>th</sup>

Largest  
accounting firm  
in the U.S.



60+

Offices



3,600

Team  
members



\$630M

FY18 revenue





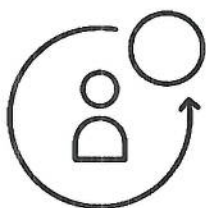
For more than 88 years, Baker Tilly has understood that our business demands absolute integrity, a belief in the value of trusted relationships and a willingness to collaborate with every client. We will strive to deepen and enhance our relationship with GLWA as your Valued Business Advisor.

### Top 15 nationally recognized firm

Baker Tilly is one of the top 15 U.S. accounting and advisory firms according to *Accounting Today* and our goal is to become America's finest professional services firm. Our growth means new geographies, new services, new influence and greater opportunity to deliver exceptional results for our clients as Valued Business Advisors.

### Delivering Exceptional Client Service

While other firms may talk about providing great service, we measure and publicly report on our client service results. Client satisfaction is measured through both qualitative and quantitative market research methods and reported on a firm, office, industry and individual partner level. Our scores have improved every year since this rigorous approach was implemented in 2008, and we continue to develop ways to serve clients better.



We understand that each client defines Exceptional Client Service differently. When we begin our work with GLWA, we will meet with your management to define and understand your definition of Exceptional Client Service and tailor our service approach accordingly. Our client service plan will be co-developed with your leadership and other appropriate staff members to help ensure we meet your timelines and expectations.

Our team will be proactive in our communication and planning to ensure all deadlines and requirements are met. As part of our planning, we will discuss the frequency, format and type of communication preferred by leadership and will follow those expectations.

### Building trust through significant partner and manager involvement

Baker Tilly's high level of partner and manager involvement in client engagements sets us apart from larger firms. Our team of partners and managers believe that three core areas — communication, accessibility and efficiency — complete our Exceptional Client Service approach. Here is how we keep this commitment:



**Communication.** Consistent communication is vital to our relationship with you. We will connect with your management throughout the year to share relevant information. Should issues arise, we will share them immediately and transparently. Clear and proactive communication ensures that everyone understands the issues and accountabilities and that problems are resolved on a timely basis.

**Accessibility.** We stand ready to serve you when you need us, where you need us, for as long as you need us. Whether it is an early morning email or late night phone call, we are here to give you peace of mind when it comes to the delivery of your services.

*"What I have found with Baker Tilly over the years, and I have worked with many of the largest accounting firms nationally, is that **Baker Tilly has really good accessibility.**"*

— Colorado Springs Utilities

### Our values

Throughout our relationship with GLWA, we will be guided by our firm's core values — principles that guide our behavior and help us strive for excellence in everything we do.

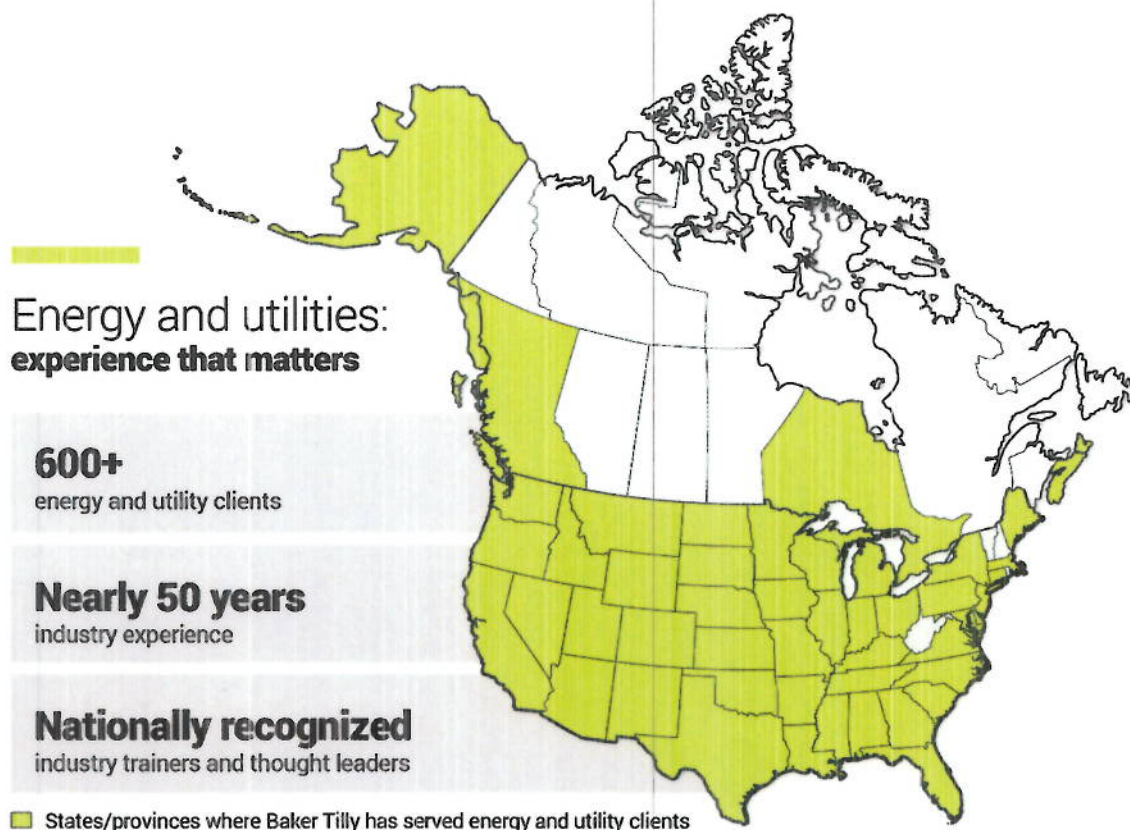




## Nationally recognized utility expertise

Baker Tilly has attained national standing in two main areas – our dedication to the utility industry and our recognition in the public bond market. We provide accounting and advisory services to utilities across the country, including the financial audit, single audit, retirement plan, bond comfort and agreed-upon procedures services GLWA is seeking. Our team is sought out by leading organizations such as the American Public Power Association (APPA) to speak, teach courses and represent the industry.

Baker Tilly's depth of specialized expertise and knowledge of our energy and utilities industry team are recognized across the country. Our team members are adept at communicating with federal, state and other regulatory agencies and stay current with issues that affect the industry.



This focus on industry specialization means Baker Tilly's energy and utilities team brings a balance of technical skill, industry insight and common sense to our work with you. How do we apply these skills and insights to help your organization? In collaboration with your team, Baker Tilly will provide the following:

- Offer value-added information and recommendations that will allow for informed decision making
- Educate your staff members about practical ways to comply with regulatory and financial reporting requirements
- Provide services efficiently and with minimal disruption to your operation
- Create continuity of service through a productive relationship with well-informed individual team members dedicated to serve your needs over the long term
- Communicate timely, relevant information as appropriate throughout the year
- Provide you with the benefit of knowledge and perspectives gained from our work with energy and utility clients, especially those with similar concerns
- Provide qualified certified professional education training opportunities to GLWA staff

### Industry involvement

Baker Tilly's energy and utilities team is actively involved in state and national utility associations to keep us on the cutting edge of changes happening in the industry. Our memberships in the following organizations and involvement as authors, speakers, trainers and promoters of the utility industry mean we have the expertise to help GLWA meet the challenges you face:

AICPA Technical Committees	Government Finance Officers Association (GFOA)
American Public Power Association (APPA)	Institute of Internal Auditors (IIA)
American Water Works Association (AWWA)	ISACA (previously Information Systems Audit and Control Association)
American Gas Association (AGA)	National Association of Manufacturers (NAM) — Joint energy committee
American Wind Energy Association (AWEA)	Nuclear Non-operating Owner's Group (NNOG)
Association of Government Accountants (AGA)	Sustainability Accounting Standards Board — Electric industry working group member
Edison Electric Institute (EEI)	Many state electric, water, wastewater and gas industry associations

Beyond our AWWA membership, partners Jodi Dobson and John Seevers actively participate and hold *AWWA leadership positions* as *Chair of the Wisconsin Section* and *Director for the Indiana Section*, respectively.



## Thought leadership to keep you informed

We regularly provide thought leadership and direction for industry organizations and some of the largest public power utilities in the country, as outlined in detail below.



### Articles

As industry leaders, we author articles that focus on emerging issues of interest to the utility sector, such as the impact and implementation of new accounting reporting standards. These publications reach a nationwide audience and a sample of recent topics include:

- Regular quarterly GASB update
- GASB financial reporting model project: potential impact on utilities
- GASB issues guidance for recording asset retirement obligations
- Beyond the check box: viewing your annual audit in a new way
- Improve utility performance by using performance audits
- The finance function in the utility of the future
- Utilities leverage key performance indicators to evolve
- Benchmarks and key performance indicators (KPIs) — the hidden gems of financial management tools
- Long range planning: balancing costs with customer service
- Extreme utility rate increases and communicating them effectively
- How detailed should your utility's asset records be?
- Why are plant costs so important to utilities?
- Fixed asset management best practices for utilities
- Baby boomers exit electric utility workforce as new technologies emerge: solutions for filling the skills gap



### Webinars

We also share our knowledge through webinars. Baker Tilly team members have presented the following webinars:

- Maintaining or improving your utility bond rating
- Maximizing the value of your financial statements
- The finance function in the utility of the future
- Understanding utility finances
- Using regulatory accounting in rate recovery strategies
- Implementing sustainability accounting standards
- Public and social media data risks: protecting your organization from hackers

- Information technology governance
- Sustainable cybersecurity management: why it is critical to review your program now
- Playing offense and defense: assessing and managing cyber risk effectively
- What you should know about the new other postemployment benefits standard (GASB 75)



#### Utility industry training

We are instructors for APPA's quarterly *Work Order & Asset Management* and *Advanced Public Utility Accounting* courses at various locations across the country. Our team regularly presents workshops and full and half-day seminars on financial and organizational issues in the utility industry at the *APPA National Conference*, *APPA Business & Financial Conference* and other APPA events.

Presentations made in the last four years for the APPA and other professional associations are listed below.

Presentation	Event
How to meet new GASB standards	– 2018 APPA Business & Financial Conference
Factors in selecting an enterprise resource planning platform	– 2018 APPA Business & Financial Conference
ERM: managing risk and guiding strategy	– 2017 APPA Business & Financial Conference
Establishing a sustainable workforce planning program	– 2017 APPA Business & Financial Conference
Elevating IT in the decision-making process	– 2017 APPA Business & Financial Conference
Strengthening cyber security controls	– 2016 APPA Business & Financial Conference – 2016 APPA National Conference
Managing joint power plant contracts	– 2016 APPA Business & Financial Conference
Establishing a succession planning program in your utility	– 2016 APPA National Conference
Best practices: contract management and vendor oversight	– 2016 ICMA National Conference
Value of water	– 2016 AWWA Wisconsin Section Annual Conference
Long-range planning: why? how? who?	– 2016 AWWA Wisconsin Section Annual Conference
Financial statement analysis	– 2015 APPA Business & Financial Conference
Information technology governance	– 2015 APPA Business & Financial Conference
Sustainability accounting standards	– 2015 APPA Business & Financial Conference

We view this not only as a way of educating the current and next generation of utility finance and accounting professionals, but also as a way to enable utilities in their efforts to continue improving their service to customers and stakeholders.



#### Industry textbooks and whitepapers

Baker Tilly authors textbooks and whitepapers as resource materials for the utility industry. Publications include:

- Advanced public utility accounting
- IT governance for electric utilities
- Effectively managing business risk in utilities
- Preserving a vibrant public power workforce
- Establishing a sustainable utility succession planning program
- Enterprise resource planning system selection best practices

These publications serve as guides based on our industry knowledge and insights. They include common sense applications of industry practices for utilities to follow.

***"Baker Tilly has consistently exceeded our expectations for its exceptional client service and industry knowledge. They have helped LCRA work through complex accounting transactions by providing expertise on our specific situations. LCRA's accounting staff feels that Baker Tilly is a partner and collaborator rather than just an auditor. Baker Tilly has also provided services beyond our annual audit, such as agreed-upon procedures and bond offering reviews, which have also proven to be efficient, high quality and cost effective."***

— Lower Colorado River Authority



## Specialized audit services

*We audit more than 100 utilities annually, including numerous public utilities. Our emphasis on the review and evaluation of internal controls assures our clients of an effective, cost-efficient audit.*

Our commitment to government organizations is manifested in our public sector practice group, which was formalized nearly 50 years ago, with a team of more than 420 professionals dedicated entirely to serving public sector clients. We recognized the complexity of this environment and further organized the partners and staff into niche specialties within our public sector service group, including the more than 60 members of our dedicated energy and utilities team.

*Nationwide, our state and local government practice currently works with nearly 1,000 public utilities, counties, municipalities, school districts and state agencies.* We have a substantial history of public sector audit and advisory services. In addition, we offer valuable assistance such as compliance and close-out audits, rate studies, impact fee studies, feasibility studies, operational reviews, consolidation and shared services consulting, information technology consulting, economic impact analysis and other services through other practice groups or affiliated entities. Our industry-specific approach will ensure GLWA is working with a team that is truly dedicated to public utility clients, resulting better service and greater value for you.

### Audits of public utility organization

Our energy and utilities team provides professional services to more than 600 utilities, including many of GLWA's peers. Baker Tilly's industry specialization extends to creating audit teams with considerable experience providing specific audit and assurance services to energy and utility organizations. We audit more than 100 utilities annually, including public and investor owned utilities. Our emphasis on the review and evaluation of internal controls ensures our clients of an effective, cost-efficient audit and improves our understanding of your systems by documenting the flow of accounting transactions. Our audit professionals also identify key indicators critical to your operation and provide value added feedback to allow for informative decision making.

The energy and utilities team brings an objective and independent approach to our audit services. We will work with you to improve GLWA's operations, increase efficiencies and strengthen internal controls and processes. Our specialists have experience auditing utility-specific information, including:

- Restricted asset requirements, such as those restricted through debt resolutions and regulatory bodies
- Work order asset management, including developing overhead rates
- Advance refunding, crossover refunding and other debt alternatives
- Unbilled revenue methodologies



- Capitalized interest methodologies
- Asset impairments, asset retirement obligations and intangible assets
- Environmental remediation liabilities
- Complex, multi-system software implementations
- Information technology processes, controls and associated risks
- Wholesale water billing and rate reviews
- Single and multi-employer defined benefit and contribution retirement plans
- Accounting and reporting for employee benefit plans and other post-employment benefits (OPEB) trust funds
- Implementation of new Governmental Accounting Standards Board (GASB) accounting standards
- Accounting for long-term leases funded with capital grants
- Derivatives related to interest rate, power and gas contracts and fair value accounting
- Compliance and regulatory audits

As utility specialists and your Valued Business Advisor, our goal is to support GLWA as you provide regional water and sewer services. We will honor this commitment by providing assurances to key stakeholders — from municipal member partners and bondholders to bond rating and regulatory agencies — that the financial statements of GLWA properly reflect its financial condition and controls have been evaluated in managing resources and programs for the benefit of GLWA's stakeholders.

The audit process lends itself to the evaluation of business processes for potential recommendations for greater efficiencies and to helping ensure that the use of current accounting standards clearly reports the story of your organization.

In recent audits we have assisted our clients with recommendations such as:

- Improving specific information technology controls to tighten business processes and ensure integrity in processing and reporting data
- Improving materials management processes for greater efficiencies in managing inventory balances and obtaining more accuracy in the work order costing process
- Implementing new accounting standards and developing strategies for cost recovery from customers
- Tightening controls over the purchasing process for greater efficiencies across the organization
- Fully including all costs of construction so that ratepayer rates reflect the full costs of service
- Defining the role of oversight governance to enhance its role in the development and implementation of organizational strategy

We accomplish this through the issuance of required communications to oversight bodies (the management letter), through internal memos to management on control deficiencies and business processes that could be tightened, and through discussions and informal conversations throughout the audit.

## Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting (CAFR)

You require a firm whose clients excel in receiving the Certificate of Achievement from the GFOA. Baker Tilly is that firm. We are heavily involved with the GFOA award for excellence in financial reporting by volunteering staff time to serve as report reviewers for the GFOA. According to the GFOA, *we provide more reviewers than any other firm in the nation*. We will be responsible for the final technical review of your CAFR.



Below is a list of current Baker Tilly GFOA report reviewers, including Jodi Dobson, the proposed partner-in-charge on your engagement team:

Baker Tilly GFOA reviewers	
Amanda Blomberg, Firm Director	Joseph Lightcap, Partner
Carla Gogin, Partner	Kim Shult, Partner
Cheryl Puhl, Senior Manager	Michael Malatt, Senior Manager
Heather Acker, Partner	Paul Frantz, Senior Manager
Jason Coyle, Partner	Ryan Engelstad, Partner
<b>Jodi Dobson, Partner</b>	Steve Henke, Senior Manager
John Compton, Jr., Partner	Vicki Hellenbrand, Partner
John Rader, Firm Director	Wendi Unger, Partner

The following government clients received the GFOA Certificate of Achievement during the years that Baker Tilly conducted their audit. This list is testament to the quality of the financial audits performed by our firm.

GFOA CAFR recipients			
Counties	Cities	Villages	Other entities
Champaign, IL	Beloit, WI	Bayside, WI	San Antonio Water System, TX
Dane, WI	Bloomington, IL*	Buffalo Grove, IL	New Braunfels Utilities, TX
Delaware, PA	Brookfield, WI	Deerfield, IL*	VIA Metropolitan Transit, TX
DuPage, IL	Countryside, IL	Germantown, WI	VIA Metropolitan Transit Retirement Plan, TX
Kane, IL	Eau Claire, WI	Franklin, WI	Guadalupe-Blanco River Authority, TX
La Crosse, WI	Franklin, WI	Glenview, IL*	Brazos River Authority, TX*
Lycoming, PA	Galesburg, IL	Grafton, WI	Grand Rapids Public Utilities Commission, MN
Marathon, WI	Highland Park, IL	Lemont, IL	Forest Preserve District of Cook County, IL
McHenry, IL	Janesville, WI	Oak Brook, IL	Greater Rockford Airport Authority, IL
McLean, IL	Lake Forest, IL	Orland Park, IL	Chicago Public Schools, IL
Milwaukee, WI	Madison, WI	Park Forest, IL	Joliet Junior College, IL
Olmsted, MN	Mequon, WI	Roselle, IL	Lake County Forest Preserve District, IL
Racine, WI	Moline, IL	Skokie, IL	Milwaukee Metropolitan Sewage District, WI
Sauk, WI	Neenah, WI		Milwaukee Public Schools, WI
Scott, IA	Prospect Heights, IL		North Shore Fire Department, WI
Walworth, WI	Rosemount, MN		Oak Creek Water & Sewer Utilities, WI
Washington, WI*	Springfield, IL*		Pace Suburban Bus Service, IL
Waukesha, WI	Sun Prairie, WI		St. Paul Public Housing Agency, MN



GFOA CAFR recipients			
Counties	Cities	Villages	Other entities
Will, IL	Urbana, IL		Thom Creek Basin Sanitary District, IL
Winnebago, IL*	Wheaton, IL		Waukesha County Technical College, WI
			Ferguson Township, PA

*\*Auditing for this organization began in its most recent fiscal year. The organization has received the GFOA Certificate of Achievement for several consecutive years and it is anticipated that their most recent CAFR will receive this award as well.*

### Debt comfort work

Baker Tilly provides audit and accounting services for arbitrage and revenue bond issuances and is recognized by bond rating agencies and underwriters as a national firm. We have provided our clients with bond issuance services in connection with billions of dollars of bond issues, including the review of official statements, inclusion of the audit opinion in official statements and representation of utilities at S&P, Fitch and Moody's.

We are prepared to provide in-depth bond issuance services to GLWA, such as letters of comfort to underwriters, bring-down letters and assurance on stub financial statements. The members of the proposed audit engagement team for GLWA are experienced in providing these services. Our goal is to determine the most cost-efficient approach to issuing your bonds and our approach is aimed at minimizing the amount of services needed. By working closely with you and your advisors, we will design our services to meet your needs while avoiding comfort work and bring-down letters that may be unnecessary.

### Single audit capabilities

Baker Tilly has the necessary technical expertise to assist you with single audits. Since the passage of the Single Audit Act of 1984, Baker Tilly has recognized the importance of becoming specialists in this highly complex audit area. *We currently perform more than 500 single audits each year, ranking our firm in the top three nationally based on the number of single audits performed by CPA firms.*

To stay on top of changing audit requirements, our firm serves on various AICPA committees studying financial and single audit issues. We have been selected as speakers for nationally sponsored training courses and actively participate in industry events. Additionally, our firm is asked to review and comment on various single audit documents created by the AICPA, OMB and U.S. Department of Housing and Urban Development (HUD) prior to their issuance.

Below is a list of documents where we have provided contributions:

Document	Years	Organizations
AICPA Government Audit Standards and Single Audit Guide (formerly AICPA Audit Guide — GAS and A-133 Audits)	2005–2018	AICPA
AICPA Audit Risk Alert — GAS and Single Audits	2006–2018	AICPA
OMB Compliance Supplement	2008–2018	OMB

The experiences we gain at a national level are brought to our entire firm through annual single audit training and updates to our audit methodology and work programs. Our annual training involves all parts of a single audit, including internal controls, compliance, financial reporting, the Data Collection Form, Yellow Book and audit efficiencies. A significant portion of this training also includes discussion about single audit quality and current topics discussed in the AICPA Audit Guides and Audit Risk Alerts.

Since we perform a substantial amount of single audits annually, our single audit working papers are routinely reviewed by federal and state agencies. We have not had any comments regarding substandard work and, in fact, have had many comments about the excellent quality of our files. Included in our external peer reviews are many single audit files which have not received any comments in this area for many years.



## Your transition to Baker Tilly

*Our commitment to GLWA is that your transition to Baker Tilly will be a positive experience resulting in a valued working relationship.*

### What you can expect

Our goal is to become your Valued Business Advisor. To accomplish this goal, you have to feel your voice is being heard from the very beginning of the relationship. You have to feel confident that your needs and objectives are understood and that your best interests are always our top priorities.

### The client service plan — it is all about you

A critical component of our engagement planning process is the development of a client service plan that defines our service delivery to GLWA. We work with you to build the level of detail you desire to provide comfort that your needs are truly understood.

We utilize a web-based system to house and track these planning commitments. This enables seamless access by all members of the engagement team whether they are in audit, tax, consulting or specialty services. When we give our word regarding process efficiency, accountability, timing, seamless delivery and quality, this tool helps make sure we deliver what we promised. Nothing is more important to us than the voice of our clients. It is the fabric of our firm — the foundation upon which we build our client service model. We ask, we listen and we use your feedback to continually improve the client experience. That is the “Baker Tilly difference.”



### Smooth and tailored transition

Implementing a seamless transition process is not just something we hope to achieve; we actively take steps to ensure it happens. Clients who have made the move to Baker Tilly tell us about their experience. Through our client survey program, our clients are asked to rate their experiences with Baker Tilly in a variety of areas compared to that of their previous firms. Their

answers speak volumes with one common thread: great satisfaction with the decision to work with Baker Tilly. Our commitment to you is that your transition will be a positive experience resulting in a valued working relationship.

***“Baker Tilly provided a strong transition team and hit the ground running, gaining a quick overall knowledge of our business and financial transactions. We were looking for a focus on streamlining the regulatory and reporting processes and receiving quality input into our specific utility accounting issues. Baker Tilly fulfilled that need by providing immediate feedback on our processes which resulted in a better understanding of regulatory requirements along with identifying specific areas for refinements and efficiencies. Baker Tilly has been very professional and extremely easy to work with, putting the customer first — response time and attention to understanding our internal processes has proved invaluable in our first year audit relationship with Baker Tilly.”***

*— Energy Northwest*



## Additional benefits included in your audit

*As part of our Exceptional Client Service approach, GLWA will receive additional benefits and advisory services at no extra cost.*

The following benefits are included in your audit:

- **Our staff is available to GLWA at any time**, not just during “usual business hours.” We understand that issues you deal with generally require quick answers and will give you immediate access to the utmost in technical expertise. Your engagement team will respond promptly to your inquiries and concerns and return emails and phone calls within one business day.
- We will provide **20 hours annually of accounting advice or other related services for no additional fees**. In addition to whitepapers on industry topics or new accounting standards we will serve you with timely responses to your technical questions. Should you have accounting advice needs that result in a more structured and involved engagement, we would provide an estimate of hours in consultation with you and provide you with an estimate of the fees for the services.
- New standards are issued on a regular basis by standard-setting bodies. To better prepare our clients for the resulting changes and to share best practices, we offer **frequent client-training webinars**. Baker Tilly is an accredited professional training organization under the requirements of the National Association of State Boards of Accountancy (NASBA). Our webinars qualify as continuing professional education (CPE) on financial accounting and utility management topics and are free to our clients. We archive these webinars for your convenience on our website at [bakertilly.com](http://bakertilly.com).
- We issue regular communications to notify our clients of relevant developments affecting the utilities sector and ensure you remain current with any developments that may affect your business. GLWA will receive our **newsletters and breaking industry news emails** to assist your staff in staying informed of industry or regulatory changes. Your audit team is also available throughout the year to consult on GASB implementations or the treatment of new, unique or complex transactions.
- We provide **industry whitepapers and thought leadership** articles on areas of impact to the utility industry. These reference materials are also posted on the Baker Tilly energy and utilities webpage at [bakertilly.com/industries/energy-and-utilities/](http://bakertilly.com/industries/energy-and-utilities/).
- We also share breaking news of interest and other information with nearly 1,000 group members through our **LinkedIn Group, Energy and Utilities Advisory Issues** at [linkedin.com/groups/2546046](https://www.linkedin.com/groups/2546046).



## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1)

### Work Plan and Organization

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*1. Provide a concept narrative clearly explaining the scope of this proposal.*

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#### **Understanding your needs**

We understand GLWA is seeking professional auditing services for the fiscal years ending June 30, 2019, 2020, and 2021, as described in further detail below. The scope of work will include an audit of GLWA's basic financial statements included within the CAFR, a federal single audit and separate audited financial statements for the Water Fund and Sewage Disposal Fund. The audit will be performed in accordance with the following standards:

- Generally Accepted Auditing Standards (GAAS) as set forth by the American Institute of Certified Public Accountants (AICPA)
- Government Auditing Standards (GAS), issued by the Comptroller General of the United States
- Audit requirements of Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- Any applicable standards set forth by legal mandate
- Rules and regulations of any State department or agency
- Other provisions applicable to procedures for the audit of local government units
- Reporting guidance from AU 558 regarding required supplementary information based upon the auditing procedures applied during the audit of the basic financial statements
- Changes to the above standards and requirements which may occur during the course of this contract

The following reports will be prepared and presented at the completion of the audit:

- Report expressing an opinion of the financial statements of GLWA, including all funds
- Report on compliance with bond resolutions
- Report on internal control and compliance over financial reporting based on our audit of financial statements
- Governance letter
- If requested, approval to include financial statements and auditor's report in one or more official statements prepared by GLWA in connection with the sale of debt securities

Additionally, your audit partner and manager will be available to discuss incidental issues related to the audit throughout the year at no additional charge. Your partner-in-charge will be available to participate in post-audit discussions and present to the Board of Directors and appropriate committees.

### **Achieving your objectives**

Given the scope of your organization, GLWA should insist on a responsive advisor with significant expertise who is willing to support you year-round beyond the audit. Selecting a firm that provides quality service and understands the operating environment of the utility industry is important to the continued success of your organization. *Baker Tilly is that firm* and we are delighted to have this opportunity to help you accomplish your audit goals. As a national CPA firm with significant utility audit expertise, Baker Tilly offers you comprehensive knowledge and insights gained from serving many similar organizations throughout the country and will support you with strategic guidance to enhance your operations

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*2. Submit a detailed work plan, which describes your audit approach and methodology to all tasks you have determined to be necessary to complete the entire scope of work for this contract. Include the critical evaluations and decisions that must be made to efficiently complete the engagement.*

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Baker Tilly's audit work plan ensures GLWA receives efficient, cost-effective audit services from a team that understands your industry and is responsive to your needs.

### ***Global Focus US — the Baker Tilly audit methodology***

GLWA needs assurance that your financial statements are fairly stated, risks are aligned with your business and industry, and internal controls are effective. You want an advisor that understands your specific risks and business issues and delivers candid advice. Baker Tilly's audit professionals spend the time on the front end learning about your business to deliver an accurate and efficient audit.

### **Benefits for GLWA**

#### ***Efficient audit — spending your time wisely***

Benefit from our risk-based audit methodology,

*Global Focus US*, which provides our auditors with streamlined, smart technology — reducing unnecessary audit procedures, increasing data accuracy and enhancing risk assessments and linkage throughout the audit.

- Up-front planning leads to more efficient fieldwork
- Data analysis using efficient technology tools
- Proactive response and solutions to any issues that emerge



- Efficiency
- Cost effectiveness
- Risk linkage
- Continuous

### ***Risk assessment — knowing where your true risks lie***

Benefit from our understanding of GLWA's situation through value-added analytics and predictive tests that provide sound audit evidence, observations and insights related to these procedures as part of our management letter, and alignment of risks to your business, industry, internal controls structure and processes.

- Quality professionals with strong technical experience
- Effective tests of controls
- Risk-based focus that includes process and control review

### ***Industry tailoring — focusing on your business issues***

Benefit from effective and tailored auditing specific to your needs. Your business issues will be our focus. *Global Focus US* allows our team to tailor audit programs, processes and checklists to your specific industry issues, applicable standards and specific business risks.

- Specialized audit programs
- Individualized risk audit processes
- Industry-specified templates aligned to applicable standards

### ***Cost management — driving value for you***

Benefit from flexible work arrangements that leverage your internal resources wherever possible, helping to manage your costs and streamline communication.

- Experienced audit teams with a utility industry focus
- Tailored audit timeline based on your input

### ***Continuous communication — knowing what is happening as it happens***

Benefit from active communication of findings and relevant insights through open dialogue, providing you with timely insight and advice while at the same time building our file for your year-end compliance work.

- Open communication in all phases of audit
- Frequent status updates with GLWA's management to avoid surprises
- Industry trends and challenges shared in our thought leadership

### **Focus on technology**

*Global Focus US* technology helps our staff identify exceptions, perform high-end analytics and ensure risks are correctly audited. GLWA will benefit from its streamlined, industry-tailored audit procedures with greater insight into specific risks and a single point of entry for data, cutting out manual entry errors across the audit.

- **Visualization tools.** Auditors can assess financial statement accounts and related risks in a visual format that illustrates the linkage between risks, controls and procedures performed. Embedded project management enable teams to manage engagements more effectively. These enhanced features allow team members to view different aspects of the engagement in new ways.
- **Continuous innovation.** Our software and methodology is in a continuous state of enhancement and innovation. Its flexibility and adaptability will allow for assurance engagements to evolve as standards change, requirements shift and technology transforms.
- **Data conversion and compilation.** IDEA software creates compatibility between your data and our systems to effectively convert and compile information.
- **Secure cloud collaboration.** Huddle, a cloud collaboration software, allows for secure collaboration anywhere, anytime and on any device, making it easy for our internal teams at Baker Tilly and at GLWA to come together, share and edit files, assign tasks, and track activity in a secure shared environment.

Our investment in technology supports real-time communication — both internally at Baker Tilly and with GLWA — and provides a seamless trail from initial planning through the final financial statement issuance.

### **Four-phased approach**

Audit professionals at Baker Tilly utilize a risk-based model that relies on a detailed understanding GLWA's business, your industry and internal controls. Our service teams use the latest in audit technology and software to identify exceptions and perform high-end analytics. These tests form the basis for the opinions we provide on financial statements. They also give us valuable perspectives we apply in helping you better manage your business.

Baker Tilly's accounting and assurance services stem from core values of integrity, passion, stewardship and collaboration shared across the firm. These values create a business culture that motivates us to develop audits that are objective, independent and provided in a manner that is mutually agreeable to you as our client.

Our audit methodology is based on a foundation of communication and is executed in four phases:



### ***Phase 1 — define engagement timeline and create a client service plan***

You define success uniquely; therefore, the first phase of our audit methodology involves establishing a client service plan that clearly matches our audit timeline to your service and communication expectations. The client service plan is updated every year through discussions with your management.

These discussions will also enable key GLWA personnel to become more comfortable with Baker Tilly. The increased level of trust and understanding will allow us to more readily anticipate your needs rather than simply react to requests, avoiding last-minute surprises through proper planning, communication and execution.

### ***Phase 2 — understand your business and develop the audit plan***

During the planning phase, we will identify specific areas in which we will require your assistance during the audit, working with management on your timeline and building our files.

### ***Phase 3 — execute the audit plan***

Our execution of the audit plan will be based on the mutually developed and approved audit timeline established in Phase 1 as well as the groundwork performed during the planning phase. We will continue to communicate with key GLWA personnel as we develop and execute the audit plan.

Throughout the audit process, we will discuss progress and open items with your management and communicate issues as they arise to ensure there will be no surprises at the conclusion of the audits. Our goal is to make each audit as efficient as possible through open communication and effective project management.

### ***Phase 4 — conclude audit and collect performance feedback***

We will communicate the results of our audit to GLWA management and those charged with governance. Because we regard our relationship as one of continuous improvement, we will meet with you upon completion of the audit engagement and solicit your feedback.

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### ***3. Indicate when your firm will be ready to start work on this contract, if awarded.***

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If awarded, Baker Tilly will be available to start work on this contract on July 1, 2019, as requested in the RFP.

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### *4. Explain the approach and activities your firm will engage to meet the timelines in the project schedule.*

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Baker Tilly knows the best financial information is timely information, and meeting deadlines is one way we provide value to GLWA. Our firm has a long history of reliably and successfully meeting our clients' annual audit delivery schedules to coincide with internal, regulatory and bond resolution reporting deadlines. We pride ourselves on delivering all reports on time or ahead of schedule and are dedicated to meeting every deadline set forth by GLWA. Prior to performing any work, your engagement team will collaborate with GLWA to carefully plan a timeline that will support this commitment. *Our approach to the audit for GLWA is based on what works specifically for you. Because your team has been hand picked for this audit, we are able to set up and meet deadlines that work around your schedule.*

One of the key ways Baker Tilly adds value to the audit is by moving through the process in systematic, ongoing steps. We work with your administrative team to stay focused on the tasks and deliver our final product within the agreed upon timeframe. We believe in extensive planning and preliminary work to ensure that analytical procedures and controls are reviewed before final audit fieldwork — using final fieldwork to audit year-end balances and review the financial statements.

This also ensures that all issues are identified well before the final audit fieldwork so there are no surprises that might impact the completion of the final CAFR and single audit report by December 16 of each year. We also commit complete fieldwork planning and provide required information to GLWA by the dates specified in the following section. While on-site, your engagement team will focus solely on your audit. We encourage you to confirm with our references that we give their audit our undivided attention and do not work on multiple engagements simultaneously.

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### *5. Provide a work plan with milestones, durations and a timeline that includes planning, fieldwork, and final report preparation and issuance of the reports. Include the estimated number of hours by category to demonstrate the level of effort for each fiscal year.*

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We are committed to meeting GLWA's timeline and will work with your management to develop a comprehensive audit schedule that meets your needs. We know your business does not stop during the audit and will consider the day-to-day activities of your staff and customers in designing our work plan.

Our approach to your audit will be based on what works specifically for you. Because your team has been handpicked for this audit, we are able to set up and meet deadlines that work around your schedule.

The chart below represents our tentative timeline for your 2019 audit.

Proposed audit timeline								
Description of tasks	Estimated no. of hours	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Initial planning meeting	60							
Fiscal year end	N/A							
Preliminary fieldwork	240							
Fieldwork begins; GLWA audit schedules provided	532							
CAFR drafted and fieldwork and reviews completed	196							
CAFR completed	N/A							
Presentation of final draft to Board of Directors	16							
File final CAFR and single audit report	N/A							

6. Describe availability of the firm's resources to ensure that no conflict would exist with timely completion of GLWA's audit and related reports.

***Baker Tilly's deep bench of more than 60 energy and utility professionals provides the necessary resources to efficiently perform GLWA's engagement and enables us to respond quickly to your staffing needs.*** The lead partner and managers of your proposed engagement team specialize in serving utilities and are highly experienced in performing the type of services you are seeking. Please refer to the table in **Appendix D** for details on the amount of time each member of your proposed engagement team will be available to GLWA during the audit.

Our staff is available to GLWA at any time, not just during "regular business hours." We are accessible via email, by phone or in person whenever the need arises and will respond promptly to your inquiries and concerns. We return emails and phone calls within one business day. In addition, we send out regular communications to notify all our clients of relevant developments affecting the utilities sector and ensure you remain current with any issues that may affect your business. We understand that issues you deal with generally require quick answers and have structured our organization so that you have access to the utmost in technical expertise in our firm and access to the immediate answers you need to run your business.



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*7. Describe how your team will communicate among the team and with the assigned partner or other technical resources. Describe how these communications will result in effectively executing the work consistent with professional standards.*

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Baker Tilly is a nationwide firm, with offices throughout the country. Our professionals regularly coordinate services from different offices, and we intend to do the same for GLWA. Clear communication procedures are key to efficiently coordinating this type of engagement. To ensure all team members are on the same page, we will share our mutually agreed-upon communication plan with all of our resources at the start of the engagement. This plan will be tailored to GLWA's needs and consist of a combination of in-person meetings (as needed), weekly project updates via email, dashboard and phone conferences and ad hoc discussions.

Based on our experience with similar engagements, we have developed a range of tools to facilitate communication among the project team, project stakeholders, management and executives.

**Huddle**, a shared online portal, allows us to house and share GLWA's work papers and information. The portal also permits us to set up an individual, access-restricted workspace to which only your stakeholders and individuals working on your engagement will have access, ensuring your information is only shared as allowed. Each Baker Tilly client receives a separate instance of a Huddle page and access is configured for each instance separately. Huddle keeps all team members on the same page and controls workflow, helping your Baker Tilly team remain organized and efficient no matter their location.



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*8. Describe how your team will communicate with GLWA. Describe how these communications will result in effectively executing the work.*

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Consistent communication is key to our relationship with GLWA, and our commitment to this principle extends beyond your audit. We will proactively contact GLWA management and/or those charged with governance throughout the year to share relevant news and information.

Our staff will also be available via email or telephone to GLWA whenever the need arises and will respond promptly to your inquiries and concerns. In addition, we send out a regular newsletter notifying all our clients of relevant developments affecting the utility sector to ensure you remain current with any issues that may impact your business.

We believe it is important to maintain regular contact with our clients' management teams throughout the year — not just during the audit. Our staff is available to provide consultation to client personnel and we make every effort to respond to client questions in a timely manner.

We also take a proactive approach to keeping management informed about any new accounting and auditing standards. One way we are able to keep our clients abreast of changes is regularly scheduled contacts with management throughout the year. These meetings will allow us to communicate any changes in accounting or auditing standards that have been or may be implemented in the future.

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*9. Describe the internal quality management program your firm will employ with respect to the execution of this project and the review of the work including the staff levels involved.*

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Professionalism in the accounting industry means independence, integrity and objectivity. This is accomplished through unwavering adherence to professional standards and the associated laws and regulations. This includes withstanding all pressures, competitive and other, which could compromise our principles, standards and quality.

We have developed our own policies and procedures to provide reasonable assurance that every audit, tax and accounting engagement will be completed in accordance with professional standards that the public and our clients expect us to meet. We have numerous stages of review before a finished product is issued.

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*10. Identify the quality control system in place for monitoring compliance with independence requirements. The firm must meet all applicable independence requirements.*

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As members of the AICPA, we are required to develop and maintain a quality control document that outlines major areas of quality control as follows:

- Independence, integrity and objectivity
- Personnel management
- Acceptance and continuance of clients and engagements
- Engagement performance
- Monitoring

Our quality control document and our adherence to its provisions are subject to an independent outside review, which is required every three years. Our substantial governmental service practice requires significant portions of our external quality control review be directed to governmental engagements.

Our most recent peer review report was completed in September 2018 and earned a rating of pass with no letter of comments, the highest level of assurance we can obtain regarding our firm engagement practice. Please refer to the following page for a copy of the report.



## Report on the Firm's System of Quality Control

September 26, 2018

To the Partners of Baker Tilly Virchow Krause, LLP and the  
AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Baker Tilly Virchow Krause, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, an audit of a broker-dealer, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Baker Tilly Virchow Krause, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Baker Tilly Virchow Krause, LLP has received a peer review rating of *pass*.

*Moss Adams LLP*

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*11. Identify all assumptions made in developing the proposal including but not limited to data, resources, etc.*

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We based our estimate on the assumptions detailed below. Should any of these change during the engagement, we will bring the matter to GLWA's attention immediately and prepare a change order detailing the new requirements and corresponding budget impact. We will not undertake additional work without GLWA's written approval.

Assumptions include:

- Adequate support, preparedness and cooperation from GLWA management
- Organized books and records
- No major business changes, including mergers, acquisitions or expansions into new markets
- Fees are based upon current auditing and accounting standards
- No significant changes in scope

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*12. GLWA's Role - Clearly identify the proposed role of GLWA in the project and to what extent will GLWA be encouraged to participate.*

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Our practice is built on working cooperatively with our clients and working with you toward your goals. Throughout our engagement with GLWA, we will maintain a consistent project management approach, including regular meetings with management to discuss the status of your audit. We will also discuss emerging industry risks or issues based on our experience with other utility clients and our knowledge of the changing public sector landscape.

One of the critical components to any successful initiative is coordinated and comprehensive project management. We carefully select our audit managers and ensure the highest level of communication and interactive project management.

Our audit strategy includes a kick-off meeting where we introduce our team, get acquainted with GLWA staff and finalize the audit scope, deliverables and timeline. Key stakeholders should attend this meeting. We anticipate frequent meetings with your staff where urgent matters and/or updates will be a point of detailed discussion. We also anticipate that GLWA staff will provide resources to assist with coordination activities such as scheduling, securing project team space and technical resources.

One of the key ways Baker Tilly adds value to your audit is by moving through the process in systematic, ongoing steps. We will work with your administrative team to stay focused on the tasks and deliver our final reports within the agreed-upon timeframe.

*"We have been very satisfied with our experience with Baker Tilly as our auditor. We are especially appreciative and impressed with the quality of the staff that have worked on the audits. They are very efficient in their audit process and extremely conscientious about meeting our tight deadline. **They are also understanding and respectful of the time it requires of our staff.** One of the things I like best is how fast and thorough they are at providing feedback when we propose accounting treatment of a difficult transaction and that they cite the appropriate standards. **It's nice to have auditors that are easy to work with and that's been our experience with Baker Tilly.**"*

— Sacramento Municipal Utility District

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*13. Quality Control - Provide a written quality assurance/quality control plan that describes procedures for verifying accuracy, quality and completeness of the deliverables; ensuring the quality of the deliverables; identifying and correcting non-complying work and adverse quality trends; and preventing deficiencies from recurring.*

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We understand that GLWA engages an external auditor to provide its management, the governing bond and external users with assurance related to the information included in the financial statements as well as compliance with federal grants. We take this responsibility very seriously. To ensure accuracy, quality and completeness in both the final reports that are presented and the supporting documentation of our audit work, we employ a multifaceted approach including:

- Customized audit approach and tools (discussed in item 2 above) that is designed to focus on the risks specific to public sector entities, utilities and your entity
- Quality control procedures administered by a dedicated professional practice group at Baker Tilly (discussed in items 9 and 10 above). This internal team is focused 100 percent on ensuring our tools and processes meet AICPA standards and our staff at all levels are properly educated on these requirements.
- Ongoing education of our people, allowing us to focus our work on the higher risk areas. This includes training on AICPA standards, new GASB pronouncements, our customized audit approach as well as tools and issues facing our clients
- Emphasis on documentation and review within our audits. Our managers and partners are in the field to answer questions, participate in discussions about complex issues and review our audit team's work throughout the process. This approach allows us to identify open items or additional questions right away and obtain information to address them in an efficient manner.

- All deliverables and financial statements go through a final quality control review by an independent partner who specializes in that industry, but was not involved in the audit. This review provides one final check that standards have been met and reports are complete for the use by external readers.

## Appendix C – Experience and Qualifications (Evaluation Criteria #2)

### A. Minimum Qualifications (Pass/Fail)

Our extensive history serving hundreds of utilities provides you with the level of expertise necessary to perform an effective and efficient audit of GLWA. We encourage you to contact the clients listed below to learn more about the value of their relationship with Baker Tilly. Each may have a different perspective you may find valuable as you think about your needs.

*1. A minimum of three (3) Single Audit engagements within the last five (5) years demonstrating experience comparable to the scope of services described for this project including the name, scope of work, location, services provided, and the length of time the respondent's services were provided.*

Client name	City of Chicago
Contact	Rolando DeLuna, Deputy Comptroller
Location	121 N LaSalle Street Chicago, IL 60602
Phone   email	312 744 4060   rolando.dea3295luna@cityofchicago.org
Scope of work/ services provided	Single audits
Length of time	2007 – present

Client name	Milwaukee Metropolitan Sewerage District
Contact	Mark Kaminski, Treasurer
Location	260 W Seeboth Street Milwaukee, WI 53204
Phone   email	414 225 2050   mkaminski@mmsd.com
Scope of work/ services provided	Single audit, financial statement audit and agreed-upon procedures review related to management of the District's facilities and inventory at its treatment plant.
Length of time	2001 – present



Client name	San Antonio Water System
Contact	Gregg Henderson, Assistant Controller
Location	2800 U.S. Highway 281 North San Antonio, TX 78212
Phone   email	210 233 2337   ghenderson@saws.org
Scope of work/ services provided	Annual financial audit, including the pension plan and other postemployment benefits (OPEB) plan, single audit and quality assessment review of the internal audit function.
Length of time	2016 – present

*2. A minimum of two (2) audit engagements within the last eight (8) years demonstrating experience with municipal water and sewer enterprise accounting including the name, scope of work, location, services provided, and the length of time the respondent's services were provided for clients with annual revenue greater than \$100 million and more than 300 employees.*

Client name	Milwaukee Metropolitan Sewerage District
Contact	Mark Kaminski, Treasurer
Location	260 W Seeboth Street Milwaukee, WI 53204
Phone   email	414 225 2050   mkaminski@mmsd.com
Scope of work/ services provided	Single audit, financial statement audit and agreed-upon procedures review related to management of the District's facilities and inventory at its treatment plant.
Length of time	2001 – present

Client name	San Antonio Water System
Contact	Gregg Henderson, Assistant Controller
Location	2800 U.S. Highway 281 North San Antonio, TX 78212
Phone   email	210 233 2337   ghenderson@saws.org
Scope of work/ services provided	Annual financial audit, including the pension plan and other postemployment benefits (OPEB) plan, single audit and quality assessment review of the internal audit function.
Length of time	2016 – present

*3. A minimum of two (2) audit engagements within the last five (5) years providing consent letters for inclusion in revenue bond official statements for debt issuances greater than \$50 million demonstrating experience with the needs of large public debt issuers.*

Client name	City Public Service of San Antonio (CPS Energy)
Contact	Gary Gold, Vice President of Accounting
Location	145 Navarro Street San Antonio, TX 78205
Phone   email	210 353 2523   gwgold@cpsenergy.com
Scope of work/ services provided	Annual financial and OMB Uniform Guidance compliance audits as well as agreed-upon procedures related to debt issuances and the Public Funds Investment Act. In addition, when new software was implemented to track energy trades, we reviewed the system for integrity, security and segregation of duties.
Length of time	2008 – present

Client name	Colorado Springs Utilities
Contact	Scott Shewey, General Manager of Financial Services
Location	121 S Tejon Street, Suite 200 Colorado Springs, CO 80947
Phone   email	719 668 8515   sshewey@csu.org
Scope of work/ services provided	Annual financial and OMB Uniform Guidance compliance audits, comfort work in connection with bond issuances as well as consulting services in regard to reviews of a major water construction project contract, capitalization policies in relation to a major water project and work order processes.
Length of time	2006 – present

*4. The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.*

Jodi Dobson, the proposed partner-in-charge on your engagement, has 21 years of experience performing similar audit engagements. She specializes in performing financial audits and single audits for utilities like GLWA. Jodi currently serves as Chair of the Wisconsin Section of AWWA and also serves as a CAFR reviewer. She is the author of numerous articles for national publications on utility auditing and accounting.

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*5. The firm must have undergone a peer review in the last three (3) years and received a peer review rating of pass or a pass with deficiency. A pass with deficiency rating requires an explanation on the findings and recommendations made including the remediation efforts to correct the deficiencies noted in the peer review report. Firms with a peer review rating of fail will not be considered.*

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As noted in **Appendix B**, our most recent peer review report was completed in September 2018 and earned a rating of pass with no letter of comments, the highest level of assurance we can obtain regarding our firm engagement practice. Please refer to **Appendix B** for a copy of our peer review letter.

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*6. All assigned partners and managers must be licensed to practice public accounting in the State of Michigan. The qualifications of those licensed in the State of Michigan will be considered during the evaluations of the proposal. However, the qualifications of those not currently licensed in the State of Michigan will not be considered during the evaluation process.*

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Baker Tilly is a full-service certified public accounting and advisory firm licensed by the State of Michigan Department of Licensing and Regulatory Affairs under license number 1102003011. All assigned key professional staff are properly licensed to practice in Michigan through CPA license mobility and equivalency rules under Section 23 of the Uniform Accountancy Act.

### B. Experience and Qualifications

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*1. Explain how the engagements noted above provide you the ability to be uniquely qualified and experienced to fulfill GLWA's audit requirements including the location of the office from which the engagement was performed, and the size of the audit team assigned to the engagement.*

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As described in detail in the **Executive summary**, **Firm profile** and **Specialized audit services** sections of our proposal, Baker Tilly is uniquely qualified to fulfill GLWA's audit requirements due to the following factors:

- Utility specialization and knowledge, serving more than 600 utility clients nationwide
- Specialized public utility audit expertise extending across more than 40 states
- Exemplary record of assisting clients in achieving the GFOA Certificate of Achievement for Excellence in Financial Reporting for their CAFR
- Single audit capabilities, performing more than 500 single audits each year
- Experience with bond issuance services and recognition by bond rating agencies
- Large firm resources with responsive client service from our Detroit office

Baker Tilly strives to assign staff based on skill set, rather than location. We have assembled a team that best fits the needs of your audit, utilizing several offices to bring our finest talent to GLWA. This team will be centrally managed from our Madison, Wisconsin office — the home of our energy and utilities team — with seamless support of local Detroit office resources.

This arrangement provides you a team with relevant industry knowledge, best practices they can share with you and practical solutions to issues that may arise. It has been very successful for many other clients, including the DWSD, and we will strive to make it successful for you. We will schedule on-site meetings and fieldwork to meet your schedule and provide same-day responses to your questions.

The proposed audit team for GLWA consists of four partners, one audit manager and a pool of utility-specialized senior and staff accountants. The deep resources of our energy and utilities team enable us assign as many additional team members to your engagement as necessary to meet and exceed your audit requirements.

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*2. Identify whether the firm is a member of the AICPA Audit Quality Centers. Identify other resources available in the firm to verify the quality of municipal audits in the firm in accordance with recent changes in accounting pronouncements or best practice.*

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Baker Tilly is a member of key industry organizations, including the AICPA and its Governmental Audit Quality Center (GAQC). Because of our work with these groups, we are knowledgeable of trends in state and local government — and equipped with leading practices to help GLWA best respond to them.

### Involvement in AICPA committees and initiatives important to governments

To help you respond to and prepare for change, Baker Tilly professionals are actively involved in various AICPA committees and initiatives. This involvement keeps us on the leading edge of what is happening in our industry. The following are a few of the AICPA boards and committees we are involved in that are relevant to GLWA:

Initiative	Purpose	Membership	Dates
<b>Governmental Audit Quality Center (GAQC)</b>	Promotes the importance of quality governmental audits, serves as a resource to member firms, provides members with online tools for sharing ideas and recognizes CPA firms that demonstrate a commitment to governmental audit quality	Baker Tilly Virchow Krause, LLP	Since its inception
<b>Governmental Audit Quality Center (GAQC) Executive Committee</b>	Governs the GAQC, develops the policies of the GAQC and oversees GAQC activities; also meets twice annually in conjunction with the Single Audit Roundtable (SART), which includes federal inspectors general, federal agencies and CPA firms	Heather Acker, Partner (Tom Scheidegger, a retired audit partner, 2007 – 2010)	2012 – 2015
<b>Technical Issues Committee (TIC)</b>	A committee of CPA practitioner volunteers who represent the views of local firms and small-to medium-size governments in the standards setting process	Vicki Hellenbrand, Partner, GASB TIC member; Dave Johnson, Partner, FASB TIC member	2013 – present

Initiative	Purpose	Membership	Dates
<b>State and Local Government Expert Panel</b>	Serves the needs of AICPA members regarding financial and business reporting and audit and attest matters; protects the public interest by bringing together knowledgeable parties in the state and local government industry to deliberate and come to agreement on key state and local government issues	Heather Acker, Baker Tilly Partner, 2009 – 2012 and 2015 – present (current chair); Carla Gogin, 2012 – 2015; Don Rahn, retired Baker Tilly partner, 2004 – 2008	2012 – present
<b>Auditing Standards Board (ASB)</b>	The AICPA's senior committee for auditing, attestation, and quality control applicable to the performance and issuance of audit and attestation reports for non-issuers	Jere Shawver, Partner  Kim Tredinnick, Partner	2015 – present  2010 – 2013
<b>Peer Review Oversight Reviewer – Single Audits</b>	Monitor the quality of peer reviews performed on OMB single audits	Heather Acker, Partner (Tom Scheidegger, a retired audit partner, 2014)	2014 – present
<b>Peer Review Board</b>	The AICPA's Peer Review Board promulgates the peer review standards and oversees the administration of the peer review program.	Jeff Gendreau, Partner	2017 – present
<b>National Peer Review Committee (NPRC)</b>	The NPRC is the administering entity for all firms that are required to be registered and inspected by the PCAOB or for firms that perform work under PCAOB standards.	Jeff Gendreau, Partner	2011 – present

### Preparedness to implement new accounting standards

Baker Tilly is extremely active in both the AICPA and GASB. Members of our team serve and have served on the AICPA's governmental accounting and auditing committees, technical issues committees and Private Company Practice Section. *We get in front of issues, researching and proactively informing our clients that new pronouncements may impact them.*

Recent issues our firm has been actively involved in include providing oversight in connection with the exposure draft for GASB Statement No. 87, Leases, serving as task force members for the exposure draft for GASB Statement No. 83, Certain Asset Retirement Obligations and serving Financial Accounting Standards Board (FASB) groups on revenue recognition and lease accounting. Baker Tilly also served on the Sustainability Accounting Standards Board (SASB) working group that developed sustainability accounting standards for electric, water and gas utilities that were released for implementation in 2015.

The implementation of recently released GASB 87 will fall during the period of GLWA's audit contract and Baker Tilly is working with current clients on evaluating if and to what extent this Statement will affect their operations. We are also in the process of assisting utilities that must follow FASB pronouncements with similar new FASB standards on revenue recognition and lease accounting. While these standards do not pertain to GLWA, our relevant experience in helping implement the FASB standard will provide great value to GLWA as you implement GASB 87.

We will work with GLWA throughout the year to assess the implications of implementing these new accounting treatments in your financial records. We accomplish this via a variety of methods, including discussing new pronouncements with you, reviewing client-prepared accounting memos on proposed treatments, issuing whitepapers, newsletters and web content on pertinent accounting topics or researching a specific client issue. Our goal is to ensure that all relevant issues are identified prior to the audit so that accounting issues do not delay year-end accounting entries that may be needed or the issuance of the audit opinion.

***"Baker Tilly's experience in the utility industry and expertise in accounting standards is well demonstrated in all levels of their firm. Their responsiveness in providing expertise makes them a valued business partner."***

— Seattle City Light



### Readiness to assist with new GASB requirements

To keep our clients up to date on the latest government accounting issues, Baker Tilly provides leadership to industry organizations through our involvement as authors, speakers, trainers and promoters of the advancement of government accounting and auditing. Your auditors are prepared to assist GLWA with implementing the following standards:

- **GASB Statement No. 83, Certain Asset Retirement Obligations** — This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.
- **GASB Statement No. 84, Fiduciary Activities** — The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.
- **GASB Statement No. 86, Certain Debt Extinguishment Issues** — The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- **GASB Statement No. 87, Leases** — The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

- **GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements** — The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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*3. Provide evidence of past performance and your ability to complete tasks on time and within budget.*

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Baker Tilly has a long history of successfully meeting our clients’ schedules and we are committed to meeting every deadline set forth by GLWA. We believe in extensive planning and continuous project management to ensure that that key personnel is available when needed and all deliverables are completed on time or ahead of schedule.

As evidence of our past performance, we encourage you to contact the references provided in **Appendix C** and consider the client testimonials included throughout this proposal.

*“The PUD has been very satisfied with the services provided by Baker Tilly. **Their work has been performed timely and within budget** and their staff is knowledgeable, efficient, courteous and professional.”*

*— Snohomish Public Utility District*

*“**Baker Tilly serves us in a timely and professional manner.** We are a billion-dollar organization that requires our auditors to be accessible, collaborative and commit to being an exceptional service provider — Baker Tilly fits that mold.”*

*— Lower Colorado River Authority*

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*4. Describe your knowledge of local conditions, GLWA requirements and procedures, and how the proposing firm's knowledge will benefit the engagement.*

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Baker Tilly's Detroit area office is located in Southfield, just a just a short 20 minute drive from GLWA. The office opened in 2003 and is home to 97 employees, including 10 partners. Our firm's Chief Executive Officer, Alan Whitman, is based in Detroit — along with Laurie, the local office liaison partner assigned to your engagement. Our employees and partners are deeply involved in the local community, volunteering their talents and time in support of local organizations like Gleaners Community Food Bank of Southeastern Michigan, Susan G. Komen Foundation, Cornerstone Schools, Habitat for Humanity, March of Dimes and the Michigan Humane Society. Many of our team members also serve on boards of directors and committees.

In addition to providing audit and advisory services to hundreds of local clients in a variety of industries, Baker Tilly is currently engaged in a multi-year project serving as DWSD's outsourced compliance management function, documenting and make recommendations to improve policies and procedures, assisting in designing and improved internal control environment, providing training on policies and control, and performing risk-based monitoring and internal audit type activities.

Baker Tilly's in-depth knowledge of local conditions — coupled with our expertise in auditing numerous utilities like GLWA throughout the country — means we are well positioned to understand your requirements and procedures and add value to your audit.

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*5. Describe additional industry experts or resources at your firm that may be utilized in this engagement or additional services that may be of interest to GLWA.*

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Over time, your objectives may broaden or change. Baker Tilly's professionals can help you meet your most complex challenges. Beyond traditional audit services, we provide proven, practical solutions through the comprehensive resources of our audit and assurance team, our energy and utilities consulting team, and other industry and service specialists.

### **Additional services available to GLWA**

For nearly 50 years, Baker Tilly has provided utilities like GLWA with a range of accounting and advisory services needed to operate effectively in a complex regulatory environment. Our clients include hundreds of water, wastewater, stormwater and refuse utilities, public power, investor-owned utilities, electric cooperatives, natural gas, renewable energy developers, transit systems, tribal organizations and joint action agencies. We serve a wide range of entities in each of these categories and can provide detailed lists of clients of each entity type upon request.

This specialization allows us to more deeply understand the unique issues faced by your industry. Our people apply this knowledge in offering useful recommendations and insights to help your business.

### **Consulting for utilities: valuable insights, innovative ideas**

Baker Tilly's dedicated team of consultants serving utility clients focuses on evaluating risks and processes related to various operational and compliance issues. We assist with financial modeling, provide decision-support analysis and collaborate on answering a variety of business-related questions. Targeted consulting services include:

- Internal audit services
  - Internal controls reviews
  - Technology risk services
- Governance, risk and compliance consulting
  - Enterprise risk management
  - Risk assessment planning and implementation
  - Board and audit committee advisory services
- IT project risk management
- Information technology consulting
  - System assessments and implementations
  - Disaster recovery planning
- Information privacy and security consulting
  - Construction project risk consulting
  - Regulatory compliance reviews
- Strategy and financial consulting
- Fraud investigations, forensic accounting and data mining
- Financial ratios and benchmarks
- Rate studies
- Litigation support
- Economic evaluations
- Financial forecasts and budgeting
- Billing process reviews
- Debt comfort reviews

Our services also cover a wide range of financial and compliance issues faced by the industry and include:

- Financial audits and agreed-upon procedures engagements
- Federal and state single audits
- Internal audit outsourcing
- Business process evaluation
- Bond compliance and bond offering reviews

- Contract performance compliance reviews
- Construction project audits
- Renewable resources project consulting and financing
- Industry accounting and financial training
- Technical accounting research and guidance to address the unique requirements of utility industry accounting

With our level of industry experience and specialization, GLWA can be assured of on-target advice and a quality audit that provides value.

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*6. Describe your level of expertise auditing public sector utilities and understanding of revenue charge setting methodologies.*

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In addition to our focus in auditing public sector utilities, we assist municipal utilities with financial planning and rate studies. Our long history in assisting utilities with developing revenue requirements, cost of service studies and rate design allows us to have a deep understanding of the various revenue charge setting methodologies including both cash and utility basis revenue requirements and the numerous service parameters that can be considered in a cost of service study. In addition we have worked with the nuances that come from balancing retail and wholesale customers, customers with different usage patterns or demand needs, industry changes such as conservation and sustainability and of course discussions around affordability of service. We leverage this work during the audit allowing us to efficiently develop revenue expectations for each unique situation and compare actual revenue to those expectations.

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*7. Describe your level of expertise auditing revenue bonds and understanding the related master bond ordinances. Municipal Securities Rulemaking Board requirements (Electronic Municipal Market Access), and related Internal Revenue Service code.*

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The energy and utility audit team provides services almost exclusively to public sector utilities. As a result, the vast majority of our clients have issued revenue debt. Each member of your team will have had experience in auditing the revenue bonds including new debt issuances, annual activity, and refunding transactions. We are familiar with the unique requirements of the master bond ordinances such as debt coverage requirements, restricted debt service and reserve accounts and will incorporate the appropriate compliance testing into our work programs. We are available to assist management with questions related to ongoing reporting requirements, and through our recent merger with Springsted and Umbaugh we have additional technical resources available at Baker Tilly Municipal Advisors if needed.

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*8. Describe your ability and approach to work cooperatively with the City of Detroit, in particular the Detroit General Retirement System, consultants, auditors and other stakeholders.*

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We understand that GLWA has relationships with the City of Detroit and Detroit General Retirement System that may impact the audit. As part of our initial planning and establishing a project timeline, we will discuss with you any information that you receive from these organizations or are required to provide to them and the related availability or deadlines. We will ensure that this is incorporated into the overall audit plan.

Our practice is built on working cooperatively with our clients and all stakeholders involved. Throughout our engagement with GLWA, we will maintain a consistent project management approach, including regular meetings with your management and others as directed to discuss the status of your audit, timelines and topics of concern. We will also discuss emerging industry risks or issues based on our experience with other utility clients and our knowledge of the changing industry landscape.

Our communication strategy will range from regular discussions with GLWA's management to regular status updates during the audit, allowing us to continuously evaluate all aspects of the services we will provide to GLWA. This will promote efficiency and ensure that any concerns are raised promptly. Maintaining open lines of communication allows us to be responsive to the needs of GLWA and other stakeholders while understanding and addressing any potential issues.

*"We have been very pleased with the service provided by Baker Tilly with our annual audit and other services provided. **Our goal was to work with an auditor that has substantial focus and expertise in large public utility accounting, financial reporting and controls.***

***Baker Tilly has lived up to the expectations of our Board, Management and City Auditor.** We believe we have substantially reduced financial risks, have a better knowledge of industry financial development and trends and have better relationships with finance and accounting staffs from other large public utilities. We hope to continue our relationship with Baker Tilly as our auditor and advisor for a very long time."*

*— Colorado Springs Utilities*



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*9. Describe if there have been any engagements where the firm has had disputes with management and resigned from the engagement. Provide an explanation on the effort made to cooperate with management.*

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As a large accounting firm, Baker Tilly may have contracts terminated for a variety of reasons. In the past, we have lost clients due to the following:

- Mandatory audit firm rotation
- Project completion
- Mergers and acquisitions
- Competitive bidding

The relationship that we maintain with each former client is sensitive and based upon trust and confidentiality. We cannot disclose the information surrounding these relationships without each organization's explicit, written permission.

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*10. Describe if there have been any legal proceedings, lawsuits or claims, which have been filed against the firm or present employees within the past five (5) years. Provide a further explanation on the resolution of such claims.*

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In the normal course of business as a large accounting firm, Baker Tilly may be made a party to litigation alleging various common law and statutory violations. While Baker Tilly expects to resolve all pending matters without any material detrimental impact to the firm, like most accounting firms of any size, the firm does not disclose or discuss its litigation. Litigation is generally disposed of in the normal course of business and under any applicable professional indemnity insurance policy. We enjoy the benefits of a positive reputation.

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*11. Describe any conflicts of interest, real or perceived, in performing the audit for GLWA with other clients and how your firm would address such conflicts.*

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Baker Tilly's quality control policies and procedures are in place to monitor our compliance with the independence standards governing our profession. Annually, we require all staff members to complete and sign representations regarding their compliance with the firm's and our profession's independence policies and procedures. As part of this process, selected partners and managers verify compliance with independence requirements and we conduct firmwide conflict checks prior to accepting attest work for publicly traded companies. We also maintain a real-time list of those companies in which investments may be prohibited.

As part of GLWA's engagement planning process, we will ensure the independence of your engagement team members, management-level personnel and other applicable individuals in the firm.

## Appendix D – Project Team and Key Individuals (Evaluation Criteria #3)

### 1.0 Project Team

Your proposed project team consists of dedicated professionals who are utility industry specialists as well as experienced business advisors, who understand your needs, are proactive in identifying issues and creative and flexible in providing solutions.

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*Summarize the roles and pertinent experience of each key individual and indicate the percentage of time planned for them to be dedicated to this project using the following chart below.*

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Please refer to **Section 2.0 Staff Experience** for a summary of the role and pertinent experience of each key individual assigned to your engagement team as well as the amount of time allocated to this contract.

Baker Tilly will serve GLWA as a top priority client. We use a dynamic scheduling tool that ensures your audit is staffed with the proper personnel. To ensure your objectives are met and to assist team members in managing their commitments, Baker Tilly employs the following scheduling and planning strategies and tools:

- **Dedicated teams with clearly defined roles and responsibilities.** Each client has a dedicated team for the duration of the engagement. Our teams are structured to assure GLWA that your team can escalate any issues quickly, be available to you when you need us and meet your needs creatively, without overburdening individual team members.
- **Staff scheduling tools and resources.** Professionals across our practice enter their availability into an application that helps organize staff schedules and assignment planning called ProStaff. Using weekly availability reports from this tool, dedicated resource management coordinators help ensure our professionals' commitments do not exceed their capacity to deliver high-quality services for each client.
- **Flexible staffing ratios depending on project needs, including a high ratio of dedicated partner and manager resources.** We work to balance workloads for individuals via advance planning and integrate additional subject-matter specialists and support staff where appropriate.



With more than 60 professionals dedicated to the energy and utility industry, GLWA can cost-effectively access the breadth and depth of skills you need to meet your objectives, however much support you may require.




Our specialized energy and utilities team serves numerous water, wastewater, electric, gas and telecommunications utilities nationwide and always has current projects of varying magnitude in progress. We meet all of our clients' deadlines and needs through a scheduling process that matches the experience required for a particular project with the team members best suited to provide quality services. If we are awarded this audit engagement, the personnel listed in this proposal will be scheduled to meet the timelines requested by GLWA for these services.

### 2.0 Staff Experience

*Identify by name and title the individuals the vendor considers to be key to the successful completion of this project.*

Please find below a listing of relevant client engagements for each key team members included on your engagement team. These engagements include financial audits, single audits, assistance with financial planning or policies and other requested services. All team members dedicate most, if not all, of their time to serving public sector clients.

Team member	Representative clients
<b>Jodi L. Dobson, CPA</b> Partner-in-Charge 21 years of experience 	<ul style="list-style-type: none"> <li>– Madison Metropolitan Sewerage District, WI</li> <li>– Lake County Public Works Department, IL</li> <li>– City of Janesville Utilities, WI</li> <li>– Waukesha Water Utilities, WI</li> <li>– Lansing Board of Water and Light, MI</li> <li>– Milwaukee Metropolitan Sewerage District, WI</li> <li>– City of Sheboygan Water Utility, WI</li> <li>– City of Springfield Water Utility, IL</li> <li>– Sun Prairie Utilities, WI</li> <li>– Stevens Point Water and Sewer Utility, WI</li> <li>– Metropolitan Water Reclamation District of Greater Chicago, IL</li> </ul>
<b>Laurie Horvath, CPA</b> Partner Local Office Liaison 20 years of experience 	<ul style="list-style-type: none"> <li>– Gleaners Community Food Bank of Southeastern Michigan</li> <li>– Girl Scouts of Southeastern Michigan</li> <li>– Judson Center, MI</li> <li>– The Capuchin Order and Soup Kitchen, MI</li> <li>– Detroit Police Athletic League, MI</li> <li>– Jewish Family Service, MI</li> </ul>

Team member	Representative clients
<p><b>Aaron W. Worthman, CPA</b> Concurring Partner 21 years of experience</p> 	<ul style="list-style-type: none"> <li>– Lower Colorado River Authority, TX</li> <li>– Sacramento Municipal Utility District, CA</li> <li>– CPS Energy, TX</li> <li>– Austin Energy, TX</li> <li>– Colorado Springs Utilities, CO</li> <li>– Electric Reliability Council of Texas</li> <li>– Modesto Irrigation District, CA</li> <li>– New Braunfels Utilities, TX</li> <li>– Omaha Public Power District, NE</li> <li>– Rochester Public Utilities, MN</li> <li>– San Antonio Water System, TX</li> <li>– Seattle City Light, WA</li> </ul>
<p><b>Heather S. Acker, CPA</b> Single Audit Concurring Partner 22 years of experience</p> 	<ul style="list-style-type: none"> <li>– City of Chicago, IL</li> <li>– Chicago Public Schools, IL</li> <li>– DuPage County, IL</li> <li>– Intel Federal, LLC, OR</li> <li>– McHenry County, IL</li> <li>– McLean County, IL</li> <li>– Rock County, WI</li> <li>– University of Nottingham</li> <li>– Waukesha County, WI</li> <li>– Will County, IL</li> <li>– Winnebago County, IL</li> </ul>
<p><b>Gwendolynn J. Zech, CPA</b> Manager Seven years of experience</p> 	<ul style="list-style-type: none"> <li>– City of Milwaukee Water Utility, WI</li> <li>– Reedsburg Utility Commission, WI</li> <li>– Modesto Irrigation District, CA</li> <li>– Rochester Public Utilities, MN</li> <li>– Verona Utilities, WI</li> <li>– Bangor Utilities, WI</li> <li>– Columbus Sewer Utility, WI</li> <li>– Sacramento Municipal Utility District, CA</li> </ul>

*Provide a detailed table with the names of the partner and management to be assigned to this project, other staff to be assigned, their functions, total work hours for each phase of the engagement, the office location, and a two-page maximum resume for the partner and management. Indicate if anyone to be assigned to the engagement is through a third-party service provider. GLWA retains the right to approve all third-party service providers and to approve or reject replacements of personnel in writing that are not related to personnel leaving the firm, promotions, or relocations.*

### Key personnel aligned with your needs

Your audit team consists of dedicated professionals who are energy industry and governmental audit specialists as well as experienced business advisors, who understand your needs, are proactive in identifying issues and creative and flexible in providing solutions.

Baker Tilly will provide you with highly coordinated and responsive services. We selected the engagement team for GLWA based on the unique needs of your organization. Each person chosen to be on your team possesses individual strengths that will directly benefit GLWA and complement your work environment.

The table below describes the roles and qualifications of your engagement team members. Please also refer to the subsequent section for each team member's resume and additional details on their qualifications.

Team member	Role and qualifications	Project involvement
<b>Jodi L. Dobson,</b> <b>CPA</b> Partner-in-Charge	Jodi Dobson, partner on the energy and utilities team, has 21 years of industry experience. She specializes in serving municipal utilities and joint action agencies. Her experience includes performing financial audits, single audits, agreed-upon procedure reviews and fraud investigations as well as preparing rate studies, cost of service studies, rate designs and financial forecasts.  Jodi will ensure that our services meet or exceed your expectations and that the deliverables presented to you meet quality assurance standards for the audit.	80 hours planning, fieldwork, review, presentation and ongoing communication

Team member	Role and qualifications	Project involvement
<b>Laurie Horvath, CPA</b> Partner	<p>Conveniently based at our Detroit office, partner Laurie Horvath specializes in providing auditing, accounting and consulting services, including financial statement audits and single audits under OMB Uniform Guidance. She brings more than 20 years of public accounting experience to your audit.</p> <p>Laurie will serve as GLWA’s local office liaison for the duration of the engagement and help ensure your satisfaction with our services.</p>	Four hours planning and ongoing communication
<b>Aaron W. Worthman, CPA</b> Partner	<p>Aaron Worthman has been with Baker Tilly’s energy and utilities team for 21 years and specializes in serving utilities. His experience includes performing financial audits and agreed-upon procedure reviews as well as preparing rate studies, cost of service studies, rate designs and financial forecasts. He authors nationally and regionally published articles on utility regulation and accounting issues.</p> <p>Aaron will serve as concurring partner and perform the independent quality control review of your audit.</p>	Six hours planning, review and consultations as needed
<b>Heather S. Acker, CPA</b> Partner	<p>Heather Acker has been with Baker Tilly since 1997. She is responsible for quality oversight of the public sector assurance practice of the firm and specializes in serving the needs of state and local government clients. Heather has experience with numerous types of financial and compliance audits, including single audits. She helps many governments with consultation and implementation of various GASB pronouncements and is a recognized contributor to AICPA publications.</p> <p>Heather will be the concurring partner on the single audit, ensuring that the compliance audit is completed according to OMB Uniform Guidance.</p>	Six hours planning, review and consultations as needed



Team member	Role and qualifications	Project involvement
<b>Gwendolynn J. Zech, CPA</b> Manager	Gwen Zech is a manager on the energy and utilities team and has been with our firm since 2012. She specializes in providing auditing and accounting services to utility clients that follow the standards set by Governmental Accounting Standards Board (GASB).  Gwen will serve as your primary contact during the engagement and oversee all aspects of the audit, including planning, fieldwork and reporting.	180 hours planning, fieldwork, review, presentation and ongoing communication
<b>Senior and staff accountants</b>	Senior and staff accountants from our energy and utilities team will support the audit project, completing documentation and controls testing, detailed testing of balances and transactions and testing of financial statements. These team members specialize in serving entities just like GLWA.	768 hours planning, review fieldwork, and ongoing communication

We are committed to meeting every deadline and expectation set forth by GLWA. In addition to the key team members listed above, we may assign other senior and staff auditors to your engagement as necessary to assist with audit tasks and ensure we meet and exceed your expectations. All staff members assigned to your project are members of the energy and utilities team with specialized expertise in serving utility clients.

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*1. Describe the assigned partner's ten (10) years of recent experience auditing similar engagements including Single Audits.*

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As previously stated, Jodi Dobson, the proposed partner-in-charge on your engagement, has 21 years of experience performing similar audit engagements. She specializes in performing financial audits and single audits for utilities like GLWA. Jodi currently serves as Chair of the Wisconsin Section of AWWA and also serves as a CAFR reviewer. She is the author of numerous articles for national publications on utility auditing and accounting.

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*2. Describe the experience of the project team relative to similarly sized engagements and types of engagements.*

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***Your proposed project team brings more than 90 years of combined experience in similarly sized engagements and types of engagements to your audit.*** The team table provided earlier in this **Appendix D** list relevant client engagements for each key team member included on your engagement team. These engagements include similarly sized engagements and types of engagements as the services requested in the RFP, ranging from financial audits to single audits and assistance with financial planning or policies.

---

*3. Identify the type of engagement selected if work of the assigned partner was selected in the most recent peer review. Describe any negative responses noted on engagements performed by them and any remediation actions taken.*

---

Your assigned engagement partner, Jodi Dobson, had one audit selected in our most recent peer review. There were no findings and thus no remediation actions related to the engagement.

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*4. For all proposed staff to be assigned to the engagement, identify the number of hours of continuing professional education required in the firm that is directly related to governmental auditing for the last two years.*

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In accordance with industry regulations, Baker Tilly requires professional staff to obtain a minimum of 40 continuing professional education (CPE) credits per year. Additionally, our utility audit team follows the professional education requirements of *Government Auditing Standards* which requires 24 governmental CPE credits every two years.

Our utility auditors attend courses in the accounting and auditing areas most important to our industry clients, including single audit training. A sampling of recent courses attended by our team includes:

- Accounting and auditing updates
- Accounting and auditing single audit updates
- Advanced public utility accounting
- ASL inspector training
- Assurance risk
- An inside look at service contract act
- Common fraud schemes in government
- Cybersecurity: It's not just for businesses
- Employee benefit plan training
- Energy and utilities training sessions, such as rate study training
- Enterprise risk management

- Financial statement training
- Numerous GASB training sessions
- Higher education college/university annual training
- HIPAA privacy and security for professional service providers
- Information technology risk assessment concepts for financial audit
- IT risk assessment standards (RAS) training for auditors
- Municipal update
- Not-for-profit training
- OMB Uniform Grant Guidance training
- Pay or play and beyond: Complying with the new healthcare reform rules
- Risk assessment and advanced auditing
- School interim update and technical audit skills
- Tax incremental financing
- Understanding other postemployment benefits (OPEB)
- Utility University

*“Baker Tilly has provided the highest level of professional services in the annual audit of CPS Energy’s financial statements. **Their staff stays up-to-date on the most recent accounting guidance;** and their knowledge of financial systems, leveraging of technology, and stability in audit staffing allow them to complete the annual financial audits in an efficient manner for their clients.”*

*— CPS Energy*

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*5. Provide details on any additional firm requirements for this training including if the training is conducted in house or conducted directly by the AICPA, or another rule governing body.*

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Our professionals regularly attend and present at workshops and conferences hosted by professional associations like the AICPA and GFOA. Additionally, Baker Tilly provides numerous in-house training sessions on topics of relevant to public utilities.

Each October, Baker Tilly’s energy and utilities team holds a Utility University workshop for internal staff and industry clients. Launched in 2014, Utility University has become an annual event attended by more than 100 financial staff from public sector utilities and utility associations. The workshop is a CPE-eligible opportunity during which utilities can gain knowledge to enhance their day-to-day financial operations, network with peers and discuss timely industry issues.

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*6. Indicate if the proposed partner, management or assigned staff are currently working on other GLWA contracts and non-GLWA contracts that are scheduled concurrently with the timelines identified in this RFP. If so, please indicate how their involvement on this project will impact timely performance of previous contracted services to GLWA and indicate how their involvement with non GLWA contracts will impact their performance on this project.*

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The proposed partner, management and staff are not currently working on other GLWA contracts.

As described earlier in the **Appendix D**, our specialized energy and utilities team serves numerous utilities nationwide and always has current projects of varying magnitude in progress. We meet all of our clients' deadlines and needs through a scheduling process that matches the experience required for a particular project with the team members best suited to provide quality services. *If we are awarded this audit engagement, Baker Tilly will serve GLWA as a top priority client.* The personnel listed in this proposal will be scheduled to meet the timelines requested by GLWA for these services.

### 3.0 Key Individuals

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*Provide staff biography/resume for all individual assigned to this project.*

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Please refer to the following pages for resumes of key individuals assigned to your audit.

## Jodi L. Dobson, CPA

Jodi Dobson, partner on the energy and utilities team, has been with Baker Tilly since 1998.



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**Education**

Carthage College (Kenosha, Wisconsin)  
Bachelor of Business Administration in  
Accounting and International Business

Jodi specializes in serving municipal utilities (electric, water, wastewater, stormwater and transit) and joint action agencies. Her experience includes performing financial audits, single audits, agreed-upon procedure reviews and fraud investigations as well as preparing rate studies, cost of service studies, rate designs and financial forecasts. Jodi is active in several industry associations, including the Municipal Electric Utilities of Wisconsin (MEUW), Wisconsin Section of American Water Works Association (WIAWWA) Board of Trustees and Wisconsin Rural Water Association (WRWA).

**Specific experience**

- Oversees audits for municipal electric, water, wastewater, stormwater and transit utilities and joint action agencies
- Leads agreed-upon procedure reviews related to contract compliance for utilities, joint action agencies and regulatory bodies
- Facilitates utility rate studies, including cost of service studies and rate design options
- Assists governmental units with interpretation and implementation of Governmental Accounting Standards
- Analyzes the financial impact of construction projects on utility customer rates, borrowing needs and operational results
- Directs the preparation of annual operating budgets and long-range financial forecasts for electric, water and wastewater utilities
- Provides support to municipal utilities with complex retail and wholesale rate issues
- Leads special projects, including chart of account separations, specific rate designs, departmental cost analysis, development of connection fees and impact fees, operational benchmarking and basis of accounting conversions

Jodi L. Dobson, page 2

### Industry involvement cont.

- Compiles annual reports to regulatory agencies
- Performs compliance audits of federal and state funded programs under OMB Uniform Guidance
- Conducts fraud investigations for municipalities and counties

### Industry involvement

- American Institute of Certified Public Accountants
- American Public Power Association (APPA) – utility education courses instructor
- Government Finance Officers Association Comprehensive Annual Financial Report reviewer
- MEUW
- WIAWWA Board of Trustees, 2019 Chair
- Wisconsin Institute of Certified Public Accountants
- Wisconsin Public Transportation Association
- WRWA

### Thought leadership

- Speaker on internal controls, fraud prevention, budgeting and other industry topics at management conferences
- Chair of annual Baker Tilly Utility University seminar
- "Beyond the check box: viewing your annual audit in a new way," [bakertilly.com](http://bakertilly.com), 2018
- "GASB update including GASB 75 on OPEB accounting and reporting," Baker Tilly Utility University, 2017
- "Maintaining or improving your utility's bond rating," APPA webinar, 2017
- "Beyond cost: positioning the value of water utility services," WIAWWA Spring newsletter, 2017
- "GASB financial reporting model project: potential impact on utilities," [bakertilly.com](http://bakertilly.com), 2017
- "Long-range planning: balancing costs with customer service," WIAWWA Spring newsletter, 2017
- "Accounting standards and reporting update," APPA webinar, 2016
- "GASB 72: fair value measurement and application," [bakertilly.com](http://bakertilly.com), 2016
- "Long range planning: why? how? who?" WIAWWA Annual Conference, 2016
- "Understanding utility finances," Baker Tilly webinar, 2016
- "Value of water," WIAWWA Annual Conference, 2016
- "Governmental accounting update," Baker Tilly Utility University, 2015
- "New accounting standards impacting public power – GASB 65 and 68," APPA webinar, 2015
- "Understanding payments in lieu of taxes and other contributions made by public power," APPA webinar, 2015
- "2013 Wisconsin Act 20 levy limit impacts public fire protection," [bakertilly.com](http://bakertilly.com), 2014
- "GASB 65: items previously reported as assets and liabilities," [bakertilly.com](http://bakertilly.com), 2013
- "Sequestration effects build American bonds," [bakertilly.com](http://bakertilly.com), 2013
- "Advanced utility accounting manual," APPA (contributing author), 2012



# Laurie Horvath, CPA

Laurie Horvath has more than 20 years of public accounting experience — including 12 years with a large international firm, with five in a national office role.



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**Education**

Michigan State University (East Lansing,  
Michigan)  
Masters of Business Administration

University of Michigan (Ann Arbor, Michigan)  
Bachelor of Arts

Harvard Business School  
Executive Education Certificate, Governance in  
not-for-profit organizations

Based in our Detroit office, Laurie leads Baker Tilly's healthcare and not-for-profit practice. She specializes in providing auditing, accounting and consulting services to, including financial statement audits and single audits under OMB Uniform Guidance.

**Specific experience**

- Serves on numerous audit engagements for not-for-profit and healthcare entities including several large multi-entity engagements, single audit engagements, foundations, senior living organizations and human service agencies
- Identifies client opportunities for efficiencies, best practices, and improved governance
- Works with new and existing organizations to map out effective strategic plans, governance strategies, and operational best practices

**Industry involvement**

- Michigan Association of Certified Public Accountants (MICPA), Board of Directors
- Michigan Association of Certified Public Accountants (MICPA), Not-for-Profit Task Force Member
- American Institute of Certified Public Accountants (AICPA), Former Not-for-Profit Expert Panel member
- Honor Community Health, Board Member
- Alternative for Girls, Board Member
- Lighthouse of Oakland County, Former Chair and Treasurer

**Thought leadership**

- Detecting and preventing fraud and embezzlement in your organization, Baker Tilly Not-for-profit fiscal workshop, February 2018

### Laurie Horvath, page 2

#### Thought leadership cont.

- AICPA Women to Watch 2017 – Experience Leader Award
- Managing Managed Care, LeadingAge Michigan Leadership Institute, August 2017
- Not-for-Profit Accounting and Financial Reporting, Baker Tilly Roundtable, July 2015
- Staying Out of Hot Water With Professional Services, Walsh College Entrepreneur You Conference, March 2015
- Appropriate Level of Reserves a NFP Should Maintain, Baker Tilly Not-for-Profit Seminar, March 2015
- GAAP Update, Baker Tilly Not-for-Profit Seminar, March 2015
- Best Practices for an Effective & Efficient Board of Directors, Michigan Israel Business Bridge, February 2015
- Determining the Appropriate Level of Reserves Your NFP Should Maintain, Baker Tilly / PNC Bank Not-for-Profit Event, December 2014
- Womens Initiative 101, AICPA, November 2014
- Top 20 Ways to Improve Your Internal Control Structure, Resource Center for Religious Institutes Conference, November 2014
- Ask the Auditors Roundtable, MICPA Not-for-Profit Conference, October 2014
- Best Practices of an Audit Committee, Jewish Federation of Metro Detroit, October 2014
- Building a Successful Network at Different Stages of Your Career, AICPA, May 2014
- Internal Controls: Best Policies and Procedures for NFPs, Troy Chamber 9th Annual Management Conference, April 2014
- What You Should Know About Estate Planning, UBS Financial Services Information Conversations, March 2014
- Analysis of Grantee Financial Statements, Council of Michigan Foundations, March 2014

# Aaron W. Worthman, CPA

Aaron Worthman, partner on the energy and utilities team, has been with Baker Tilly since 1998.



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**Education**

University of Wisconsin – Eau Claire  
Bachelor of Business Administration

Aaron specializes in serving municipal utilities and joint action agencies. His experience includes performing financial audits and agreed upon procedure reviews as well as preparing rate studies, cost of service studies, rate designs and financial forecasts.

**Specific experience**

- Manages financial audits of numerous municipal electric, water, sewer and stormwater utilities as well as joint action agencies
- Provides OMB Uniform Guidance compliance audits of federally funded programs
- Reviews and tests internal controls of the administration of grant programs
- Analyzes the financial impact of construction projects on utility customer rates, borrowing needs and operational results
- Prepares electric, water, sewer and stormwater rate filings, cost of service studies and rate design
- Testifies as an expert witness before regulatory agencies and local governing bodies to support utility rate adjustments
- Prepares annual budgets and long-range financial forecasts for municipal utilities
- Assists with negotiation of retail utility service agreements related to large industrial developments and intergovernmental agreements

**Industry involvement**

- American Institute of Certified Public Accountants (AICPA)
- American Public Power Association (APPA)
- Northwest Public Power Association
- Wisconsin Institute of Certified Public Accountants (WICPA)

### Aaron W. Worthman, page 2

#### **Thought leadership**

- Speaks on accounting and financial reporting topics at national and regional conferences as well as at Baker Tilly sponsored seminars
- Teaches utility education courses for the APPA
- Authors nationally and regionally published articles on utility regulation and accounting issues

# Heather S. Acker, CPA

Heather Acker, public sector professional practice leader, has been with Baker Tilly since 1997.



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**Partner**  
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**Education**  
Bachelor of Business Administration in  
Accounting  
University of Wisconsin – Madison

Heather is responsible for the quality oversight of the public sector assurance practice of the firm. Throughout her career, she has specialized in serving the needs of state and local government clients. Heather has experience with numerous types of financial and compliance audits including single audits. She has also helped many governments with consultation and implementation of various Governmental Accounting Standards Board (GASB) pronouncements.

## Specific experience

- Leader in Baker Tilly's Professional Practice Group
- Partner of the financial audits of numerous municipalities and counties
- Partner of single audits in accordance with the Uniform Guidance
- Provides technical assistance to local governments in preparing Comprehensive Annual Financial Reports that receive the GFOA certificate for excellence
- Provides Tax Incremental Financing (TIF), Business Improvement District (BID), and Special Service Area (SSA) auditing, reporting and consulting services
- Presents audit reports to local government boards and committees
- Provides GASB strategic planning and implementation services to clients
- Provides guidance on accounting policies and procedures to improve the operation of the accounting function and strengthen internal controls
- Provides a variety of accounting and budgeting assistance to municipalities
- Oversees the Baker Tilly Public Sector Assurance Committee

### Heather S. Acker, page 2

#### **Specific experience cont.**

- Leads the Baker Tilly Single Audit Committee
- Oversees firmwide public sector and single audit training and audit methodology updates
- Performs peer reviews

#### **Industry involvement**

- American Institute of Certified Public Accountants (AICPA)
- Chair of the AICPA State and Local Government Expert Panel (2016-present)
- AICPA Government Audit Quality Center (GAQC) Executive Committee (2012–2015)
- AICPA State and Local Government Expert Panel (2009–2012 and 2015-present)
- AICPA Peer Review oversight program
- GASB Tribal Government Accounting Workshop Group (TGAWG)
- Government Finance Officers Association (GFOA)
- GFOA Special Report Review Committee
- Wisconsin Institute of Certified Public Accountants (WICPA)
- Wisconsin Government Finance Officers Association (WGFOA)
- Illinois Government Finance Officers Association (IGFOA)

#### **Thought leadership**

- Speaks at national and regional industry conferences
- Authors published articles on public sector accounting issues
- Recognized contributor to:
  - AICPA “State and Local Government Audit Guide”
  - AICPA “Government Auditing Standards and Single Audit Guide”
  - AICPA “State and Local Government Audit Risk Alert”
  - AICPA “Government Auditing Standards and Single Audit Risk Alert”
  - AICPA “State and Local Governments Illustrative Financial Statements”



## Gwendolynn J. Zech, CPA

Gwen Zech, manager with Baker Tilly's energy and utilities team, has been with the firm since 2012.



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**Manager**

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United States

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bakertilly.com

**Education**

University of Wisconsin – Whitewater  
Master of Professional Accountancy  
Bachelor of Business Administration in  
Accounting

As a member of the energy and utilities team, Gwen specializes in providing auditing and accounting services to utility clients that follow the standards set by Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB).

**Specific experience**

- Specializes in single audits in accordance with compliance requirements of OMB Uniform Guidance, including audits of Federal Transit Authority public transportation programs
- Provides auditing services to regulated and non-regulated electric, water, sewer, stormwater and transit clients
- Prepares annual reporting requirements and rate proposals for submittal to the
- Public Service Commission of Wisconsin
- Assists in consulting engagements for agreed upon procedures, examinations and financial statement compilations
- Prepares financial forecasts, long-range plans and cash flow projections for municipal utilities
- Assists clients through the implementation of new accounting standards
- Provides training at annual industry event and has taught advanced public utility accounting for client staff

**Industry involvement**

- American Institute of Certified Public Accountants (AICPA)
- Wisconsin Government Finance Officers Association
- Wisconsin Institute of Certified Public Accountants

### Gwendolynn J. Zech, page 2

#### **Thought leadership**

- Baker Tilly internal single audit training (instructor)
- "Utilizing the Wisconsin Public Service Commission uniform system of accounts as a tool and other regulatory accounting topics," Baker Tilly Utility University, 2017
- "Utility plant accounting 101," Baker Tilly Utility University, 2016

#### **Continuing professional education**

- AICPA, Intermediate Level Single Audit Certification
- AICPA, Applying the Uniform Guidance for federal awards in your single audits
- American Public Power Association, Advanced public utility accounting
- Baker Tilly, Annual GASB, FASB and AICPA updates
- Baker Tilly, Annual single audit trainings
- Baker Tilly, Utility University

# Rehmann

*Note: Page 7 of the sample engagement letter was redacted to remove costs that were erroneously included.*



May 16, 2019

Great Lakes Water Authority  
735 Randolph Street  
Detroit, Michigan 48226

Thank you for the opportunity to submit our proposal to audit the financial statements of *Great Lakes Water Authority* (GLWA or the Authority) as of and for the years ending June 30, 2019, 2020 and 2021. Our audits will be conducted in accordance with generally accepted auditing standards; *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance").

Our engagement will provide for annual report issuance in accordance with the terms and conditions set forth in your request for proposals and the sample contract. As a leading public accounting firm serving the governmental industry and your incumbent auditor, you can be confident that Rehmann Robson LLC ("Rehmann") is well positioned to serve you in a timely, efficient manner.

Our mission is to *deliver governmental business wisdom*. This means that you will:

- Have your audits managed and performed by full-time governmental professionals.
- Work with a team known for excellence and efficiency in government financial reporting.
- Know your auditors have extensive federal single audit experience.
- Have access to customized governmental training and value-added services.
- Benefit from our extensive/unique use of technology, particularly Microsoft Excel.
- Enjoy our transparent audit process that eliminates surprises.

Our proposed project team is headed by *Mark Kettner, CPA, CGFM* and *Daniel Clark, CPA* as the signing engagement principals (Mark for the first year and Daniel thereafter) and *Stephen W. Blann, CPA, CGFM, CGMA* as the concurring and technical consulting principal. Each is eminently qualified to serve these project team roles.

Mark, Daniel and Stephen will be joined by *Michelle Hodges, CPA* and *Ken Melvin, CPA*, the engagement managers who will direct and supervise the preliminary and year-end onsite fieldwork and report preparation. Although the count will vary from one week to the next, we generally expect up to two seniors and three associates to serve on the project team.

Our proposal (or responses to the information in your RFP) is provided in Appendix B, C and D in blue type and, for all the appendices, is collective less than 20 pages. This cover letter and the various referenced attachments (schedule of estimated hours, resumes, etc.) are presented in or under the "Proposal" file in Bonfire.

This proposal is a firm, irrevocable offer for six months to provide independent auditing services at the prices quoted in our bid package. The undersigned is authorized to bind our Firm to any agreement resulting from this proposal, including the terms and conditions of the sample contract, and to make representations on our behalf.

We acknowledge receipt of all RFP bid documents and addendums (through #3) posted by the Authority on Bonfire. We also confirm that we are ready, willing and able to start work on the engagement immediately upon notification of your acceptance of our proposal.

We should also note that each of the proposed principals will be at the GFOA annual conference from May 17 through 22, so they would not be available for in-person interviews on those dates.

Thank you for considering Rehmann. Feel free to contact us at any time.

Sincerely,

Rehmann Robson LLC

A handwritten signature in black ink that reads "Mark Kettner". The signature is written in a cursive, flowing style.

Mark T. Kettner, CPA, CGFM  
Principal

# Detailed Audit Approach



# Detailed audit approach

Each audit engagement is unique and requires different procedures to meet specific circumstances. However, the following broad approach is followed for most of our audits. While certain steps may occur in different order than presented below, a typical <<ClientType>> audit would consist of the following audit procedures:

## Phase 1: planning/risk assessment

Pre-engagement – Certain audit procedures and inquiries are completed prior to the commencement of audit fieldwork. This ensures that we have a complete understanding of the entity, agreement on the extent of procedures to be performed, and an anticipated timeline for completion.

Procedure	Description
Planning meeting	<p>All members of the audit team will meet with the key contacts at the government. All parties will set dates for the milestones of the audit:</p> <ul style="list-style-type: none"><li>• Preliminary fieldwork (if requested)</li><li>• Availability of reasonably adjusted trial balance</li><li>• Primary fieldwork</li><li>• Interim audit status meetings (for larger engagements)</li><li>• Draft reports/exit conference</li><li>• Final reports</li><li>• Presentation to board(s)/committee(s), as requested</li></ul> <p>By agreeing to these dates up front, we are able to schedule the right people to have availability at the right time. During this meeting, both the &lt;&lt;ClientType&gt;&gt; and the auditors will clarify expectations:</p> <ul style="list-style-type: none"><li>• Requested downloads</li><li>• Client-provided workpapers (content, format, timing, etc.)</li><li>• Communication methods (phone vs. e-mail, etc.) and direction (all requests through the primary contact vs. inquiring directly of the employee responsible)</li></ul>
Draft preliminary financial statements	<p>Using the prior year trial balance and issued financial statements, the audit in-charge will gain an understanding of account groupings for financial statement presentation. This will simplify the process of compiling the financial statements by only requiring newly created general ledger accounts to be grouped. It will also ensure that the audited financial statements are being prepared consistently. We refer to this as “coding the trial balance” which will then link directly to the financial statements, management’s discussion and analysis tables, and leadsheets. If journal entries need to be posted after the auditors have received</p>

	the trial balance, they can be posted in our Excel file and will flow through automatically to the related files.
Engagement letter	The engagement letter will serve as the contract between the auditors and the <<ClientType>> and will be sent each year. This letter contains information on the scope of the audit and the related fees. We ask that the <<ClientType>> return a signed copy of the letter to us prior to the commencement of primary audit fieldwork.
Discussion with audit committee	Each year before the start of the audit, one of the audit executives assigned to your engagement will conduct a short meeting or phone call with the chair of your audit committee (or its equivalent in your entity). We will discuss timing and the planned scope of the audit. Your audit committee chair will be given the opportunity to provide us with any additional information he/she deems relevant and ask any questions about the audit process.
Communication with prior auditors	Auditing standards require that we make certain inquiries of your predecessor auditors. We will provide management with the template of a letter that the <<ClientType>> will send to the predecessor audit firm authorizing them to answer our questions and allow us access to their prior year workpapers. We have the <<ClientType>> send a copy of this letter to us so we know when to initiate communication. In addition to make standard inquiries as required by Statement on Auditing Standards No. 84: <i>Communications Between Predecessor and Successor Auditors</i> , we may also visit the prior auditors' offices to review their workpapers. If we can determine that the appropriate standards were followed in performing that audit, we may not consider it necessary to test opening balances.
Communication with other auditors	If the <<ClientType>> has any funds or component units audited by other CPA firms, we need to make certain inquiries of these firms regarding their understanding of our reliance on their separately-issued report(s) and the auditing standards they plan to follow. This process requires minimal assistance from the <<ClientType>> and is deemed to remain in effect unless the audit firm changes.

## Phase 2: primary fieldwork/testing

Planning/Risk Assessment – In order to design our auditing procedures according to your unique operating environment, we will use various methods to gain an understanding of processes and internal controls. We will use the results of these inquiries and tests to assess risks and to further tailor our governmental audit programs. This process is more extensive in the first year as a base understanding is gained by the audit team, and may require a specially scheduled visit of 1-2 days. In future years, the process will consist primarily of updating our understanding for any procedural or personnel changes that may have occurred. Our standard planning/risk assessment procedures might include these tests:

Procedure	Description
Document financial systems	We will obtain any existing accounting policies and/or procedures manuals to gain an understanding of the operating environment. If no such materials are available, we have a form of basic questions that will guide you through the process of documenting your actual practices.
Review control activities	<p>A yes/no questionnaire will be provided that describes various typical control activities by transaction class (i.e., cash, accounts receivable, long-term debt, etc.). We will ask you to answer these questions and provide us with any additional information that may be helpful to us in understanding the internal control structure.</p> <p>Based on the responses to these questions, we will determine the 2-3 “key controls” over each transaction type.</p>
Walkthroughs	Once we have an understanding of internal controls and have identified the key controls, we will select a small sample of actual transactions and “walk through” each of the key controls to determine if the controls have been implemented and documented appropriately. The typical areas for which walkthroughs are performed are: cash disbursements, cash receipts, payroll, and general journal entries, though other areas may also be tested at this time.
Establish materiality and major funds	Using the reasonably adjusted trial balance and draft financial statements, the audit team will test the appropriateness of major funds. Materiality will then be calculated by opinion unit. Our substantive tests generally require the audit team to test all individually significant items and, depending on the remaining untested balance, may require sampling the remaining population.
Review of board minutes	In addition to discussing major activities in the year under audit with management (such as issuance of long-term debt, large capital-related purchases, new programs or services, etc.), we will review minutes from meetings of the Board and any committees. This will allow us to identify significant or unusual events or

	purchases and revise our planning audit procedures accordingly.
Analytical review	<p>Using the current and prior years' trial balances and the final amended budget, we will perform analytical procedures at the financial statement level. In general, we consider an income statement line item to be reasonable and consistent if it is within either 10 percent of the prior year actual or current year budget. Any financial statement line items with fluctuations outside of these parameters will be selected for additional procedures. We will review fluctuations at a greater level of detail (by general ledger account) and have discussions with management to identify and document the reasons for the change. At times, this process will identify errors or inconsistencies in posting of transactions, or accruals that still need to be posted (or reversed from the prior year).</p> <p>Based on our preliminary analytical review, certain income statement accounts may be selected for substantive testing because of their significance and/or ease of testing. Common substantive tests over income statement accounts are described later in this appendix.</p>
Risk assessment and brainstorming	At various times through the year, Rehmann's governmental audit group will meet to discuss risks that are common to Michigan governments. The audit team will review the notes from these meetings at the beginning of the <<ClientType>>'s audit to determine which of these risk factors might be applicable. The team will then use the information provided in the previous steps to identify additional risks and design audit procedures to address such risks. Our government-specific audit programs will be tailored to reflect the planned audit procedures.
Consideration of fraud	<p>In accordance with Statement on Auditing Standards No. 99: <i>Consideration of Fraud in a Financial Statement Audit</i>, we will make certain inquiries of personnel in various departments and positions to obtain their views about the risks of fraud and how they are addressed. These inquiries are made in the form of written questionnaires which are provided to selected individuals with a postage-paid return envelope and mailed directly to us when completed.</p> <p>In addition, each year the audit team will conduct 2-4 "surprise" procedures that are outside the scope of the typical audit. The use of these unpredictability tests is a requirement of SAS 99. These tests are generally relatively simple and address various internal control, financial statement presentation, and compliance issues.</p>

Review of attorney invoices	We will discuss any pending or anticipated litigation with upper management and review invoices for attorney services. If items are identified that may require accrual and/or disclosure in the financial statements, we may request written responses to certain inquiries from your attorneys. A pre-drafted letter to send to the attorney will be provided to management for preparation of inquiries, if deemed necessary.
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Substantive Audit Procedures – In general, our approach to this audit will be “balance sheet oriented”. This means that we will first focus our attention on testing the ending balances of the assets and liabilities of each opinion unit. This approach has two distinct advantages: (1) it places greater emphasis on identifying potential misstatements in accounts that could have a carry-over effect on later periods (unlike income statement accounts that reset each year), and (2) it can reduce risk of material misstatement over the aggregate income statement accounts to a level where a primarily analytical approach can be applied with an acceptable detection risk for potential misstatements. This results in a very efficient audit process, and allows us to provide a high level of assurance in fewer hours. Of course, certain income statement accounts may still be tested substantively because of their ease of testing and/or significance.

Our auditors approach substantive balance sheet testing at the financial statement level (following our opinion) and not by individual trial balance accounts. Leadsheets are generated directly from the trial balance using grouping codes, and accounts are divided and subtotaled by opinion unit in order to easily determine whether appropriate testing has been completed. Each leadsheet contains both current and prior year balances to allow the auditors to quickly identify trends and expectations and document any significant fluctuations. Balance sheet accounts that have remained unchanged will be brought to the attention of management for inquiry and follow up.

Initially, all individually significant or unusual items are selected for testing and the percent of coverage by opinion unit is calculated and evaluated for adequacy to support our opinion. If, based on our risk assessment, we consider it necessary to obtain additional audit coverage, the remaining untested balance is stratified and sampled following professional standards. With each test performed, the auditors include sufficient documentation to both comply with professional standards and to allow the audit executives to understand the procedures performed and related conclusions reached during their review process.

Our entire audit process is facilitated electronically, using a paperless system. Accordingly, to the extent possible, we request that supporting schedules and documentation be provided to us in their native electronic format. The audit team will also come prepared with a high-speed scanner which will allow them to scan any hardcopy documents provided into the electronic audit file. The audit team will generally not require paper photocopies of supporting documents (unless the <<ClientType>> is more comfortable providing photocopies). After testing is completed and any important items have been scanned into the file, the originals will be returned in-tact.

There are many advantages to a paperless system, or electronic audit file. As mentioned previously, the auditors will not require photocopies be made of supporting documentation. Workpapers and leadsheets can be updated and edited in the field without reprinting, and the auditors will have ready access to the prior year audit files in their entirety and can show you examples of what they are requesting. Throughout the year, if you contact the audit team with a question, they will have easy access to the audit files, regardless of whether they are in the office, at home, or at another client site.

While not all inclusive, the following listing summarizes many of the standard substantive audit procedures that may be performed, along with the requested documentation:

Audit Area	Substantive Test
Cash and investments	<ul style="list-style-type: none"> <li>• Send bank confirmation forms (completed by management) to respective financial institutions, compare confirmed balances to bank statements, and investigate discrepancies.</li> <li>• Consider allowability of investments in accordance with State statute and the government's investment policy.</li> <li>• Agree book balances to a trial balance account (or group of accounts for pooled cash systems).</li> <li>• Test bank reconciliations by tracing deposits in transit and outstanding checks to the subsequent period statement. Trace inter-bank transfers in transit between account reconciliations. Identify outdated or unusual reconciling items.</li> <li>• Consider the appropriateness of accrued interest on certificates of deposit and investments.</li> <li>• Calculate Federal Depository Insurance Coverage (FDIC).</li> <li>• Prepare financial statement disclosures such as those concerning interest rate risk, credit risk, and concentration of credit risk.</li> </ul>
Receivables	<ul style="list-style-type: none"> <li>• Obtain subledgers for significant account balances. Select items for detail testing and obtain subsequent receipt noting whether the amount was earned prior to year end and received in the next period.</li> <li>• Consider whether any receivables in governmental funds are collected outside of the period of availability (as it is defined by the government) and should be deferred in the fund financial statements.</li> <li>• Send confirmations for utilities receivable, pledges receivable, etc.</li> <li>• Trace grant receivables to financial status reports, subsequent receipts, and/or determine whether the recorded receivable is equal to grant expenditures, less actual cash receipts.</li> <li>• Trace special assessments receivable to signed special assessment rolls. Perform a rollforward of special assessments by taking the prior year receivable, subtracting special assessment revenue from the trial balance or financial statements, adding new assessments levied, and comparing the</li> </ul>

	result to the amount of the current receivable.
Inventory	<ul style="list-style-type: none"> <li>• Compare detailed listings of items, individual cost, and extended cost to the general ledger control accounts.</li> <li>• If deemed necessary, perform a physical observation of the inventory count at year-end. Select a sample of items from the inventory listing, locate and count the items, and compare to the recorded balance. Also select a sample of items directly from the floor, count, and compare to the actual amount recorded in the subledger.</li> <li>• Inquire about obsolete inventory.</li> </ul>
Prepays	<ul style="list-style-type: none"> <li>• Determine the nature of prepaid items in each general ledger account.</li> <li>• Recalculate prepaid balance using invoices and check vouchers and determine whether the amount was paid prior to year-end.</li> </ul>
Capital assets	<ul style="list-style-type: none"> <li>• Obtain rollforwards of capital asset activity. Agree beginning balances to prior year audited amounts and ending balances to general ledger control accounts.</li> <li>• Obtain a detailed listing of additions and agree to the rollforward. Test individually significant items by tracing to approved invoices.</li> <li>• Compare capital outlay expenditures to capital asset additions for reasonableness. If considered necessary, perform a search for unrecorded capital assets to audit completeness.</li> <li>• Agree approved capital items from board minutes to additions listing.</li> <li>• Obtain a detailed listing of disposals and agree to the rollforward. Determine whether any proceeds on the sale of such assets has been reported appropriately in the financial statements.</li> <li>• Obtain depreciation schedules and test the accuracy of calculation based on the selected depreciation method and useful life.</li> <li>• Test the accounting for and disclosure of amounts acquired through capital leases or installment purchase agreements.</li> <li>• Test the allocation of depreciation expense by function.</li> <li>• Inquire about timing of physical inventory observations, the existence of idle assets, and whether remaining useful lives are still appropriate.</li> <li>• Inquire about the existence of intangible assets such as usage or access rights.</li> <li>• Consider whether amounts remain on construction contracts related to construction in progress for disclosure in the notes to the financial statements.</li> </ul>



Payables	<ul style="list-style-type: none"> <li>• Obtain a detailed listing of the composition of general ledger control accounts and compare to year-end account balances.</li> <li>• Perform a completeness test by selecting certain subsequent disbursements, reviewing the invoice for information on the accounting period involved, and determining whether the amount is properly included or excluded from year-end accounts payable.</li> <li>• Trace fiduciary liabilities to subsequent disbursements or detailed subledgers of amounts held by individual/entity.</li> <li>• Determine whether any amounts are being held in agency funds that represent funds of the primary government which should be accounted for in the respective funds.</li> </ul>
Accrued liabilities	<ul style="list-style-type: none"> <li>• Recalculate accrued salaries and wages payable by gaining an understanding of the timing of service periods and pay dates, obtaining support for the first pay date in the subsequent period, determining the number of service days covered by the pay run and the number of service days during the period under audit, recalculating the accrual.</li> <li>• Recalculate the accrual for the employer's share of FICA taxes payable based on known rate of 7.65%.</li> <li>• Consider the reasonableness of other fringe benefit accruals such as health insurance, retirement, and workers' compensation.</li> <li>• For self-insurance programs, obtain calculations or third-party reports estimating incurred-but-not-report claims. Rollforward self-insurance claims payable for disclosure in the footnotes.</li> </ul>
Long-term debt	<ul style="list-style-type: none"> <li>• Obtain a rollforward of long-term debt activity. Compare the beginning balances to the prior year audit.</li> <li>• Obtain amortization schedules for bonds and notes payable. Consider whether any debt covenants exist and test accordingly.</li> <li>• Trace principal payments to the debt rollforward and the amortization schedules.</li> <li>• Agree the current portion of long-term debt and future minimum payments of principal and interest to the amortization schedules.</li> <li>• Determine whether new debt was approved by the governing body and issued in accordance with State statute.</li> <li>• Determine whether there were premiums and/or discounts associated with the issuance of the debt by obtaining the sources and uses statement. Consider whether any bond issuance costs should be capitalized and amortized over the life of the bonds. Recalculate such balances.</li> <li>• Recalculate accrued interest payable based on the first interest payable of the subsequent period, the length of time covered</li> </ul>

	by this interest payment, and the length of time within the year under audit.
Compensated absences	<ul style="list-style-type: none"> <li>• Obtain a detailed listing of compensated absences (accrued sick and vacation time) by employee and agree to general ledger control accounts.</li> <li>• Obtain an understanding of compensated absences policies, such as vesting, payment rates, and maximum payouts.</li> <li>• Select a sample of individuals for testing. Trace accrued hours to source files and pay rates to personnel files or union/bargaining unit contracts. Recalculate accrual and determine whether hours are within the maximum amount.</li> <li>• Determine whether FICA taxes are being accrued on the year-end balance.</li> <li>• Rollforward compensated absences liability by obtaining either the accrual for amounts earned or the amounts used/paid for disclosure in the notes to the financial statements.</li> <li>• Consider the appropriateness of the expense allocation for the change in compensated absences of governmental activities.</li> <li>• Inquire about an estimated current portion and consider whether this is being presented appropriately in the financial statements. Compare current portion to actual uses/payments for reasonableness.</li> <li>• Inquire about the existence of any severance agreements or termination benefits. Obtain supporting documentation and test accordingly.</li> </ul>
Equity	<ul style="list-style-type: none"> <li>• Compare beginning equity by fund to the prior year audit, and investigate any differences.</li> <li>• Review fund balance classifications based on the nature of the funds and board resolutions/policies (if applicable).</li> <li>• Review net asset classifications for accuracy. Recalculate net assets invested in capital assets net of related debt.</li> </ul>

These substantive procedures will be completed primarily by our staff and senior auditors. Each workpaper will be reviewed by the engagement manager (and where appropriate, the engagement principal) during fieldwork so questions can be resolved while the team is still on-site.

### Phase 3: financial statement preparation/review

Financial Statement Preparation - Another key element of the fieldwork process is the preparation of draft financial statements (including footnotes), the management letter, and other applicable reports/correspondence. As mentioned briefly in the beginning of this appendix, Rehmann uses a unique system for preparing the financial statements. The following are the primary steps in the preparation of the financial statements:

Procedure	Description
Downloads	<ul style="list-style-type: none"><li>• Obtain a download directly from the client's financial accounting system which includes: complete account number, account name, and account balance. For income statement accounts, the original and amended budgets will be downloaded as well.</li><li>• Extract the system download into a usable Excel file using Monarch or other data extraction software.</li><li>• Assign fund and government-wide financial statement captions to each account based on the level of detail in the financial statements. This effectively maps each account on the government's chart accounts to the appropriate sections of the financial statements.</li><li>• This process is most intensive in the first year of the audit, which is why we request a prior year trial balance before we arrive on-site. That way, we can have the initial set-up completed before the audit begins.</li></ul>
Linking	<ul style="list-style-type: none"><li>• Use Excel PivotTables to summarize the data in the trial balance based on the assigned captions.</li><li>• Use Excel's "VLookup" and "Match" functions to link the PivotTables to the actual financial statements.</li><li>• The advantage of this system is that any account coding changes or journal entries discovered through the audit process can be posted to the auditors' version of the trial balance and with the click of a button the PivotTables are refreshed and the financial statements are automatically updated.</li><li>• Tables for the Management's Discussion and Analysis are linked to the financial statements.</li></ul>
Footnotes	<ul style="list-style-type: none"><li>• Draft notes to financial statements using a current disclosure checklist to ensure completeness.</li><li>• Obtain supporting documentation for disclosures not directly linked to the trial balance or financial statements, such as: retirement and other postemployment benefit plan funding progress and funded status, related party transactions, subsequent events, etc.</li></ul>
SAS 114 letter	<ul style="list-style-type: none"><li>• Through the audit process, the engagement team will keep a list of potential audit issues and/or internal control or efficiency recommendations.</li></ul>

	<ul style="list-style-type: none"> <li>• Near completion of fieldwork, the potential items are reviewed and discussed amongst the audit team.</li> <li>• The method of communication for items deemed to be control and/or compliance deficiencies is determined and a SAS 114 letter (informally known as the “management letter”) is drafted.</li> </ul>
Other reports	<ul style="list-style-type: none"> <li>• If the government is subject to a single audit in accordance with the Uniform Guidance (by expending at least \$750,000 in Federal awards in any given fiscal year), the reports on Single Audit Act compliance will be prepared.</li> </ul>
Detail check	<ul style="list-style-type: none"> <li>• After the financial statements and notes are drafted and a disclosure checklist has been completed, the entire report is reviewed by another individual. Controls totals are compared between statements and schedules, numbers are footed and cross-footed, footnotes are agreed to the underlying financial statement amounts (when applicable), and overall presentation is reviewed for proper formatting, spelling, and grammar.</li> <li>• The audit opinion (and Yellow Book report and/or single audit report, as applicable) are compared to current professional standards for completeness and accuracy.</li> <li>• Any management letter comments are reviewed for clarity and appropriateness.</li> <li>• The preparer of these documents is then provided feedback from the independent review and follows up on questions/comments accordingly.</li> </ul>
Technical standards review	<ul style="list-style-type: none"> <li>• Generally on the final day of audit fieldwork, the engagement principal comes on-site to review the audit team’s workpapers and perform a technical standards review of the financial statements and management letter.</li> <li>• Additional technical standards reviews are conducted after fieldwork by a principal not associated with the engagement (i.e., a “cold review” of the statements).</li> </ul>
Exit conference	<ul style="list-style-type: none"> <li>• While the auditors are still on-site, the draft financial statements and management letter are provided to and reviewed with management during an exit conference.</li> <li>• Audit findings or recommendations are explained in detail, and an open dialog is held to ensure that the facts and circumstances are properly understood by all parties.</li> <li>• A working draft of the management’s discussion and analysis (with information related to the audited financial statement completed already) is provided.</li> <li>• Any open items are summarized in written format and reviewed with the client.</li> <li>• The timeline for engagement completion and issuance (initially agreed-upon as part of the planning meeting) is reviewed for</li> </ul>

	reasonableness, and updated as needed.
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At this point in the process, the auditors will pack up their equipment and leave the field. Management is then given as much time as requested to review the draft reports, provide feedback, and ask questions. Once management has proposed any necessary corrections and the management's discussion and analysis is completed, the entire financial reporting package is submitted to a second technical standards review. This review is always done by an audit executive in a different office with no continuing involvement in the audit process.

Any questions or issues that arise through the technical standards review are discussed between the audit team and management. If changes have been made to the initial drafts, management is provided with a final draft for its review and approval. We then provide management with a draft representation letter. This is a document that puts into writing the assertions made by management to the auditors throughout the audit process. We ask that this letter be printed on the government's letterhead and signed by two individuals (generally the equivalents of the CEO and CFO). We consider the signed representation letter to be management's assertion that drafts have been reviewed and our authorization for processing of final reports.

#### **Phase 4: conclusion/issuance procedures**

Rehmann's professional support staff will coordinate the printing and binding of final reports and will upload the required PDF to the State of Michigan. The printed copies will be mailed or delivered. Management will be provided with a final PDF of all reports produced in the audit. The government is free to use this document for distribution to grantor agencies and related parties, upload to the government's website, or to produce additional printed copies.

The audit process concludes with presentation to the governing body (or one of its committees), as requested. One of the executives assigned to the audit team will report on the result of the audit in whatever level of detail is requested. A typical presentation lasts 10-15 minutes, but can be as short as 5 minutes or as long as one hour, depending on your preferences.

While this concludes the formal process of the annual audit, your engagement team will be available for questions throughout the year. We will provide management with information on relevant upcoming changes in accounting standards and opportunities to participate in training events or webinars. We will also check in at times throughout the year to say hello and provide an opportunity for management to ask any questions or provide updates on the government's operations.

We are confident that our audit process maximizes efficiency while still providing the highest level of audit assurance. Our governmental auditing team has a deep understanding of accounting and financial reporting as it relates to local units of government. But our auditors also understand that you are busy and have priorities and responsibilities in addition to the annual audit. Your audit team will make as many requests ahead of time as possible, coordinate information requests and questions, and strive to keep the audit process as quick as possible.

# Detailed Single Audit Approach

## Detailed single audit approach

Your single audit will be conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Each audit engagement is unique and requires different procedures to meet the specific circumstances. However, the following broad approach is followed for most of our single audits. These procedures are generally performed concurrently with the financial statement audit and the reports are issued on the same date. However, this work can be performed at a separate time if requested by management. The following procedures describe our general approach in performing a single audit.

### Testing of schedule of expenditures of federal awards and understanding internal controls over federal awards

Our first step in performing a single audit is obtaining a complete schedule of expenditures of federal awards (SEFA) from management. While the auditors may assist in the compiling and formatting the SEFA, the responsibility of identifying federal awards and providing information on the Catalog of Federal Domestic Assistance (CFDA) number, grant/pass-through award number, pass-through agency, and current year expenditures is the responsibility of management. We will request that a complete SEFA be provided before commencement of the single audit procedures. The following are the primary steps in testing the SEFA and obtaining and understanding the related procedures and internal controls:

Procedure	Description
Agree to general ledger	<ul style="list-style-type: none"><li>• Obtain an understanding of the chart of accounts used to track federal revenue and expenditures and which identifying numbers correspond to each grant award.</li><li>• Agree federal revenue (by grant and in total) to the SEFA</li><li>• Agree federal expenditures to the SEFA</li><li>• Inquire of the existence of non-cash awards that may recorded as a government-wide adjustment only</li></ul>
Agree to source documents	<ul style="list-style-type: none"><li>• Obtain source documents to substantiate amounts/disclosures in the SEFA, such as grant award agreements, financial status reports, award close-out reports, etc.</li></ul>
Obtain understanding of internal controls	<ul style="list-style-type: none"><li>• Review with management the overall controls over compliance with each of the applicable compliance requirements of the OMB Compliance Supplement</li><li>• Inquire of any program audits or grantor agency monitoring during the year and results of those visits</li><li>• Review prior year audits for instances of control deficiencies or noncompliance related to federal awards.</li></ul>



## Determine major programs and perform controls/compliance testing

A single audit involves detail testing of individual programs (or clusters of programs) which are selected by the auditors using various criterion. Some of the factors are subjective and others have very little flexibility. For example, programs of a certain size must be tested at least every third year. The audit team will select major programs based on the criteria listed in the Uniform Guidance and their risk assessment process. Programs/clusters selected as major will be communicated to management as soon as they are determined and a detailed request list will be provided. The following procedures describe our controls/compliance testing:

Procedure	Description
Determine major programs	<ul style="list-style-type: none"><li>• Determine whether the auditee meets “low-risk” criteria by reviewing single audit reports and Federal Audit Clearinghouse submissions from the past two years. Calculate the required audit coverage ( 20 percent or 40 percent, depending on whether the entity is “low-risk”)</li><li>• Perform risk assessments and select those programs required to be tested in the current year</li><li>• Select additional programs, as necessary, to obtain sufficient audit coverage</li><li>• Calculate materiality for each major program/cluster</li></ul>
Gather information	<ul style="list-style-type: none"><li>• Extract the general ledger transaction detail for the revenue and expenditure accounts used for each major program (complete general ledger detail already obtained through financial statement audit procedures)</li><li>• Group general ledger transactions based on transaction type (i.e., payroll, accounts payable, indirect charge, etc.)</li><li>• Summarize transactions by type and agree expenditures in total to the SEFA</li><li>• Review the matrix of compliance requirements as provided in the OMB Compliance Supplement (if available) for selected programs and determine applicable compliance requirements</li><li>• Obtain the grant agreement and budget and review along with the summarized general ledger postings to determine whether the compliance requirements indicated on the matrix are all applicable</li><li>• Review the detail compliance requirements and suggested audit procedures of the specific grant in the OMB Compliance Supplement</li><li>• Determine whether any other authoritative guidance exists, such as pass-through grantor manuals or memos, and review such requirements</li></ul>
Controls/compliance testing (overall procedures)	<ul style="list-style-type: none"><li>• Perform tests of controls and compliance for each applicable compliance area. Such procedures are generally a combination of inquiries/observations along with a sample of actual transactions</li><li>• Select individually significant items for testing and sample remaining balances to obtain sufficient audit coverage for</li></ul>

	<p>controls and compliance</p> <ul style="list-style-type: none"> <li>• Inquire of the internal controls over each compliance area and the method of documenting such controls</li> <li>• Review source documentation and determine whether the entity demonstrated compliance and documented controls over compliance.</li> <li>• Document understanding of each applicable compliance requirement, related internal controls, testing performed, and audit conclusions</li> </ul>
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General procedures for each of the applicable compliance requirements are as follows, but will vary based on audit risk assessment, materiality, provisions of the grant agreement, and other factors:

Procedure	Description
Allowable costs/cost principles	<ul style="list-style-type: none"> <li>• Review invoices and purchase orders for accounts payable disbursements. Determine whether disbursements were allowable in accordance with the provisions of the grant agreement and whether the disbursement was made and documented in accordance with the entity's purchasing policies.</li> <li>• Recalculate payroll charges based on approved timesheets and pay rates (for hourly employees)</li> <li>• Determine whether time and effort were documented in accordance with the Uniform Guidance</li> <li>• Analytically compare fringe benefit charges for Federal programs to entity-wide averages for reasonableness</li> <li>• Agree indirect charges to approved rates or cost allocation plan</li> </ul>
Cash management	<ul style="list-style-type: none"> <li>• Determine whether cash advances are allowed for the grant or if it is operated strictly on a reimbursement-basis</li> <li>• Review a sample of actual cash draws and compare to source documentation (such as a general ledger expenditure report)</li> <li>• For reimbursement-based grants, determine whether cash was disbursed (and not just expended) within 3 days of receipt</li> <li>• Identify whether the cash draw was subjected to a documented independent review and approval</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>• Determine eligibility requirements under the grant and whether they apply to individuals or groups of individuals</li> <li>• Obtain an understanding of how eligibility is determined, documented, and independently verified</li> <li>• Obtain a detail listing of the individuals/groups receiving benefits under the grant. Select a sample and review source documentation to verify eligibility</li> </ul>
Equipment and real property management	<ul style="list-style-type: none"> <li>• Determine whether the entity has purchased capital items with federal funds in the current or previous years</li> <li>• Obtain a listing of capital items purchased with federal funds</li> </ul>

	<p>and ensure that each asset is being flagged as “federally-funded” and listed along with the grantor agency name and other required information</p> <ul style="list-style-type: none"> <li>• Inquire of the most recent physical inventory and reconciliation to the accounting records and review documentation of this process</li> <li>• Determine whether any disposals during the current year were made in accordance with Federal guidelines</li> <li>• Inquire of the controls over safekeeping and appropriate use of federally-funded equipment. Determine whether a physical inspection or tour is necessary</li> </ul>
Matching, level of effort, and earmarking	<ul style="list-style-type: none"> <li>• Review management’s documentation for compliance with minimum and maximum percentage requirements</li> <li>• Determine whether matching requirements were met and trace to supporting documentation</li> </ul>
Period of performance	<ul style="list-style-type: none"> <li>• Determine the period of performance of the grant by reviewing the award agreement</li> <li>• Select a sample of transactions and ensure that each was incurred during the period of performance</li> <li>• Determine whether grant funds were required to be expended in accordance with certain timelines and whether such requirements were met</li> </ul>
Procurement, suspension and debarment	<ul style="list-style-type: none"> <li>• Review the entity’s purchasing and procurement policies. Determine when competitive bidding is required</li> <li>• Review a sample of transactions and determine whether each was processed in accordance with entity policies and procedures</li> <li>• Determine the expenditures in which competitive bidding was required. Select a sample of such expenditures and review procurement files for evidence of full and open competition and compliance with entity policies</li> <li>• Determine whether any vendors/contractors were utilized in the amount of \$25,000 or more for which suspension/debarment procedures would apply. Search vendor/contractor name on the Federal Excluded Parties List System (EPLS) and identify whether any are listed as suspended or debarred</li> <li>• Inquire of the controls over doing business with suspended or debarred parties. Review corroborating evidence, such as: excerpts of contracts, signed certifications regarding suspension/debarment, or other documentation, as applicable to the entity</li> </ul>
Program income	<ul style="list-style-type: none"> <li>• Determine whether the entity generated any income through use of grant funds. If so, ensure that it was accounted for appropriately and reinvested in the program</li> </ul>

	<ul style="list-style-type: none"> <li>• Inquire of the controls over ensuring that all program income is appropriately captured as such in the general ledger and therefore identifiable for reinvestment in the grant</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• Gain an understanding of the required reports (financial, performance, and/or special), and submission frequency</li> <li>• Select a sample of each type of report (financial, performance, and special) and trace reported amounts and data to the general ledger or other underlying records</li> <li>• Determine whether selected reports were submitted by the required due date</li> <li>• Review evidence of independent review and approval of reports prior to submission</li> </ul>
Subrecipient monitoring	<ul style="list-style-type: none"> <li>• Obtain a listing of the grant subrecipients and dollars passed-through to each</li> <li>• Select a sample of subrecipients and review subaward agreements for appropriate communication of required items</li> <li>• Review monitoring files for evidence of on-site review. Determine whether any finding were noted and if appropriate follow-up action was taken</li> <li>• Obtain subrecipient single audit reports (if applicable) and determine whether the amounts reported by the subrecipient reconcile to the entity's records. Review paperwork to support that this review and reconciliation was completed and follow-up action was taken as necessary</li> </ul>
Special tests and provisions	<ul style="list-style-type: none"> <li>• Identify special tests and provisions through review of the OMB Compliance Supplement and the grant agreement.</li> <li>• Design tests to determine compliance with such requirements, obtain information on the population, select a sample of transactions, and review evidence to support compliance</li> </ul>

### Report preparation and audit finalization

After all the detail testing is completed and related inquiries have been made, the auditors will identify whether any noncompliance or control deficiencies were noted. These instances will be evaluated for magnitude and materiality and an initial determination of method of communication will be made. The following summarizes the remaining procedures performed for the single audit:

Procedure	Description
Review of workpapers and evaluation of potential findings	<ul style="list-style-type: none"> <li>• As with the financial statement audit, all workpapers will be subjected to an independent review while the auditors are on-site. This will allow for follow-up on any questions to be completed in the field</li> <li>• At the end of audit fieldwork, or shortly thereafter, the workpapers and potential finding listing will be reviewed by the engagement partner. The appropriate method of communication for any noncompliance or control deficiencies</li> </ul>

	will be determined
Draft report	<ul style="list-style-type: none"> <li>• Draft report on Single Audit Act compliance. This may be included in the back of the entity's financial statement audit, or as a free-standing document, based on management's preference</li> <li>• Prepare required reports in accordance with <i>Government Auditing Standards</i> and the Uniform Guidance and ensure that language is consistent with authoritative guidance</li> <li>• Prepare the schedule of findings and questioned costs</li> <li>• Draft language for any items noted as control deficiencies and/or noncompliance. Each item will be identified by number, indicate the grant name and CFDA number, the pass-through agency (if applicable), and the pass-through/grantor award number. In accordance with professional standards, the write-up will include the <i>criteria</i> necessary for compliance, the <i>condition</i> noted in our testing, the primary reason(s) or <i>cause</i> for this condition, the related <i>effect</i> on the entity, and the auditors' <i>recommendation</i> for future action. In addition, there will be a section on the <i>view of responsible officials</i> where the entity can provide its perspective on the situation and planned corrective action</li> <li>• Enter data into the web-based data collection form for eventual submission to the Federal Audit Clearinghouse</li> </ul>
Technical standards review	<ul style="list-style-type: none"> <li>• Subject single audit report and data collection form to technical standards review by the engagement partner</li> <li>• Process draft report in PDF format and provide to management</li> </ul>
Review report with management	<ul style="list-style-type: none"> <li>• Either as part of the financial statement audit exit conference, or at a different pre-arranged time, meet with management to discuss the results of the audit</li> <li>• Discuss and clarify any reported audit findings and obtain initial management feedback. While reading of potential findings in written, draft report format may seem too formalized, we have found that it is best to communicate these items in writing, where they can be reviewed in detail by the engagement partner first. Our auditors are encouraged to avoid verbally concluding on the method of communication of audit findings or recommendations until they can be reviewed in context by the engagement partner. This limits the chance of miscommunication or misunderstanding</li> <li>• Agree to a timeline for report finalization, including: management feedback on drafts, "view of responsible officials" language for any findings, report issuance, and presentation to the governing body</li> </ul>
Finalization	<ul style="list-style-type: none"> <li>• Encourage management to review the draft reports in detail</li> </ul>

	<p>and agree reporting information to the entity's internal records</p> <ul style="list-style-type: none"> <li>• Obtain feedback from management on its review of the draft reports in detail</li> <li>• Discuss management objections to reported finding. Based on the extent of information and/or documentation provided, determine whether it is necessary to reclassify, reword, or remove any findings</li> <li>• Subject single audit report and data collection form to a second technical standards review by another audit partner</li> <li>• Provide management with final drafts</li> <li>• Auditors receive signed representation letter and management authorizes finalization of reports</li> <li>• Date audit reports to match the representation letter, prepare finals, and e-mail a clean PDF copy to management for distribution to the Board, grantor/pass-through agencies, or other interested parties.</li> <li>• Print, bind, and mail paper copies of the report</li> <li>• Initiate submission to the Federal Audit Clearinghouse. The audit principal will electronically certify the information and an e-mail with instructions will be provided for management to perform its certification</li> <li>• Receive auto-generated notification via e-mail when the Federal Audit Clearinghouse receives and accepts the reporting package and certifications</li> <li>• Present results of the audit to the governing body</li> </ul>
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## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1)

### Work Plan and Organization

1. Provide a concept narrative clearly explaining the scope of this proposal.

We will audit the financial statements of the Great Lakes Water Authority as of and for the years ending June 30, 2019, 2020 and 2021. Our audits will be conducted in accordance with generally accepted auditing standards; *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our audits will provide for annual report issuance in accordance with the terms and conditions set forth in the Authority's request for proposals. Annual deliverables will include the comprehensive annual financial report, single audit act compliance report, separate financial reports on the Water and Sewage Disposal funds, and communication with those charged with governance including comments and recommendations.

2. Submit a detailed work plan, which describes your audit approach and methodology to all tasks you have determined to be necessary to complete the entire scope of work for this contract. Include the critical evaluations and decisions that must be made to efficiently complete the engagement.

Our audits are normally performed in four inter-related phases: (1) planning and risk assessment, (2) primary fieldwork and testing, (3) financial statement preparation and review, and (4) conclusion and issuance procedures. A brief overview of our audit approach is provided below. A detailed explanation of the audit process and Rehmann's approach is provided as a separate attachment to the proposal package.

*Phase 1: planning/risk assessment.* In accordance with your time schedule, we will hold a planning meeting prior to the start of the engagement involving all associates assigned to the job. We will schedule the dates of our on-site fieldwork, arrange for downloads from your computer systems, document internal controls over financial reporting and compliance, and review the materials you typically provide your auditors. At roughly the same time, we will work closely with you to begin preparing/updating the format and structure of the financial statements in Microsoft Excel.

Once the Authority is ready and has available a reasonably-adjusted trial balance, we will complete the planning process. Our engagement executives will analytically review the draft financial statements and document our assessment of audit risk by area. We will use this information to tailor our standard governmental audit programs to correlate with our risk assessment of the Authority's accounting and financial processing environment.

*Phase 2: primary fieldwork/testing.* Working from the reasonably-adjusted trial balance used to complete our planning procedures, we will begin our year-end fieldwork. Our lead schedules and audit work papers will be created based on the Authority's draft financial statements. This allows us to conduct our audit at the same level of detail on which our opinions will be expressed and enhances the efficiency of the entire process. Each audit area will be tested through a combination of analytical, substantive, and sampling procedures, consistent with the tailored audit programs developed above. As the year-end fieldwork procedures are completed, we will review the work papers, quality control documents, and checklists as part of our internal system of quality control. All comments/issues generated by these reviews will be resolved in the field.

*Phase 3: financial statement preparation/review.* Financial statement preparation begins in Phase 1 and continues throughout Phases 2 and 3. Once the financial statements and related notes have been compiled, they will be processed through our Technical Standards Review (TSR). In most cases, the first level of this process is completed while we are still in the field, which allows for complete drafts (including any related audit findings and recommendations) to be reviewed with management before the audit team leaves the field, when information is still fresh and any issues are easily resolved.



*Phase 4: conclusion/issuance procedures.* After management and the Audit Committee have had an opportunity to thoroughly review the draft financial statements and any audit findings or recommendation, we will perform our conclusion and issuance procedures. These vary, but may include following up on outstanding confirmations, reviewing the minutes of board meetings held after our fieldwork, and obtaining written representations from management concerning the completeness and fair presentation of the financial statements. Once complete, we will produce final PDF versions of the financial statements and related reports and provide them to you via email. Hard copies of separate reports and letters will be printed and bound.

The cornerstone of all four phases is open and transparent communication. There should not be any surprises about timing or status because there will be ongoing communication and direct involvement between our auditing team and the GLWA finance team.

3. Indicate when your firm will be ready to start work on this contract, if awarded.  
Immediately.

4. Explain the approach and activities your firm will engage to meet the timelines in the project schedule.

Having the benefit of performing the Authority's last (and only) three audits, we know exactly what we are getting into (and know that it is extremely unlikely that we will encounter the nature and extent of challenges in those first three years). The way our scheduling system works is that prior year engagements are "rolled over" to the next year, so we already have the staff assigned in placeholders and we have the template for the preparation of the CAFR and separate fund reports. We will take these factors and our demonstrated planning-through-execution-and-completion know how to meet your timelines and work with you to accelerate those timelines to the extent you comfortable in doing so.

5. Provide a work plan with milestones, durations and a timeline that includes planning, fieldwork, and final report preparation and issuance of the reports. Include the estimated number of hours by category to demonstrate the level of effort for each fiscal year.  
See attached schedule of estimated hours.

6. Describe availability of the firm's resources to ensure that no conflict would exist with timely completion of GLWA's audit and related reports.

Part of the answer is the depth of our resources; that is, we have five other governmental audit principals that could readily step into the engagement if the need were to arise and not miss a beat. The same would be true at the other staff levels. We do not, however, anticipate that need to arise and, as discussed elsewhere, we have already scheduled the key personnel for the engagement (rolling over the calendars from the prior year). Further, the Authority would continue to be a top priority for the firm and assigned staff, as demonstrated from our prior year performance where the GLWA audit timing was a moving target.

7. Describe how your team will communicate among the team and with the assigned partner or other technical resources. Describe how these communications will result in effectively executing the work consistent with professional standards.

We make liberal use of emailing and instant messaging, so there is never a reason to delay in communicating important matters between team members (at any level). This will be supplemented by formal team meetings on a weekly or bi-weekly basis, depending on the status of the engagement (bi-weekly earlier on and weekly as procedures and overall fieldwork approaches completion). These meetings will be timed to precede executive status meetings with GLWA management and the Audit Committee.

8. Describe how your team will communicate with GLWA. Describe how these communications will result in effectively executing the work.

We expect to have periodic onsite meetings or teleconferences throughout the respective audits. These meetings will be more frequent during the year-end fieldwork and approaching the completion and issuance of the reports. There will, of course, be intermittent emails and telephone calls throughout the year to maintain contact on important matters. Our experience shows that open and routine communication results in a more transparent audit process, producing clear expectations and project completion on time and on budget.

9. Describe the internal quality management program your firm will employ with respect to the execution of this project and the review of the work including the staff levels involved.

The work of the audit team is documented through the completion of quality control forms, most of which come from a service called CCH Knowledge Coach and the others are Rehmann files in either Microsoft Excel or Word. All these documents/files are placed in an electronic binder provided through CCH ProSystem fx Engagement (think of it as very large set of secure folders and subfolders in Windows Explorer). Every audit has a single binder and every binder must contain 100% of the audit files. The binder is set up in a fashion that clearly shows the preparer, first reviewer and second reviewer. This, too, reflects the audit completion and review documentation process. Preparers "sign off" when a form or file is completed (in his/her judgment); unsigned items indicate the work is still in process. Prepared files are reviewed, generally within a day or two, by an immediate supervisor (or, depending on the significance, by more than one supervisor, up the team hierarchy); each reviewer signs off in the first reviewer space. The third and final review is made by the signing engagement principal. Throughout this process, any matters to be addressed are noted on electronic review comments; the software captures the resolution actions that are made up to the point where the reviewer is satisfied and the comment is disposed.

While this is a relatively standard practice/approach among public accounting firms, today, the Engagement software provides great efficiency to the process and allows access to the binder anywhere that an authorized user has access to a computer.

10. Identify the quality control system in place for monitoring compliance with independence requirements. The firm must meet all applicable independence requirements.

Rehmann and all its employees are independent, in fact and appearance, of GLWA. If any circumstances arise to suggest that our independence might be impaired, we will immediately address them internally and as well as with GLWA management to properly resolve the matter on a timely basis (before it becomes an issue).

To monitor independence, we have a multi-tiered approach that includes: (a) at the start of each calendar year, every Rehmann principal and associate (100% of our employees) are required to complete an independence survey; (b) on a monthly basis, new clients are published on our intranet to advise all employees of the new client (in order to maintain independence) and to solicit feedback of any potential situations that should be considered; and (3) on an ongoing basis, all firm associates are required to immediately communicate any situation that should be considered as a potential impairment (which are described in our personnel policies and audit practice policies and procedures).

11. Identify all assumptions made in developing the proposal including but not limited to data, resources, etc.

Our key assumptions (as it simply is not possible to identify "all assumptions" and to do so within the limited space of 20 pages) is that: (1) GLWA will fulfill its obligation to provide us with a reasonably adjusted final trial balance at the start of our year-end fieldwork and to have reasonable evidentiary documents / work papers to support all material account balances in that trial balance, and (2) GLWA will have adequate staffing throughout the audit to provide those documents / work papers (on a timely basis) and to be readily available to the audit team to address our questions and audit needs. Further, we assume that we will have reasonable access

to management and the Audit Committee members to conduct our risk assessment and audit planning work at the start of the engagement (and each subsequent year) as well as throughout each audit, as needed to perform our procedures.

12. GLWA's Role - Clearly identify the proposed role of GLWA in the project and to what extent will GLWA be encouraged to participate.

Audits by their very nature are highly collaborative endeavors between the auditor and auditee; in fact, there is no audit without the auditor and auditee playing their respective roles. To clearly identify the auditee and auditor roles and responsibilities, we have included with the proposal submission package a sample engagement letter and management representation letter.

We offer and expect that from a project management aspect, we will regularly meet and/or correspond with GLWA regarding the planning and conduct of the audit. Particularly, as we approach completion of the year-end fieldwork, we will provide written lists of "open items" to clearly communicate those items that are needed to complete our procedures (and/or reports). We would encourage GLWA to participate in these meetings and to invite us to attend/participate in your internal management meetings regarding the audit.

13. Quality Control - Provide a written quality assurance/quality control plan that describes procedures for verifying accuracy, quality and completeness of the deliverables; ensuring the quality of the deliverables; identifying and correcting non-complying work and adverse quality trends; and preventing deficiencies from recurring.

All Rehmann deliverables, regardless of the industry or type of report, go through the same quality control procedures. That is, deliverables are first reviewed by the preparers. They are then reviewed (called a "detail check") by someone of equal or greater position on the audit team; as the name suggests, the emphasis is on verifying report details both within the report and to supporting documents (for example, pension note details are tied back to actuarial reports). Next, in the third level, the deliverables (often concurrently with the review of the working papers) are reviewed by the engagement principal; here, there is emphasis on compliance with standards and regulations, but also on details (including report format, grammar, etc.) as well. Next, in the fourth level, a principal who is independent of the audit team reviews the deliverable; this too is primarily for standards and regulations, but also corrects any noted formatting and grammatical errors. After each level of review, the deliverable goes back to the previous level reviewer and initial preparer for corrections (or to otherwise be addressed) and then back to the reviewer to verify the changes (or to otherwise consider the resolution and document thereof).

While it varies between clients (some of whom prepare their own reports and others use us to do it, as specifically allowed by standards/regulations), there will be various interfacing points where we share our review comments and the updated documents. Before report issuance, though, GLWA (both finance staff, management and Audit Committee) will have the final drafts and indicate its acceptance prior to issuing.

## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*)

Each proposal will be evaluated on its responsiveness to the technical and administrative criteria identified below.

### A. Minimum Qualifications (Pass/Fail)

1. A minimum of three (3) Single Audit engagements within the last five (5) years demonstrating experience comparable to the scope of services described for this project including the name, scope of work, location, services provided, and the length of time the respondent's services were provided.  
While Rehmann has performed hundreds of single audits within the last five years, the most relevant three single audit engagements during this period have been the three that we performed for GLWA for the years ended June 30, 2016, 2017 and 2018. We trust that it is unnecessary to describe your own single audits and that we clearly "pass" this minimum qualification.
2. A minimum of two (2) audit engagements within the last eight (8) years demonstrating experience with municipal water and sewer enterprise accounting including the name, scope of work, location, services provided, and the length of time the respondent's services were provided for clients with annual revenue greater than \$100 million and more than 300 employees.  
Like the above, our three audit engagements with GLWA for the years ended June 30, 2016-18 can be no more relevant to demonstrating our experience than any other engagement. And, in the interests of brevity, trust that describing your own audits is unnecessary and that we pass this minimum qualification.
3. A minimum of two (2) audit engagements within the last five (5) years providing consent letters for inclusion in revenue bond official statements for debt issuances greater than \$50 million demonstrating experience with the needs of large public debt issuers.  
Our three audit engagements with GLWA has included two consent letters (and the new required procedures under SAS 133) for debt issuances in excess of \$50 million each, demonstrating our experience with the needs of large public debt issuers.
4. The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.  
Mark Kettner, who was the signing principal (which is the equivalent of a partner in an LLC) on our three audits of GLWA for the years ended June 30, 2016-18, has 30+ years of relevant governmental and single audit experience as an owner/principal. If Rehmann is awarded the contract, Mark will be the signing principal for the year ending June 30, 2019 audit and then swap places with Daniel Clark starting with the year ending June 30, 2020 audit to become the consulting principal.  
  
Daniel Clark, who will be the signing principal starting with the fiscal 2020 audit, has 13 years of recent experience with similar audit engagements, including single audits, and have a year working on the GLWA audit before taking the lead (as well as having Mark working "over-the-shoulder" in the subsequent year).
5. The firm must have undergone a peer review in the last three (3) years and received a peer review rating of pass or a pass with deficiency. A pass with deficiency rating requires an explanation on the findings and recommendations made including the remediation efforts to correct the deficiencies noted in the peer review report. Firms with a peer review rating of fail will not be considered.  
See attached peer review report (with a pass rating).

6. All assigned partners and managers must be licensed to practice public accounting in the State of Michigan. The qualifications of those licensed in the State of Michigan will be considered during the evaluations of the proposal. However, the qualifications of those not currently licensed in the State of Michigan will not be considered during the evaluation process.

All proposed principals and managers are currently licensed by the State of Michigan (and will continue to be licensed after the current 2-year renewal cycle that ends June 30, 2019). Copies of licenses are readily available upon request.

## **B. Experience and Qualifications**

1. Explain how the engagements noted above provide you the ability to be uniquely qualified and experienced to fulfill GLWA's audit requirements including the location of the office from which the engagement was performed, and the size of the audit team assigned to the engagement.

If we had not been your current/prior auditor, our governmental experience alone would be strong enough to meet your needs and exceed your expectations. Combine this with the fact that we have been the Authority's auditor since inception (and through those challenging years), we truly are uniquely qualified to understand your needs and requirements. Moreover, with you we have crafted the financial reporting models and acquired the institutional knowledge for how and why significant matters were treated the way they were. This, like the credit card commercial says, "is priceless."

We plan to return the same team of principals and managers with Mark Kettner (at least initially) being the engagement principal, Michelle Hodges (senior manager) handling the preliminary work and risk assessment, and Ken Melvin (manager) running the year-end fieldwork and preparing the financial statements (the CAFR and separate fund reports). As indicated earlier, Daniel Clark will step into the lead principal role after his first year.

Mark has our Jackson office as his primary work station. Michelle is assigned to Troy, Ken to Jackson and Daniel to Ann Arbor, although each of them spend more time in the field at client offices than in their assigned Rehmann offices. Michelle, Ken and Daniel will each have our Detroit office (at 1249 Griswold Street, Suite 200, Detroit MI 48226) as her/his primary work station as soon as the reconstruction is completed and we can move in. This office is in the Capitol Park area in a historical building.

2. Identify whether the firm is a member of the AICPA Audit Quality Centers. Identify other resources available in the firm to verify the quality of municipal audits in the firm in accordance with recent changes in accounting pronouncements or best practice.

Yes, Rehmann is a member of the AICPA Audit Quality Centers (and have been so since its inception). Besides our internal quality control procedures on every report produced by the firm, we have a range of other quality control measures/procedures specifically applicable to the municipal practice. This includes: (a) Stephen Blann, a state and nationally recognized trainer, is Rehmann's director of governmental quality; (b) Stephen chairs our GAQC Subcommittee (Governmental Audit Quality Control), comprised of eight of our top governmental executives, that meets quarterly to consider new standards, requirements and/or best practices, and communicates implementation (or modification, as we are very open to new approaches to old tasks) to the industry group; and (c) we use a standard template using CCH ProSystem fx Engagement for every governmental audit, which provides uniformity and has pre-populated files tailored to Michigan municipals that helps improve our ongoing audit efficiency.



3. Provide evidence of past performance and ability to complete tasks on time and budget. As stated earlier, there is no better evidence of past performance and our ability to complete tasks on time and on budget than our prior three audits with GLWA. As you know, those audits were no simple matter and came with certain tremendous challenges (admittedly, more on the Authority's side than the auditor's). Honestly, there were more additional fees than we originally expected or wanted, but all things considered, those fees were reasonable in the circumstances. For this next three years, we are expecting the fees to be as proposed and the issuance dates to gradually improve each year (i.e., to be earlier).
4. Describe your knowledge of local conditions, GLWA requirements and procedures, and how the proposing firm's knowledge will benefit the engagement. As GLWA's current and only prior auditor, we would have to say our knowledge is excellent (and second to none). Through our knowledge, experience and report template, we can help the Authority to focus these next three years on improving its financial operations and controls, particularly with the efficiency of year-end closing and completion of the reporting process. GLWA management and finance have performed incredibly since inception and we can help this to continue.
5. Describe additional industry experts or resources at your firm that may be utilized in this engagement or additional services that may be of interest to GLWA. Your audits will be managed and primarily performed by Rehmann governmental auditors, who do nothing but governmental audits on a full-time, year-round basis. Thus, we do not need to bring in additional industry experts or tools because everyone we assign already fits that description (along with their laptops and Microsoft Excel templates).
6. Describe your level of expertise auditing public sector utilities and understanding of revenue charge setting methodologies. Through our many annual audits of counties, cities, villages, townships and authorities, along with our prior audits of GLWA, we regularly deal with public sector utilities (water, sewer, electric, parking and others). It is simply "commonplace" for our governmental auditors to work with proprietary funds and public utilities that include residential, commercial and contract communities. And, while we do not typically perform rate studies due to independence considerations, we are certainly well versed and adaptable in documenting, understanding and auditing the revenue and receivable cycles by whatever rate setting methodologies are used.
7. Describe your level of expertise auditing revenue bonds and understanding the related master bond ordinances. Municipal Securities Rulemaking Board requirements (Electronic Municipal Market Access), and related Internal Revenue Service code. There are few public sector utilities that are debt free. As such, it is common to have revenue bonds (or GO/LTGO bonds) in those enterprise funds that have disclosure, continuing disclosure and reserve requirements (among other things). While debt is normally a significant audit area for public sector utilities and major enterprise funds, it is not particularly hard to audit and simply requires verification with applicable documents and material compliance with those documents and applicable regulations. We are, however, certainly experienced and adept at working with master bond ordinances (particularly, understanding the purpose of the various sections and being able to zero in on the final documents and those need for audit and/or financial reporting and disclosures). We are also well-aware of the continuing disclosure requirements and the submission requirements under SEC and IRS regulations.

8. Describe your ability/approach to work cooperatively with the City of Detroit, particularly the Detroit General Retirement System, consultants, auditors and other stakeholders.

Rehmann has a good track record for “playing nice” with other auditors, accountants and governments, as well as with our clients. In particular, we have worked closely with Plante Moran at various municipalities or schools, as well as at GLWA, where we or they wore the auditor or CFO hat (or we have each been the auditors at affiliated governments such as, in this case, GLWA and City of Detroit). In every instance, we have worked well with each other despite being frequent competitors.

9. Describe if there have been any engagements where the firm has had disputes with management and resigned from the engagement. Provide an explanation on the effort made to cooperate with management.

None that are of any significance or to suggest a pattern to be of even remote concern for purposes of this proposal. Rehmann conducts, through a third-party service, a biennial customer satisfaction survey, which certainly has at its core the effort and ability to cooperate with management (which sometimes has its challenges when unfavorable matters are required to be reported). We can tell you that our client base is highly satisfied. We would be glad to share those results with you, if so desired.

We would add that we have an Ambassador program where one of our top executives (who is independent of the audit team) meets privately with your CFO to ask, “how are we doing?” We want feedback on our performance and how well we work with you. In this case, our COO (Stacie Kwaiser) met with Ms. Bateson in March to have this conversation. The outcome was highly favorable, but we place greater importance on the meeting and the opportunity to improve than getting praise.

10. Describe if there have been any legal proceedings, lawsuits or claims, which have been filed against the firm or present employees within the past five (5) years. Provide a further explanation on the resolution of such claims.

There have been no matters with the past five years of a nature that would have any significance, directly or indirectly, for purposes of this proposal, evaluation thereof or resulting engagement. As a \$100+ million business, we would of course not be immune to litigious matters, but as stated, there have been no issues in our governmental or audit practice (for the firm or any individuals) that merit specific disclosure.

11. Describe any conflicts of interest, real or perceived, in performing the audit for GLWA with other clients and how your firm would address such conflicts.

We are not aware of any real or perceived conflicts of interest with other clients by performing GLWA’s audit. If anything, being GLWA’s auditor seemed to increase our stature with the few clients that mentioned it at all. If a conflict were to arise, though, we would first bring it to your attention, talk through the situation either individually or jointly to assess the issue (and consider whether there truly is a conflict or potential independence impairment), implement changes or safeguards to remediate the issue, and at worst determine if must resign from one or the other engagement. Either way, we will maintain close communication with the Authority throughout the process.



### Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)

- 1.0 Project Team - Summarize the roles and pertinent experience of each key individual and indicate the percentage of time planned for them to be dedicated to this project using the following chart below.

Part 1 Summary of contractor's current involvement with all projects: <a href="#">It is impractical (approaching impossible) to list this information for all the firm's projects or even for the offices that will have assigned staff. We will be happy to discuss this further with the Audit Committee, but this just is not a reasonable undertaking for such a proposal.</a>					
	Contract No.	Client Name	Involvement Time	Contract Title	Type of Involvement
Involvement time for this project					
Other Projects and Commitments					
Part 2 Explain how the commitments listed under part 1 will impact performance on this project. <a href="#">As explained below under Staff Experience (especially 2.6), our other commitments will not impact our performance on this project, as previously demonstrated in our three prior audits of GLWA.</a>					
Part 3 Explain how the project manager or consultant representatives allocated percentage of time to this contract will be utilized. <a href="#">The project manager or, in our parlance, the signing principal will provide audit oversight, making decisions on technical matters and working with client and Rehmann staff to address and resolve any issues (or potential findings) as they come to light. The signing principal will review all workpapers, reports and letter prepared (or issued) as part of the engagement. Also, the signing principal will have final authority to "sign off" on behalf of the firm on any contracts as well as any reports/letters that we issue. Also, the signing principal will be the primary presenter for the firm at any Audit Committee and Board presentations. Some of the review work will occur offsite, but as much as possible he will otherwise be onsite. Whether on or offsite, Mark and then Daniel will be readily accessible to GLWA and our audit team members via phone, email or instant messaging. And, we make it a point to quickly respond to questions and requests.</a>					

- 2.0 Staff experience - Identify by name and title the individuals the vendor considers to be key to the successful completion of this project. [See attached schedule.](#)

Staff Name	Public or Private Sector	Role and Tenure	Project Title (Project list should be relevant to project of similar size and complexity as referenced in this solicitation.)				
			1.	2.	3.	4.	5.
			Experience in years				

## Staff Experience

Provide a detailed table with the names of the partner and management to be assigned to this project, other staff to be assigned, their functions, total work hours for each phase of the engagement, the office location, and a two-page maximum resume for the partner and management. Indicate if anyone to be assigned to the engagement is through a third-party service provider. GLWA retains the right to approve all third-party service providers and to approve or reject replacements of personnel in writing that are not related to personnel leaving the firm, promotions, or relocations.

See attached table and resumes. No third-party service providers (or subcontractors) will be used; all assigned staff will be full-time Rehmann employees. We understand and agree that any replacements of key personnel will be subject to review and approval by GLWA.

1. Describe the assigned partner's ten (10) years of recent experience auditing similar engagements including Single Audits.

Mark Kettner, who was the signing principal (which is the equivalent of a partner in an LLC) on our three audits of GLWA for the years ended June 30, 2016-18, has 30+ years of relevant governmental and single audit experience as an owner/principal. In the last ten years, besides the audits of GLWA, Mark has been the signing principal on dozens of governmental audits each year, including three years on the Charter County of Wayne's audit and eight years on the Wayne County Retirement System audit. As stated earlier, if Rehmann is awarded this contract, Mark will be the signing principal for the year ending June 30, 2019 audit and then swap places with Daniel Clark starting with the year ending June 30, 2020 audit to become the consulting principal.

Daniel Clark, who will be the signing principal starting with the fiscal 2020 audit, has 13 years of recent experience with similar audit engagements, including single audits, and will have a year working on the GLWA audit before taking the lead (as well as having Mark working "over-the-shoulder" in the subsequent year). Prior to joining Rehmann in August 2018, Daniel worked with another regional CPA firm in Ohio performing governmental and not-for-profit audits including Lucas County and the cities of Toledo, Cleveland, Cincinnati and Columbus (each with significant enterprise operations).

2. Describe the experience of the project team relative to similarly sized engagements and types of engagements.

Key project team members, besides Mark and Daniel as the principals, will include Michelle Hodges and Ken Melvin. Both were integral in our previous three audits of GLWA and will return in the same roles. Michelle will again lead the preliminary work, systems/controls document and audit risk assessment components of the annual audits; Ken will lead the year-end fieldwork and work closely with GLWA staff in preparing the CAFR and separate fund financial statements.

In addition to the most relevant experience of lead roles with the prior GLWA audits, both Michelle and Ken had similar roles on our audits of Wayne County and variety of other governmental (Ken) and commercial (Michelle) audits.

3. Identify the type of engagement selected if work of the assigned partner was selected in the most recent peer review. Describe any negative responses noted on engagements performed by them and any remediation actions taken.

In the most recent peer review, the only job of Mark Kettner's selected was the Charter County of Wayne audit/single audit for the year ended September 30, 2016. There were no Matters for Further Comment related to this engagement and, in fact, there were no informal comments of any kind.

4. For all proposed staff to be assigned to the engagement, identify the number of hours of continuing professional education required in the firm that is directly related to governmental auditing for the last two years.

Pursuant to GAO Yellow Book standards (which also covers the Michigan and AICPA requirements), all staff to be assigned to the engagement will have 80 directly-related hours during the two-year reporting period (the latest of which ends 6/30/19). Of these 80 hours, 24 must be single audit related and a minimum of 20 hours must be earned each year (meaning the hours must be distributed between the years and carryover hours are not permitted). If you would find it useful, we can readily provide detailed CPE reports for any Rehmann employee.

5. Provide details on any additional firm requirements for this training including if the training is conducted in house or conducted directly by the AICPA, or another rule governing body.

Rehmann has no additional requirements over those prescribed by the applicable standard setting bodies. Requirements are met through a combination of internal and external programs. Generally, newer staff (entry level to three years) get most of their hours through internal "level" training; the idea here is to teach and reinforce the Rehmann audit approach in the early years. Then, as people progress, they go to state and national programs/conference for higher level and more specialized training. Thus, for example, four of our governmental industry leaders (Kettner, Clark, Blann and Baldermann) will be attending all or part of the GFOA annual conference in Los Angeles, May 17-22.

6. Indicate if the proposed partner, management or assigned staff are currently working on other GLWA contracts and non-GLWA contracts that are scheduled concurrently with the timelines identified in this RFP. If so, please indicate how their involvement on this project will impact timely performance of previous contracted services to GLWA and indicate how their involvement with non GLWA contracts will impact their performance on this project.

No one from Rehmann is working on another GLWA contract (other than a minor technical assistance project under the expiring audit contract). We have a variety of other audit contracts (primarily other June 30 year-end audits for school districts and municipalities) that will run concurrently with the GLWA audits. Those jobs will not impact timely performance of the GLWA audits (just like in prior years). You are a top priority and we have a proven track record of delivering on our promises.

To manage the large number of jobs in progress at any point in time along with the interchange of staffing assignments, we have a robust scheduling system (software) and protocol for entering/changing time on an individual's calendar. For purposes of the GLWA audits, the assigned staff will be scheduled for the hours estimated herein and we will closely monitor these hours (as we did in prior years) relative to the work remaining and when you will be ready for us. As you can imagine this is as much art as it is science with the extent of moving targets throughout one season to the next. We make it work, though, and we meet our obligations.

- 3.0 Key Individuals - Provide staff biography/resume for all individual assigned to this project.  
See attached.

## Schedule of Estimated Hours

**Great Lakes Water Authority**  
**Schedule of Estimated Hours - Fiscal 2019, 2020 and 2021**

	<u>Principals</u>	<u>Managers</u>	<u>Seniors</u>	<u>Staff</u>	<u>Total</u>
<b>Year ending 6/30/19</b>					
Risk assessment and other preliminary procedures	16	36	40	32	124
Year-end fieldwork	32	190	132	250	604
Reviews, report preparation and project management	<u>80</u>	<u>88</u>	<u>20</u>	<u>8</u>	<u>196</u>
Total estimated hours	<u><u>128</u></u>	<u><u>314</u></u>	<u><u>192</u></u>	<u><u>290</u></u>	<u><u>924</u></u>
<b>Year ending 6/30/20</b>					
Risk assessment and other preliminary procedures	16	36	36	30	118
Year-end fieldwork	28	182	124	240	574
Reviews, report preparation and project management	<u>76</u>	<u>84</u>	<u>20</u>	<u>8</u>	<u>188</u>
Total estimated hours	<u><u>120</u></u>	<u><u>302</u></u>	<u><u>180</u></u>	<u><u>278</u></u>	<u><u>880</u></u>
<b>Year ending 6/30/21</b>					
Risk assessment and other preliminary procedures	16	36	36	30	118
Year-end fieldwork	28	182	124	240	574
Reviews, report preparation and project management	<u>76</u>	<u>84</u>	<u>20</u>	<u>8</u>	<u>188</u>
Total estimated hours	<u><u>120</u></u>	<u><u>302</u></u>	<u><u>180</u></u>	<u><u>278</u></u>	<u><u>880</u></u>

# Sample Engagement Letter

June 14, 2018

Great Lakes Water Authority  
735 Randolph Street, Suite 1900  
Detroit, MI 48226

This engagement letter pertains to the contract, *GLWA-CS-132 External Auditor Professional Services Contract*, between the Great Lakes Water Authority (GLWA or the Authority) and Rehmann Robson LLC. Should there be any inconsistencies between this engagement letter and the aforementioned contract, the contract takes precedence.

We are pleased to confirm our understanding of the services we are to provide the Authority for the year ended June 30, 2018. We will audit the financial statements of the business-type activities and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority as of and for the year ended June 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI) such as management's discussion and analysis (MD&A), to supplement GLWA's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedules Required by GASB 68 - Pension Plan
3. Schedules of Funding Progress and Employer Contributions - OPEB Plan

We have also been engaged to report on supplementary information other than RSI, such as combining and individual fund financial statements, that accompanies GLWA's basic financial statements. We will subject the supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.



The following other information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion:

1. Introductory section of the comprehensive annual financial report
2. Statistical section of the comprehensive annual financial report

In addition to the basic financial statements, as described above, we will also issue separate financial statements for the water and sewage disposal funds, each with a direct opinion and emphasis of a matter to regarding fund financial statements.

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether the Authority's financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. Our audit of the Authority's financial statements does not relieve management or those charged with governance of their responsibilities. The objective also includes reporting on -

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and with the Uniform Guidance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. We will issue a written report upon completion of our audit of the Authority's financial statements. Our report will be addressed to the GLWA Board of Directors. We cannot provide assurance that unmodified opinions will

be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs to our audit report. If our opinions on the financial statements or the Single Audit compliance opinion are other than unmodified, we will discuss the reasons with management in advance. If circumstances occur and come to our attention related to the condition of the Authority's records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, or we become aware that information provided by GLWA is incorrect, incomplete, or otherwise unsatisfactory which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting and financial reporting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

#### **Management Responsibilities**

Management is responsible for designing, implementing, and maintaining effective internal controls, including internal controls over compliance, and for ongoing monitoring activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. Management is also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with an acceptable financial reporting framework, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Management is responsible for determining, and has determined, that the applicable and appropriate financial reporting framework to be used in the preparation of the Authority's financial statements is accounting principles generally accepted in the United States of America (GAAP).

Management is also responsible for making all financial records and related information available to us, and for ensuring that financial information is reliable and properly recorded. Management is also responsible for providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request from management for the purpose of the audit, and (3) unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence.

Management's responsibilities also include identifying significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

We understand that management will provide us with such information required for our audit, including a reasonably adjusted trial balance, and that management is responsible for the accuracy and completeness of that information. Assistance provided by our Firm in the preparation of a reasonably adjusted trial balance is considered an additional billable service.

We will advise management and the Audit Committee, as necessary, about appropriate accounting principles and their application and may assist in the preparation of the Authority's financial statements, but the responsibility for the financial statements remains with management with oversight by those charged with governance. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to the Authority's financial statements. Management is responsible for reviewing the entries, understanding the nature of any proposed entries and the impact they have on the financial statements, and the implications of such entries on the GLWA's internal control over financial reporting. Further, the Authority is responsible for designating a qualified management-level individual to be responsible and accountable for overseeing these services.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing us of its knowledge of any allegations of fraud, suspected fraud or illegal acts affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that GLWA complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by the Uniform Guidance, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review at the conclusion of fieldwork.

Management is responsible for preparation of the schedule of expenditures of federal awards in conformity with the Uniform Guidance. Management agrees to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we reported on the schedule of expenditures of federal awards. Management also agrees to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Management's responsibilities include acknowledging to us in the representation letter that (a) management is responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (b) that management believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, that is presented fairly in relation to the basic financial statements. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Management's responsibilities include acknowledging to us in the representation letter that (a) management is responsible for presentation of the supplementary information in accordance with GAAP; (b) that management believes the supplementary



information, including its form and content, is fairly presented in accordance with GAAP; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report, and for the timing and format for providing that information.

During the course of our engagement, we will request information and explanations from management regarding the Authority's operations, internal control over financial reporting, various matters concerning fraud risk, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written management representation letter.

#### **Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to GLWA or to acts by management or employees acting on behalf of the Authority. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We may request written representations from GLWA's attorneys as part of the engagement, and they may bill the Authority for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from management about the financial statements and related matters.

We have advised the Authority of the limitations of our audit regarding the detection of fraud and the possible effect on the financial statements (including misappropriation of cash or other assets) not withstanding our obligations per the Single Audit Amendments of 1996 and the Uniform Guidance. We can, as a separate engagement, perform extended procedures specifically designed to potentially detect defalcations. Management acknowledges that the Authority has not engaged us to do so and does not wish us to do so at this time.

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of the Uniform Guidance. As part of the audit, we will assist with preparation of the financial statements, schedule of expenditures of federal awards, and related notes. Management will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and the schedule of expenditures of federal awards and that management has reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Management agrees to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, and/or experience; evaluate the adequacy and results of these or other nonattest services performed by our Firm; and understand and accept responsibility for the results of such services.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

#### **Audit Procedures - Internal Controls**

Our audit will include obtaining an understanding of the Authority and its business environment, including internal control over financial reporting sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures that are appropriate in the circumstances. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control, or to identify significant deficiencies or material weaknesses in internal control, or to express an opinion on the effectiveness of internal control over financial reporting. However, during the audit, we will communicate to the appropriate level of management and those charged with governance internal control related matters that are required to be communicated under professional standards, *Government Auditing Standards* and the Uniform Guidance. These matters refer to significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. When applicable, we are responsible for communicating certain matters required by laws or regulations, or by additional requirements that may be applicable to this engagement. Auditing standards generally accepted in the United States of America do not require the independent auditor to design or perform procedures for the purpose of identifying other matters to communicate with those charged with governance. Management is responsible for assessing the implications of and correcting any internal control-related matters brought to the Authority's attention by us.

#### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of GLWA's compliance with provisions of applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of your major programs. The purpose of those procedures will be to express an opinion on the Authority's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

#### **Fees**

Our fees for the audit services for the year ended June 30, 2018 will be \$                      Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. This fee is based on the scope and deliverables defined in the fully executed contract number GLWA-CS-132.

#### **Engagement Administration, and Other**

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with management the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Rehmann and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a cognizant or grantor agency for audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify management of any such request. If requested, access to such audit documentation will be provided under the supervision of Rehmann personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the cognizant agency, oversight agency for audit, or pass-through GLWA. If we are aware that a federal awarding agency, pass-through authority, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Our audit engagement and our responsibility as auditors ends on delivery of our audit report to the Board of Directors at the Regular or Special Board meeting. Any follow-up services that might be required will be part of a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

*Government Auditing Standards* require that we provide the Authority with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. Our 2017 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the **Great Lakes Water Authority** and believe the arrangements outlined above and in our contract accurately summarize the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement, please sign the enclosed copy of this document and return it to us.

A handwritten signature in black ink that reads "Rehmann Loborn LLC". The signature is written in a cursive, flowing style.

Mark T. Kettner, CPA, CGFM  
Principal  
Executive responsible for supervising the  
engagement and signing our report



# Sample Management Representation Letter

[Date of Auditors' Report]

Rehmann Robson  
675 Robinson Road  
Jackson, MI 49203

This representation letter is provided in connection with your audit of the financial statements of the business-type activities and each major fund of the *Great Lakes Water Authority* (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of [Date of Auditors' Report]:

#### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 14, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.

9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Special items and extraordinary items have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
21. All required supplementary information is measured and presented within the prescribed guidelines.
22. We are responsible for the fair presentation of the Authority's net pension liability based upon calculations by the City of Detroit General Employees' Retirement System ("GRS") and related amounts. We appropriately allocated the net pension liability based on the assumptions in the lease agreements, pension agreement and the allocation letter signed by the GLWA Chief Executive Officer and the Detroit Water & Sewerage Department ("DWSD") Director on January 24, 2017. We have properly disclosed our special funding situation under GASB 68, *Accounting and Financial Reporting for Pension Plans*. We have reviewed the information provided by GRS for inclusion in the Authority's financial statements.

#### Information Provided

23. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.

25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### Supplementary Information in Relation to the Financial Statements as a Whole

38. With respect to the supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

#### Required Supplementary Information

39. With respect to the required supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

#### Uniform Guidance (2 CFR 200)

40. With respect to federal awards, we represent the following to you:

- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
- b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
- c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- d. The methods of measurement or presentation have not changed from those used in the prior period.
- e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
- g. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- h. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- i. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and

grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.

- j. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- k. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- l. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- o. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- p. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s. We have monitored subrecipients to determine if they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.
- t. We have issued management decisions timely after the receipt of subrecipients' auditor reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that the subrecipients have taken the appropriate and timely corrective action on findings.
- u. We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.
- v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- w. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- x. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.



- y. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- z. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- aa. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

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Sue F. McCormick, Chief Executive Officer

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Nicolette N. Bateson, CPA, Chief Financial Officer / Treasurer

# Peer Review Report

# Peer review report

Page 1 of 2



CliftonLarsonAllen LLP  
CLAconnect.com

## REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

To the Principals of Rehmann Robson LLC  
The National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Rehmann Robson LLC, a member of Rehmann, LLC (the Firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### Firm's Responsibility

The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review.

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* (including compliance audits under the Single Audit Act), audits of employee benefit plans, an audit performed under the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and examinations of service organizations (SOC 1 and SOC 2 engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm in determining the nature and extent of our procedures.



Rehmann Robson LLC  
Page 2

**Opinion**

In our opinion, the system of quality control for the accounting and auditing practice of Rehmann Robson LLC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Rehmann Robson LLC has received a peer review rating of *pass*.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 15, 2017


# Resumes




## Mark T. Kettner, CPA, CGFM

### PRINCIPAL

Governmental and Not-for-Profit Services

 517.841.4889

 mark.kettner@rehmann.com

 Central Michigan University  
BS, accounting

“I am a better accountant today than I was 20+ years ago because of Mark and his patient teaching and training.”

TERRANCE BALLANTYNE  
Senior Accounting Analyst  
Washtenaw County

### CURRENT ROLE

Mark leads Rehmann's Government, Not-For-Profit and Higher Education Industry Group which serves over 700 clients in the industry with financial statement audits, single audits, and managed business services. He coordinates multi-state efforts to extend the Firm's services to all sizes and types of governments and he is leading governmental outsourcing service initiatives.

### SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Community mental health compliance, auditing and consulting
- Outsourced CFO services and consulting
- Federal award compliance and auditing
- GASB standards implementation

### EXPERIENCE

Mark joined the firm in 1978 and was named a principal in 1987, becoming responsible for all facets of engagement planning and management, including on-site fieldwork. A proven leader, Mark has served on the board of directors, the Assurance Executive Committee, and as managing principal of the Jackson office during his tenure at Rehmann.

Mark has extensive experience as the engagement principal for numerous counties, cities, townships and villages, community mental health agencies, authorities and providers, and various not-for-profit organizations.

### A CLOSER LOOK


- Under Mark's leadership, Rehmann's Government, Not-For-Profit and Higher Education Industry Group has seen significant growth — including the Firm's client base and the types of services provided.
- Connected to governmental industry networks, Mark is a member of the Government Finance Officers Association, the Association of Government Accountants and the Michigan Association of County Administrative Officers.
- Mark makes it a priority to educate clients throughout engagements, participating onsite at their location as needed, in order to enhance operations and increase efficiency.



## Daniel B. Clark, CPA

### PRINCIPAL

Governmental and Not-for-Profit Services

 734.761.2005

 daniel.clark@rehmann.com

 **Bob Jones University**  
BS, accounting

“At Rehmann, we interact with our clients throughout the entire year to ensure their questions are thoroughly answered, and they are ahead of changing industry standards.”

### CURRENT ROLE

Daniel leads annual audit and single audit engagements for a multitude of governmental and not-for-profit clients throughout Michigan and Ohio. With a concentration on serving the public sector, Daniel spends a significant amount of time onsite at clients' locations, developing an understanding of their operations.

He serves on Rehmann's government audit quality control subcommittee, ensuring compliance with technical standards and Firm-wide consistency.

### SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Federal award compliance auditing
- GASB standards implementation
- School district auditing and consulting

### EXPERIENCE

Daniel began his career with Rehmann in 2018 after being with another regional accounting firm since 2006. Throughout his career, Daniel has worked exclusively in the governmental and not-for-profit sector. He is licensed as a CPA in both Michigan and Ohio.

Daniel's client base is comprised of counties, cities, local and intermediate school districts, and various other governmental and not-for-profit organizations.

### A CLOSER LOOK


- A thought leader in the industry, Daniel is a frequent speaker addressing topics such as upcoming accounting pronouncements, cybersecurity, and fraud.
- Daniel is a member of the AICPA, GFOA, MICPA, OSCPA (scholarship selection committee member, past co-chair of the young CPA northwest Ohio region, political endorsement committee member), and the Institute of Management Accountants.
- Significantly involved in the community, Daniel is active with Toledo Day Nursery (treasurer, board member), Fellowship of Christian Athletes Hall of Champions (committee member), and Wyldewood Baptist Church (treasurer).







## Michelle Hodges, CPA

ASSURANCE SENIOR MANAGER

 248.614.6429

 michelle.hodges@rehmann.com

 **Western Michigan University**  
MS, accounting  
BBA, accounting



I assist clients with their business needs. We talk through areas of concern and work together to develop practical, relevant solutions.

### CURRENT ROLE

Michelle plans, performs and supervises assurance and consulting engagements. She serves clients in a variety of industries, including franchising, manufacturing, not-for-profit, government and employee benefit plans.

Michelle is a member of Rehmann's Not-for-Profit Industry Group, which provides industry updates, educates clients and associates on the new financial reporting model standards, and recommends action steps for streamlined implementation.

### SERVICE AREAS

- Governmental and not-for-profit organizations
- SEC registrants
- Privately-held companies

### EXPERIENCE

Michelle's public accounting career began when she joined Rehmann in 2005.

### A CLOSER LOOK


- A proactive and engaged advisor, Michelle has extended her outreach efforts by writing about trending industry issues, including "Expense reporting changes forthcoming for nonprofit organizations."
- Michelle leads trainings and webinars on a variety of topics for clients and Rehmann associates. She also serves as a mentor to associates throughout the Firm.



## Ken Melvin, CPA

### MANAGER

Governmental and Not-for-Profit Services

 313.701.0175

 kenneth.melvin@rehmann.com

 **Central Michigan University**  
BSBA, accounting and finance

“We accommodate the unique audit needs of each client by demonstrating flexibility, timeliness, and continuous communication — keeping the process as stress-free as possible for our clients.

### CURRENT ROLE

Ken works solely with governmental and not-for-profit organizations, primarily managing single audit engagements. He is also involved in accounting and consulting engagements. Spending a significant portion of his time on-site with clients to develop a deep understanding of their operations enables Ken to proactively recommend improvements to internal controls and effectively manage the audit process.

### SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Federal award compliance auditing
- GASB standards implementation
- School district compliance, auditing and consulting

### EXPERIENCE

Ken began his career in public accounting in 2011 when he joined Rehmann. He has significant experience auditing counties, cities, school districts, authorities and related not-for-profit organizations. Due to the number of single audits Ken has been involved with, he is considered a firm-wide resource in this area.

### A CLOSER LOOK

- As part of the team that performed the initial audit for a newly formed governmental entity, Ken was able to walk the client through the audit process and help them draft their initial Comprehensive Annual Financial Report (CAFR).
- Keeping up-to-date on the latest industry standards, Ken is a member of the AICPA, MICPA, MSBO and MGFOA.
- Ken is actively involved in training events, both internally and outside the Firm, for various topics including yellow-book and Single Audit Act compliance reporting.

## Schedule of Staff Experience

## Staff Experience - Key Staff

Staff Name	Sector	Title/Tenure	Project Title	Description	Role
<b>Kettner, Mark</b>	Public	Principal; 3 yrs	Great Lakes Water Authority	Financial/single audit (CAFR)	Signing principal
	Public	Principal; 3 yrs	Charter County of Wayne	Financial/single audit (CAFR)	Signing principal
	Public	Principal; 8 yrs	Wayne County Retirement System	Financial audit	Signing principal
	Public	Principal; 16 yrs	Ypsilanti Community Utilities Authority	Financial /single audit (AFR)	Signing principal
	Public	Principal; 22 yrs	Washtenaw County	Financial/single audit (CAFR)	Signing principal
<b>Clark, Daniel</b>	Public	Principal; 3 yrs	Lucas County, Ohio	Financial/single audit (CAFR)	In-charge all phases
	Public	Principal; 3 yrs	City of Toledo, Ohio	Financial/single audit (CAFR)	In-charge all phases
	Public	Sr Manager; 5 yrs	City of Toledo, Ohio	Financial/single audit (CAFR)	In-charge all phases
	Public	Principal; 1 yr	Henry County, Ohio	Financial/single audit (CAFR)	In-charge all phases
	Public	Sr Manager; 3 yrs	Henry County, Ohio	Financial/single audit (CAFR)	In-charge all phases
	Public	Principal; 2 yrs	City of Sylvania, Ohio	Financial/single audit (CAFR)	In-charge all phases
<b>Hodges, Michelle</b>	Public	Sr Manager; 3 yrs	Great Lakes Water Authority	Financial/single audit (CAFR)	Controls / risk assess
	Public	Manager; 3 yrs	Charter County of Wayne	Financial/single audit (CAFR)	Controls / risk assess
	Public	Supervisor; 3 yrs	Detroit Public Schools	Financial/single audit (CAFR)	Controls / risk assess
	Private	Manager; 4 yrs	Superior Cam/American Tooling	Financial audit	In-charge all phases
<b>Melvin, Ken</b>	Public	Manager; 3 yrs	Great Lakes Water Authority	Financial/single audit (CAFR)	Fieldwork/report prep
	Public	Supervisor; 3 yrs	Charter County of Wayne	Financial/single audit (CAFR)	Single audit
	Public	Supervisor; 3 yrs	Wayne County Retirement System	Financial audit	In-charge all phases
	Public	Supervisor; 2 yrs	Ypsilanti Community Utilities Authority	Financial /single audit (AFR)	In-charge all phases

# RSM US LLP

*Note: Page 19 and 20 were removed from the RFP  
to remove costs that were erroneously included.*





## Proposal to provide professional auditing services

### **Great Lakes Water Authority**

May 20, 2019

#### **Contact persons:**

RSM US LLP  
719 S. Griswold., Suite 820  
Detroit, MI 48226  
[www.rsmus.com](http://www.rsmus.com)

Joseph Evans, Partner  
312 634 4540  
[Joseph.evans@rsmus.com](mailto:Joseph.evans@rsmus.com)

Michael Dingwall, Partner  
313 335 3893  
[Mike.dingwall@rsmus.com](mailto:Mike.dingwall@rsmus.com)



May 20, 2019

Ms. Dionne Graves, Buyer  
Great Lakes Water Agency  
735 Randolph St.  
Detroit, MI 48226

RSM US LLP

719 S. Griswold  
Suite 820  
Detroit, MI 48226  
O 313 335 3900

[www.rsmus.com](http://www.rsmus.com)

RFP-1900933

We appreciate the opportunity to provide Great Lakes Water Agency (GLWA) our qualifications to serve as your audit provider. We are prepared to give full attention to the areas of greatest importance to you and look forward to having GLWA as a valued client of our firm. The following summarizes our understanding of your needs and provides an overview of our resources and capabilities to meet them.

### Why RSM?

Everything about us—our culture, our values, our offices in 85 U.S. cities, including Detroit—is designed to help us understand your challenges, earn your trust and contribute to your success. We have a passion for meeting the specific needs of governmental entities. We provide our clients with a high level of commitment and the personal attention GLWA deserves. We also offer a full array of business consulting and other advisory services designed to help you succeed.

### Qualifications to instill confidence

We appreciate the economics and politics facing our public sector clients as they manage funding and protect resources and the public interest—and believe the following qualifications are critical in serving them:

- **Proven.** We serve more than 550 federal, state and local government units. Our experience across multiple and varied industries means RSM responsively delivers proven technology, accountability, compliance and transparency required in the current challenging government environment.
- **Informed.** RSM government service specialists leverage business experience at local levels and are informed about market conditions, industry issues and business trends that may affect federal agencies, as well as state and local governments.

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING



- **Experienced Personnel.** The team that will be serving GLWA from our Chicago and Detroit offices has extensive governmental experience including water and sewer utilities. The primary audit engagement team will consist of Joe Evans, Partner, Mike Dingwall, Partner, Katie Barry, Senior Manager, Joe Cardona, Manager, Ronnie Christopher, Senior Associate and Adam Rebidas, Senior Associate. All RSM partners, senior managers and managers are licensed CPAs and authorized in Michigan. We are involved in the Government Finance Officers' Association, AICPA governmental expert panel, CPA Society Governmental Committees, and various other organizations involved with government. Because many of our staff serve governments on a year-round basis, you are assured of receiving experienced personnel and close personal attention.
- **Expertise.** RSM governmental clients vary in size and complexity, with budgets ranging from two million to multi-billion dollars, and include, cities, counties, towns, school districts, water and sewer districts, ports, authorities, agencies, colleges and universities, each of which have turned to RSM for a host of financial management and technology solutions. We have extensive experience with single audits and public debt offerings and as a national firm we are widely recognized by capital market participants.
- **Innovative.** RSM fully understands the challenges of the public sector from technology and operations to board training and financial projections. Our audit approach utilizes technology extensively to save your time and resources. Based on our deep industry experience, we are able to provide innovative and valuable insights that help our clients protect the public interest.
- **Commitment.** Government is a priority industry at RSM. With a national leader, commitment to firm-wide and local office training and development, monthly leadership calls, industry webcasts and a full-time dedicated team, you are assured of receiving the best possible services.
- **Our clients.** Our Great Lakes Region governmental practice includes the Metropolitan Water Reclamation District of Greater Chicago, numerous large governments and state agencies and more than 50 local government entities.

### **Desire to listen**

While a high-quality audit is an important component of each engagement, our clients want auditors who listen. We have firsthand experience with the technical issues related to governments, and are fully committed to listening to your needs and understanding day-to-day concerns. This philosophy builds on our brand promise of providing clients *the power of being understood®*.

### **Client service commitment**

RSM's goal is to provide GLWA with hands-on client service that is driven by the following core audit tenets:

- Auditor–auditee relationship built on mutually understood expectations
- Technical competency and experience of our professionals
- Active listening to facilitate addressing your concerns and questions
- Responsiveness to emerging issues critical to you

- Meeting all required deadlines and deliverables
- Year-round availability and involvement of the relationship lead
- Overall ability to deliver on your expectations

Our approach to the audit engagement will establish a delivery system for providing a truly exceptional level of service. Each element of that system, including team structure, staffing, audit approach, communication and coordination, has been examined and refined to fit the needs of GLWA. In the following pages, our goals are to demonstrate how GLWA will benefit from selecting our firm as your professional services provider, underscore our commitment to providing you a quality audit at a competitive fee and lay the foundation for an ongoing relationship. We look forward to contributing to GLWA's long-term success.

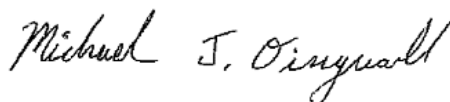
#### **Reasonable cost and value-added services**

Our approach is to provide you the highest quality services at a fair and competitive price. Our experienced personnel will help streamline the audit process and bring lasting efficiencies to your organization. We would be pleased to discuss with you our approach to estimating hours and fees.

Once you have had the opportunity to review the following response, we would be pleased to discuss your needs in greater detail or make a presentation to your team. We acknowledge the receipt of Addenda 1, 2, 3, 4, 5 and 6. Please feel free to contact us with any questions. We look forward to your reply.



Joseph Evans  
Partner  
312 634 4540



Michael Dingwall  
Partner  
313 335 3893

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### Appendices submitted separately

- Appendix A—Administrative Information
- Appendix B—Technical Work Plan/Approach (Evaluation Criteria #1)
- Appendix C—Experience and Qualifications (Evaluation Criteria #2)
- Appendix D—Project Team and Key Individuals (Evaluation Criteria #3)
- Appendix E—Covenant of Equal Opportunity
- Appendix F—Non-Collusion Affidavit
- Appendix G—Cost Schedule
- Appendix H—Terms and Condition/Exceptions Checklist
- External Auditor Services—Detailed Cost Breakdown

## QUALIFICATIONS

### License to practice in Michigan

RSM US LLP holds an active CPA firm license in the State of Michigan. We have met all regulatory requirements and hold all the required authorizations and permits required for a CPA firm to practice in Michigan.

### Licensed personnel

RSM US and its individually licensed certified public accountants are regulated by a number of state and federal requirements. All partners and managers in the firm are CPAs. All CPAs must be licensed in the state in which their office is located. Our licensing department ensures that our firm and its individual employees are in compliance with the licensing requirements in the states where active firm and individual licenses are held. All of the staff assigned to GLWA's engagement from supervisors through partners are licensed CPAs and are in compliance with practice requirements of the State of Michigan.

### Independence

We are independent of GLWA as defined by Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants and *Government Auditing Standards*. Those rules require that the firm and all of its partners be independent with respect to any clients (not only on local, but also on a national level) who engage RSM to express an opinion on the financial statements. Those rules specify that an auditor may not have, or be committed to acquire, a direct financial interest or material indirect financial interest in a client or any of the client's affiliates during the period of his or her engagement or at the time he or she expresses an opinion. Further, those rules specify that an auditor may not act in a capacity of promoter, underwriter, officer, director, voting trustee or employee of the audit client during the periods covered by the audit opinion. *Government Auditing Standards* places significant restrictions on the amount and type of consulting work that an audit firm can perform for an auditee. We are committed to adhere to those restrictions.

### Attuned to industry developments and changes

We leverage a variety of means to keep our public sector personnel well-versed on issues affecting you. Among these, RSM professionals maintain relationships with many federal and state departments and agencies, as well as working relationships with officials within the U.S. Government Accountability Office and Office of Management and Budget.

We have participated as an advisor to the President's Council on Integrity and Efficiency through the Quality of Audit Roundtable. Our firm also serves on the AICPA's State and Local Government Expert Panel. In addition, our audit teams are well-versed in GASB, AICPA and GAO pronouncements, including those being proposed by standard-setting bodies and those issued but not yet implemented.

Within our public sector practice, we have approximately 160 partners and principals, 140 directors and over 460 additional professionals who are committed to serving state and local governments. Our practitioners leverage their experience to create meaningful value for clients through a strong knowledge base and efficient processes. In working with RSM, GLWA will also benefit from our dedicated resources that closely monitor public sector developments and provide regular communications on accounting, auditing and regulatory pronouncements pertinent to state and local governments.

### Services provided and size of public sector practice

#### History and description of the firm

RSM's purpose is to deliver the power of being understood to our clients, colleagues and communities through world-class audit, tax and consulting services focused on middle market companies and governments like GLWA.



#### National support, strong local presence

RSM US LLP is the leading provider of audit, tax and consulting services focused on the middle market, with nearly 10,000 professionals in 85 cities nationwide. RSM is the U.S. member of RSM International, a global network of independent audit, tax and consulting firms with more than 41,000 people in over 116 countries. RSM uses its deep understanding of the needs and aspirations of clients to help them succeed.

We combine the resources of a large, world-class firm with the personal service and attention to detail of a small firm. Our engagement teams are composed of professionals who are optimally positioned to serve you, both geographically and in terms of relevant experience. The combination of local presence and national strength assures you will receive exceptional advice from professionals experienced in the governmental industry, prompt responses to your needs and questions, and timely and cost-effective delivery of services.

While our size affords us the national resources needed to serve complex industries, size by itself is not important. What is important are the factors that have resulted in our

success. We believe RSM is unique because while we possess the experience of a national firm, our client service philosophy matches that of a local accounting firm. Our growth has been the result of our ability to provide our clients with close, personal attention, continuity and accessibility of all professional personnel, including partners, and prompt quality services in a cost-effective and innovative manner.

### **Other services provided by RSM**

In addition to audit and tax services, RSM provides a wide variety of consulting services to assist organizations like GLWA that are being challenged by a broader range of constituencies to deliver more transparency, efficiency and accountability than ever before. Leaders are under considerable pressure to help ensure that government entities function like an efficient business—delivering quality services, implementing efficient processes and setting new standards that can withstand examination. At the same time, in the face of ever-changing economic and political conditions, state and local governments must function productively and show results, all while focused on achieving a higher mission: to preserve and protect the public interest.

Available consulting services that we provide to governmental organizations:

- Technology consulting, including cyber security assessments
- Operational reviews
- Internal control reviews
- Information systems consulting
- Long-range planning and financial analysis
- Cost-of-service studies
- User charge/rate analysis
- Accounting policies and procedures manuals
- Interim controllership and/or financial management assistance
- Accounting and reporting assistance
- Litigation support services

### **Size of public sector practice**

To facilitate clients receiving the benefit of our experience with organizations of similar size and complexity, we support practices focused on key industries and sectors. Among these, we include governments, education, health care, alternative energy, construction, consumer products, financial services, food and beverages, life sciences, manufacturing and distribution, nonprofit, private equity, real estate and technology.

RSM serves more than 25,000 business clients. Of that total, government, education and nonprofit account for nearly 10 percent of our client base.

### **Location of offices from which work will be performed**

Our work on behalf of GLWA will be staffed with full-time professionals from our Great Lakes Operating Unit led by Ms. Donna Sciarappa our Managing Partner. This Unit encompasses the States of Michigan, Indiana, Ohio and Illinois and includes our Chicago and Detroit offices, which will be the locations of the primary personnel serving GLWA. Our Great Lakes Operating Unit has more than 1,300 professionals, and a dedicated team serving governments similar to GLWA.

Your audits will be performed by individuals who spend the majority of their time auditing entities similar to GLWA. We anticipate staffing your engagement with several

partners, two managers, two senior associates and up to three staff members. All professional staff assigned will be full-time employees of RSM.

Given RSM's strategic focus on the industry, we retain a deep pool of professionals nationwide who are qualified to work on such engagements. In addition, members of your engagement team work regularly with professionals who are committed to providing subject matter insight on issues of concern to governmental entities throughout the firm and from all service areas.

### Government auditing experience

RSM provides services to governments across the country. Following are sample listing of some of our clients with similarities to GLWA.

### Sample list of water/sewer clients

RSM is a recognized leader in the service to governments especially those with water and sewer operations. We serve numerous municipal clients that have water and sewer operations similar to GLWA prior to its separation from the City of Detroit. Additionally we serve many individual governments that serve only water and sewer. Following is a sample of those clients.

- Metropolitan Water Reclamation District of Greater Chicago
- Des Moines Water Works, Iowa
- Metropolitan Utilities District, Nebraska
- Lincoln Water and Wastewater, Nebraska
- San Antonio Water System (SAWS)
- Tulsa Metropolitan Utility Authority
- Thorn Creek Sanitary District
- Parker Water and Sanitation District, Colorado
- Brazos River Authority
- East Medina County Special Utility District
- Edwards Aquifer Authority
- Lavaca-Navidad River Authority
- Nueces River Authority

### Sample list of other large government clients

Nationally we serve over 550 governmental clients and many of them receive federal funding and receive a single audit. Following is a listing of some of our larger government clients.

- Cook County IL (Chicago)
- City Colleges of Chicago
- Chicago Park District
- Northeastern IL Regional Transportation Authority
- City of Tulsa, Oklahoma
- Indiana Public Employees Retirement System
- Ohio School Employees Retirement System



- Metro Health System, OH
- IL State Employees Retirement System
- City of Des Moines, Iowa
- City of Cedar Rapids, Iowa
- City of Oak Lawn, IL
- Washington Metro Transportation Authority
- IL Municipal Retirement System
- IL Department of Human Services
- IL Department of Revenue
- IL Department of Employment Security

### **Experience with consent letters**

RSM is a recognized leader in providing services to governmental issues of public debt. As a national firm, we are recognized by the capital markets as a trusted partner. Many of our clients have outstanding public debt and we are familiar with the disclosure and filing requirements.

For many years, RSM has provided comfort letters and consents associated with public issuance of revenue bonds. Joe Evans, engagement partner, has been involved with several consents for bond issuances of the Northeastern Illinois Regional Transportation Authority (RTA) and Illinois Housing Development Authority. In addition to our governmental issues, we have a robust practice serving commercial issuers of public debt and have a dedicated national office team serving our clients.

Following is a sample list of recent bond issues where we have issued consent letters.

- \$115,300,000 Tulsa Public Facilities Authority (Tulsa, Oklahoma) Capital Improvement Revenue Bonds, Series 2017
- \$118,100,000 Tulsa Public Facilities Authority (Tulsa, Oklahoma) Capital Improvement Revenue Bonds, Series 2018
- \$33,355,000 City of Tulsa, OK General Obligation Refunding Bonds of 2017, Series A
- \$78,000,000 City of Tulsa, OK General Obligation Bonds, Series 2017
- \$45,000,000 City of Tulsa, OK General Obligation Bonds, Series 2013
- \$50,000,000 City of Tulsa, OK General Obligation Bonds, Series 2014
- \$70,000,000 City of Tulsa, OK General Obligation Bonds, Series 2015
- \$57,000,000 City of Tulsa, OK General Obligation Bonds, Series 2016
- \$32,280,000 City of Tulsa, OK General Obligation Refunding Bonds of 2013, Series A
- \$16,305,000 City of Tulsa, OK General Obligation Refunding Bonds of 2014, Series A
- \$45,420,000 City of Tulsa, OK General Obligation Refunding Bonds of 2015, Series A
- \$28,720,000 City of Tulsa, OK General Obligation Refunding Bonds of 2016, Series A
- \$32,230,000 City of Tulsa, OK General Obligation Refunding Bonds of 2019, Series A

- \$27,450,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Series 2016A & B
- \$61,280,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Refunding Series 2013
- \$17,825,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Series 2014
- \$9,940,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Refunding Series 2015
- \$11,850,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Series 2018A
- \$27,765,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Refunding Series 2017A
- \$34,810,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Refunding Series 2016C
- \$18,705,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Refunding Series 2019A
- \$12,430,000 Tulsa Metropolitan Utility Authority, Utility Revenue Bonds, Series 2016B
- \$36,940,000 Trustees of the Tulsa Airports Improvement Trust, General Airport Revenue Bonds, Series 2013 & 2013A
- \$76,005,000 Trustees of the Tulsa Airports Improvement Trust, General Airport Revenue Bonds, Series 2015A, B, C & D
- \$19,825,000 Trustees of the Tulsa Airports Improvement Trust, General Airport Revenue Bonds, Series 2018A

#### External quality control review (peer review report)

Our firm is subject to the triennial peer review requirements of the AICPA. The peer review focuses on the firm's non-SEC audit practice and is conducted by another licensed CPA firm. RSM US LLP's system of quality control for the accounting and auditing practice for the year ended April 30, 2016, was subject to peer review by the firm of BKD, LLP. Under the peer review standards, firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. RSM US LLP received a peer review rating of *pass*. A copy of our most recent peer review report is included in Appendix C Experience and Qualifications. We are currently undergoing our peer review for the period ended April 30, 2019 and that report is expected to be issued later this year.

#### Disciplinary action

Like other professional services firms, RSM US LLP engages in matters with legal and regulatory implications as a part of doing business. Therefore, we maintain a system of quality control that is structured to provide reasonable assurance that our personnel comply with applicable professional standards and applicable regulatory and legal requirements.

RSM does not release information pertaining to disciplinary actions against the firm or our personnel. However, there are no pending disciplinary matters, nor have there been any such matters in the past three years, that could reasonably be expected to impact

our ability to serve our clients generally, or to provide the services contemplated by this proposal.

## References

Satisfied clients are a testament to our commitment to early planning, communications throughout the year, commitment to deadlines, and overall high level of quality service. Following are the names of three current clients familiar with our work and key members of our engagement team. We invite you to contact them or any of our clients and ask about our services.

Name of organization	Contact information	Work performed
Region Transportation Authority	John Yu Controller 312 913 3161 YUJ@RTAChicago.org	Financial audit of the RTA, including the Joint Self-Insurance Fund, Pension Plan, GASB 68 Allocation Report, and Single Audit. Also the compilation of the combining report for RTA, the CTA, Metra and Pace.
Metropolitan Water Reclamation District of Greater Chicago	Matt Glavas Comptroller 312.751.6501 Glavasm1@mwr.org	Financial audit of MWRD as well as the single audit.
City Colleges of Chicago	Daryl Okrzesik Asst. Vice Chancellor of Finance 312.553.2500 dokrzesik@ccc.edu	Financial audit of CCC as well as the single audit.

## Insurance requirements

RSM US LLP maintains a level of insurance coverage customary for companies of our financial size and strength. We carry commercial general liability, automobile liability, statutory workers' compensation/ employers' liability, property, network security & privacy liability, professional liability (i.e., errors and omissions), and other miscellaneous insurance policies. Proof of relevant coverage is available upon request

RSM US utilizes the following insurance carriers all of which carry an A.M. Best rating of A-VII or better:

- Commercial general liability, automobile liability, workers compensation and employer's liability—Sentry Insurance A Mutual Company and Sentry Casualty Company
- Property—Columbia Casualty Company
- Network Security & Privacy Liability—Columbia Casualty Company

- Professional liability insurance (primary)—North American Capacity Insurance Company, a wholly owned subsidiary of Swiss RE International SE
- Crime—Columbia Casualty Company

### Financial stability

As a limited liability partnership, RSM US LLP has no requirement to prepare financial statements for external release. We affirm, however, that RSM has the capacity—both in size and financial strength—to serve our clients, as illustrated by the following:

- Founded in 1926, today RSM US is the fifth largest accounting, tax and consulting firm in the U.S., as ranked in Accounting Today's 2018 Top 100 Report.
- RSM US has nearly 10,000 professionals in 85 US cities.
- For the most recent fiscal year ended April 30, 2018, RSM reported revenue of \$2.1 billion, an increase of 8.2 percent in comparison to the prior year. The average of our last three fiscal years of revenue is \$2.0 billion.
- In addition to cash and short-term investments, RSM US maintains a revolving credit facility for operational and other borrowing needs. Outside of the revolving credit facility and current liabilities, the firm has no other significant debt.
- The firm is also very well capitalized, with significant partner and principal investment by its 825 partners and principals. All partners and principals are individuals, and no one partner or principal has more than 1 percent of the total capital investment in the firm.
- As of May 1, 2018, RSM US LLP was assigned a low risk commercial credit score. An independent D&B comprehensive credit report for RSM US LLP (DUNS # 07-348-2424) can be ordered via the D&B website.

RSM US LLP is a member of RSM International, the sixth largest network of independent assurance, tax and consulting firms, encompassing 116 countries, 800 offices and more than 41,000 people internationally. The network's total revenue were US\$5.4 billion in 2017.

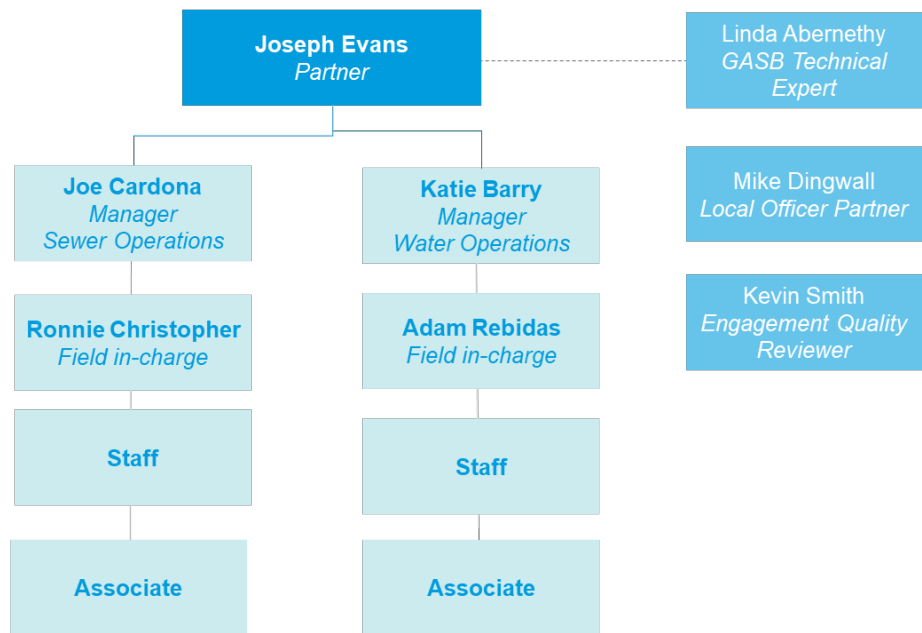
## AUDIT PERSONNEL

### Key personnel assigned to the engagement

RSM is geared to providing you the seasoned professionals and personalized service GLWA deserves. We are committed to providing the highest quality work. We provide talented, bright professionals for the engagement, all of which are licensed and authorized to practice public accounting in the state of Michigan and are independent of GLWA.

The following chart shows the basic structure of our proposed engagement team.

# Great Lakes Water Authority



The following professionals would be responsible for GLWA’s audit. The full biographies, including memberships in professional organizations and continuing professional education hours of the team members, are provided in Appendix D.

Team member, engagement role	Qualifications
<p><b>Joseph Evans</b> Partner Joseph.evans@rsmus.com 312 634 4540</p> <p><i>Engagement partner/team leader.</i> As the engagement partner, Joe will have the overall responsibility for the planning, execution and reporting and will be responsible for your complete satisfaction with the services we provide. He will be the key contact with management and the Board and keep you informed about our progress, and promptly address your questions and concerns.</p>	<ul style="list-style-type: none"> <li>• Over 35 years of experience in the public sector</li> <li>• Audit practice focus is in government organizations and <i>Government Auditing Standards</i></li> <li>• Responsible for providing financial and single audit services to governmental entities</li> <li>• Currently the lead engagement partner on audit of the Metropolitan Water Reclamation District of Greater Chicago, the Indiana Public Retirement System, and City Colleges of Chicago</li> </ul>

<p><b>Mike Dingwall</b> Partner Mike.dingwall@rsmus.com 248 321 0920</p> <p><i>Local office partner.</i> As the assurance leader of the Detroit Office, Mike will be responsible for ensuring all staffing and administrative office needs are met.</p>	<ul style="list-style-type: none"> <li>• Over 25 years of experience in public accounting</li> <li>• Assurance practice leader of RSM's Detroit Office</li> <li>• 10 years of experience in the governmental industry serving the State of Michigan Unemployment Agency, City of Detroit, Oakland County, and Wayne County</li> </ul>
<p><b>Linda Abernethy</b> Partner, Subject matter expert - GASB Linda.abernethy@rsmus.com 847 413 6248</p> <p><i>Subject matter expert.</i> Linda is an expert in governmental accounting and will be available to ensure all GASB standards are properly applied.</p>	<ul style="list-style-type: none"> <li>• Over 30 years of experience in providing advice and consultation on accounting and reporting matters for governmental entities</li> <li>• Former member of the AICPA Expert Panel for State and Local Governments</li> <li>• Has served as concurring reviewer and the independent report reviewer for numerous governments including Metropolitan Water Reclamation District of Greater Chicago</li> </ul>
<p><b>Kevin Smith</b> Partner Kevin.smith@rsmus.com 816 751 4027</p> <p><i>Engagement quality reviewer.</i> Kevin will be responsible for reviewing the audit plan and other relevant planning documentation, including the audit team's assessment of and response to significant risks.</p>	<ul style="list-style-type: none"> <li>• Over 19 years of experience in the public sector</li> <li>• Serves as concurring reviewer for governmental engagements throughout the firm and partner on several water and sewer utility clients</li> <li>• Extensive experience performing audits in accordance with Government Auditing Standards and single audits</li> <li>• Reviewer for the national GFOA Certificate of Achievement for Excellence in Financial Reporting program</li> </ul>

**Katie Barry**

Senior manager

Katie.barry@rsmus.com

312 634 4415

*Audit manager – water operations.* Katie will make the determination of specific audit steps, provide periodic status reports to the audit partner and monitor all phases of the audit to promote timely completion

- Over 14 years of experience in public accounting
- Specializes in state and local government
- Serves numerous municipalities, school districts, state of Illinois agencies, and other special districts, including the Village of Oak Lawn, Village of Lansing, Village of Bedford Park, and others
- Serves as an independent report reviewer and engagement quality reviewer across the firm

**Joe Cardona**

Manager

Joe.cardona@rsmus.com

847 413 6252

*Audit manager – sewer operations.* Joe will make the determination of specific audit steps, provide periodic status reports to the audit partner and monitor all phases of the audit to promote timely completion.

- Six years of experience in public accounting
- Specializing in state and local governments and serves Metropolitan Water Reclamation District of Greater Chicago
- Experience auditing of large, diverse investment portfolios. Has been involved in the audits of several large public employee retirement system's, including the Indiana Public Retirement System, the Illinois Municipal Retirement Fund and the State Employees Retirement System

**Adam Rebidas**

Supervisor

Adam.rebidas@rsmus.com

312 634 4758

*Engagement in-charge.* Adam will oversee the day-to-day functions of the audit and the professional staff members assigned to the engagement. He will participate in planning and developing the overall audit approach and will monitor all phases of the work to help ensure timely completion.

- Over four years of experience in public accounting
- Experience includes the Village of Oak Lawn that includes a regional water system



**Ronnie Christopher**

Senior associate

Ronnie.christopher@rsmus.com

312 634 5929

*Engagement in-charge.* Ronnie will oversee the day-to-day functions of the audit and the professional staff members assigned to the engagement. She will participate in planning and developing the overall audit approach and will monitor all phases of the work to help ensure timely completion.

- Over three years of experience in public accounting
- Provides financial and compliance audit services to a variety of public sector entities including the Metropolitan Water Reclamation District of Greater Chicago

In addition to the team members listed above, 2-3 full-time professional staff will be assigned to the engagement team and will be staffed from RSM's Detroit office. These assistants are college graduates and CPA candidates with varying audit experience.

### Professional development

While all of our professionals receive a minimum of 80 hours of CPE every two years, all employees who participate in audits of governmental clients are required to fulfill a minimum of 24 hours of CPE every two years in subjects directly related to:

- Current public sector environment, including specific accounting rules and applications
  - Auditing techniques, including those specifically pertaining to the satisfaction of governmental audit requirements

RSM training programs are provided at the national and local levels to promote consistency in our approach, while encouraging professionals to build their skills in one of the many specialty areas that we offer our clients.

Our professional development program includes on-the-job development, self-study and continuing professional education as described below.

- **On-the-job development.** Components of on-the-job development include appropriate work assignments, effective coaching by supervisors, performance appraisal and feedback, and monitoring effectiveness. In-charge accountants instruct, review and evaluate staff accountants. Directors, managers and supervisors provide similar on-the-job learning opportunities for in-charge accountants. Partners and directors provide all employees with on-the-job development through constructive feedback during reviews of engagement performance and end products.
- **Self-study.** Assigned self-study is essential to our professional development program. Reading on a planned and continuous basis—via a self-study learning library available to all professionals—is encouraged and expected.

- **Continuing professional education.** RSM's audit and accounting programs train general service professionals to provide basic accounting and auditing services. All proposed RSM staff on GLWA's audit have met or exceeded the minimum governmental CPE hours required by *Government Auditing Standards* and overall CPE requirements instituted by the AICPA.

#### Staff level to be assigned to various tasks

The following table shows a summary of our projected recurring hours by level and by area.

Further details of the specific tasks by person are included in Appendix B. The hours reported here do not include hours associated with the initial start-up and first year transition costs. We anticipate to incur up to 400 hours during the transition and initial start-up. RSM will absorb the cost of the initial start-up hours and transitional costs.

Fieldwork segment	Number of hours anticipated				
	Partner	Manager	In-Charge	Other staff	Total
Planning/preliminary work	4	32	80	80	196
Final fieldwork	70	184	376	432	1,062
Wrap-up and financial statement delivery	26	24	24	8	82
<b>Total</b>	<b>100</b>	<b>240</b>	<b>480</b>	<b>520</b>	<b>1,340</b>

#### Quality assurance with regard to staffing

We recognize the impact staffing changes have on clients and are committed to maintaining continuity and team stability as much as possible. Our policy is to maintain the integrity of the client service team from year to year. While we cannot guarantee that every member of the service team will return each year, we provide staffing consistency whenever possible.

If personnel changes do occur, we know how to minimize disruption. We have a deep pool of government accounting experience from which to draw and will select highly qualified professionals for your consideration. RSM's partner on your account will transfer specific knowledge about GLWA to other team members, helping to bridge any gaps and help ensure no interruptions in performance of services. We recognize your right to approve or reject replacements. Transition costs to new personnel incurred by us would not be billed to GLWA.

#### Employee turnover

While turnover rates fluctuate from year to year, RSM's employee attrition rates are generally consistent with the industry average.

Recognizing that engagement team stability is a priority for GLWA, we will make every effort to maintain staffing consistency from year to year.

Because excellent client service begins with engaged, knowledgeable employees, we are strongly committed to continual improvement in the area of employee retention. We support this goal through a variety of career development programs and initiatives that promote work-life balance, fulfilling personal lives and overall job satisfaction.

## APPROACH TO THE AUDIT

### Summary of RSM's audit approach

#### How our audit is different

Our audit approach is specifically designed for public sector entities with consideration for their controls, systems and personnel resources. We are actively involved with management, the audit committee and the board to help ensure they are engaged in the audit process and thoroughly understand audit results and recommendations for the future.

We differentiate ourselves through:

- High level of partner involvement
- Motivation to learn all the facets of your organization
- Governmental industry specialization
- Regular communication with management throughout the audit process
- Commitment to minimizing disruption for your personnel

#### Key steps in the RSM audit process

UNDERSTAND THE CLIENT	RISK ASSESSMENT	FURTHER AUDIT PROCEDURES	EVALUATION	DELIVERY
<ul style="list-style-type: none"> <li>· Business objectives</li> <li>· Financial performance</li> <li>· Accounting policies</li> <li>· Internal control</li> </ul>	<ul style="list-style-type: none"> <li>· Risks of material misstatement (error or fraud)</li> <li>· Significant risks</li> <li>· Control deficiencies</li> </ul>	<ul style="list-style-type: none"> <li>· Tests of controls</li> <li>· Substantive analytical procedures</li> <li>· Substantive tests of details</li> </ul>	<ul style="list-style-type: none"> <li>· Audit evidence</li> <li>· Uncorrected misstatements</li> </ul>	<ul style="list-style-type: none"> <li>· Issue reports</li> </ul>

- **Understand the client.** We learn as much as possible about your business up front in order to properly understand the account balances, classes of transactions and disclosures relevant to your activities.
- **Risk assessment.** We assess the risk that errors or fraud may cause a material misstatement of financial statements. We next decide whether the identified risks relate to specific relevant assertions related to significant account balances, classes of transactions or disclosures, or whether they relate to the financial statements taken as a whole and potentially affect many relevant assertions. We then determine which of the identified risks of material misstatement are significant risks

that require special audit consideration. We also identify internal control deficiencies as part of our risk assessment process.

- **Further audit procedures.** We next determine the nature, timing and extent of tests of controls and substantive procedures necessary to address the risks identified. We select transactions for testing using various approaches, which may include specific identification of transactions or may involve sampling. When audit evidence obtained from the audit procedures results in identification of previously unidentified risks of material misstatement or contradicts planned risk assessment procedures, we revise the assessment and plan and perform additional audit procedures to reduce risk of material misstatement related to those assertions to an acceptably low level.
- **Evaluation.** At the conclusion of the audit, we evaluate the sufficiency and appropriateness of the audit evidence obtained and whether the assessments of the risks of material misstatement at the relevant assertion level remain appropriate. We may redesign planned audit procedures based on our evaluation. We also evaluate the effects, both individually and in the aggregate, of factual, judgmental and projected misstatements that are not corrected by the organization. We communicate all misstatements identified during the audit, other than those we believe to be trivial, to management and the board on a timely basis.
- **Delivery.** Our audit culminates with the issuance of a report on the financial statements and single audit (if applicable), report on internal control over financial reporting and report to the board.

## Audit innovation

We continually invest in audit innovation because audit quality is paramount to what we do, and we want to perform audits in the most productive manner possible. Technology automates certain audit procedures and the flow of audit documentation; this automation, in turn, enables our auditors to more intently focus on what really matters—the design and results of audit procedures related to the areas with the highest risk.



Computer-assisted audit tools we use to achieve a more effective and efficient audit are summarized below:

**CaseWare, for sharing and managing workpapers via the cloud.** We use CaseWare software to share and manage workpapers and audit programs through an online cloud database, which results in increased audit productivity. This tool streamlines audit work by enabling more efficient documentation and review of a comprehensive, standardized audit file. As part of building our knowledge of your business, we focus on obtaining an understanding of the internal control over financial reporting that is sufficient to identify and assess the risks of material misstatement. We then develop an audit plan that is responsive to those risks. CaseWare efficiently facilitates our documentation of:

- Your financial processes and internal control procedures
- Our testing for an understanding of the actual operation of these processes and controls

**IDEA®, for digging deep into big data.** We use IDEA as our data mining and extraction tool to analyze big data and gain audit insights from that underlying data. IDEA improves audit efficiency in many functions, such as: (a) sampling, including selection and evaluation for systematic, random, stratified random, monetary unit and attribute sampling; (b) field manipulation that allows fields to be appended for calculations and recomputations, facilitates account reconciliations and analyzes the population for major or unusual transactions; and (c) field statistics that display and print statistics about transactions. IDEA also can:

- Search complete data sets, such as when probing for fraudulent journal entry characteristics during journal entry testing
- Perform data combinations, such as when pulling general ledger information into one file or comparing accounts payable to disbursements

**RSM Collaborate, to connect teams and simplify workflow.** Our proprietary RSM Collaborate tool—a secure, internet-based platform designed to optimize engagement management and accountability—enables RSM and client teams to stay in touch and simplify the work-flow process. GLWA stakeholders can leverage Collaborate to stay in touch with your engagement team from any location. Collaborate enables us to collect, organize and track your documents. The impact: Collaborate drives efficiencies and enhances productivity in the timing of our audit of those documents. GLWA and RSM will benefit through an efficient exchange of files and a reduced risk of unauthorized access to data.

Other Collaborate features include:

- Engagement calendars to track milestones
- Functionality to assign tasks and due dates and track related progress
- Protocols to manage document iterations, assisting with version control
- Safeguards to enable secure transfer of files, centralization of data and protection of confidential and sensitive information
- Ability to control information access with respect to distinct tasks
- Capability of issuing updates, alerts and notifications of pending deadlines

**Data visualization, to see the big picture.** Data visualization converts complex raw data into a visual form, reducing the volume of data to a manageable size and allowing auditors to focus on crucial data points. Visual elements help auditors better analyze complex information because they can see connections that would be more difficult to notice using text alone. Our engagement teams use charts and graphs in Excel spreadsheets in many areas of audit testing to help gain insights, draw conclusions and convey information gained to stakeholders.

## Communication with GLWA

In serving GLWA, we will employ a continuous audit process, whereby we address and resolve issues, new accounting standards and changes in your organization throughout the year rather than just at year-end. A no-surprises audit is always our goal.

Because we communicate frequently with you throughout the year, we expect few, if any, major accounting-related issues to arise during the audit. Most accounting issues arise from a misunderstanding of the facts, circumstances and complexities specific to an organization and its industry. Because we take a business advisory approach to auditing, we truly believe we are better equipped to understand the issues surrounding management's position on accounting and reporting matters. Rather than analyze the transaction after the fact, we will help management and the finance department with their decision-making process as accounting issues arise.

At the conclusion of the audit process, we will have an exit conference with management of GLWA, and the audit committee to summarize the results of fieldwork and review significant findings, including proposed management letter comments. We will then issue a management letter discussing these internal control recommendations and weaknesses. The letter will also include observations about accounting methods and procedures, business and industry practices or issues, operational ideas and suggestions to further enhance GLWA. We will advise you of any new accounting pronouncements that have been or may be issued and indicate their potential impact on you. We are available to also make a formal presentation to the board and also meet with the audit committee throughout the year at the request of GLWA.

## Quality control

RSM has a system of quality control for our audit practice that is structured to provide reasonable assurance that our personnel comply with applicable professional standards and applicable regulatory and legal requirements, and that our firm issues reports that are appropriate in the circumstances. Policies and procedures serving as the framework of this system encompass the following areas:

- Leadership responsibilities for quality within the firm
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring

Responsibility for the design, implementation and monitoring of RSM's quality control system rests with our firm's National Office of Risk Management. RSM develops and maintains a number of manuals and other guidance material to implement its quality control system. We monitor our quality control system through annual internal inspections.

Our commitment to auditor independence and integrity, which is reflected in our audit process and review, helps ensure that independence is not jeopardized. All of the reports for GLWA will be subject to a concurring review by an audit and accounting

specialist who is not part of your day-to-day engagement team. Kevin Smith is an experienced quality control and governmental financial reporting partner and will fill the quality control review role on your engagement. He is independent of the personnel assigned to the engagement.

### Responsibilities of GLWA management

During the pre-planning phase of the audit, we will discuss and coordinate with GLWA the materials that we would expect GLWA to prepare, and discuss the level of support and types of activities that will be expected for GLWA. We would anticipate the schedules requested by our firm will be consistent with those GLWA has prepared in the past (including confirmation letters, preparation of workpapers, providing supporting documentation, etc.). As stated previously, a no-surprises audit is always our goal—this applies to our requests for information and support of GLWA personnel. We will give as much notice as possible to GLWA when requesting information to be provided to us as a part of the audit process.

### Timeline

We anticipate the following schedule would be used for audit. These dates can be altered to meet GLWA's goals:

Audit services	Timing
Year-end planning	June 1, 2019
Preliminary fieldwork	August 15, 2019
Fieldwork begins: GLWA audit schedules provided	October 9, 2019
Audit Committee meeting-update report	October 18, 2019
CAFR drafted and fieldwork completed	November 15, 2019
Audit Committee meeting-update report	November 15, 2019
CAFR completed	November 29, 2019
Board of directors-present final draft	December 11, 2019
File final CAFR and single audit report	December 16, 2019



## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1)

### Work Plan and Organization

#### *1. Provide a concept narrative clearly explaining the scope of this proposal.*

We understand the scope of this engagement to be the provision of audit services performed by a qualified, independent, certified public accounting (CPA) firm, licensed to practice in Michigan for the years ended June 30, 2019, 2020 and 2021. You are requesting an audit of the basic financial statements included within the Comprehensive Annual Financial Report (CAFR), a Federal Single Audit, a separate audited financial statement for the Water Fund and a separate audited financial statement for the Sewage Disposal Fund, in accordance with:

- a. Generally Accepted Auditing Standards (GAAS) as set forth by the American Institute of Certified Public Accountants (AICPA),
- b. *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States,
- c. Audit requirements of Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance),
- d. Any applicable standards set forth by legal mandate,
- e. Rules and regulations of any State Department or Agency,
- f. Other provisions applicable to procedures for the audit of local government units,
- g. Reporting guidance from AU 558 regarding required supplementary information based upon the auditing procedures applied during the audit of the basic financial statements, and
- h. Changes to the above standards and requirements which may occur during the course of this contract.

RSM has extensive experience providing these services to similar governments and we are prepared to get started immediately.

#### *2. Submit a detailed work plan, which describes your audit approach and methodology to all tasks you have determined to be necessary to complete the entire scope of work for this contract. Include the critical evaluations and decisions that must be made to efficiently complete the engagement.*

## **Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)**

### **Risk assessment process**

Our audit approach relies on assessing the risk that errors or fraud may cause a material misstatement of financial statements. Once risks are identified, we will determine whether they relate to specific relevant assertions related to significant account balances, classes of transactions, or disclosures—or whether they relate to the financial statements taken as a whole and potentially affect many relevant assertions. We then determine which of the identified risks of material misstatement are significant risks that require special audit consideration.

### **Planning**

The purpose of the planning phase is to provide the foundation for the direction that the audit will take. Following is an outline of the key steps performed during planning:

- Expand our understanding of GLWA through a review of prior financial statements, budgets, minutes, debt agreements, leases, etc. and discussions with appropriate officials.
- A brainstorming session with all key members of the engagement team to discuss potential fraud risk areas and potential risk of misstatement due to unintentional acts and errors.
- Discuss with management and the audit committee, risk areas and key controls in place to prevent and detect fraud.
- Identifying major areas of audit concern based on the understanding achieved above and through analytical reviews.
- Defining the major audit objectives in the identified areas of audit concern. Examples of audit objectives would be actual occurrence of recorded revenues and expenditures, physical existence of assets, etc.
- Set up the paperless audit files (CaseWare) and enter prior year trial balance amounts.
- Develop the audit plan and agree on the list of schedules to be prepared by GLWA.

### **Internal control evaluation**

We will obtain a detailed understanding for GLWA, including the respective internal control environments. We will link this understanding with our assessment of risk and will design further audit procedures. Once we have documented our understanding, we will perform procedures designed to further support our understanding that goes beyond inquiry. We will hold progress meetings with management to keep you apprised of the results of our preliminary review and to discuss the key internal controls to be tested.

Our approach to the study and evaluation of the internal accounting and administrative control will be accomplished through the following:

- Perform an in-depth review of internal control documentation and working papers. We will avoid duplicating documentation of the system of internal accounting and administrative controls.

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**Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)**

- Use internal control narratives to document key flows of information. Because of our extensive commitment to government, the forms utilized are designed specifically for use on governmental engagements, and therefore, will provide the most meaningful information. We will utilize this information and identify key internal control procedures, which may be tested in order to warrant reliance on the identified controls. The objective of such reliance will be to reduce the extent of substantive work performed, resulting in a more cost-efficient audit approach.
- Evaluate audit risk for all key financial statement assertions and compliance determinations using the procedures outlined above. Audit risk is the risk that material financial statement misstatements or material noncompliance will not be prevented or will not be detected and corrected in a timely manner.
- Examine the preliminary SEFA and determine the major programs. Additionally, identify all the compliance requirements to be tested. Review state statutes to determine all compliance related areas significant to an audit in accordance with GAS and determine if there are any other laws, regulations, contracts, debt covenants etc., noncompliance with which could result in a material misstatement of the financial statements.
- Begin the single audit and we will perform tests of controls and tests of compliance for the major programs and significant areas identified under GAS.
- Wherever feasible, we will use IDEA software to make a random selection of items for our tests of controls and tests of compliance.

**Final fieldwork**

For financial audit purposes, we will assess the risk of material misstatement associated with a given objective and perform substantive and compliance procedures. Our substantive procedures will gather evidence as to the completeness, accuracy or validity of the information contained in the financial statements. These procedures include confirmation of year-end balances, vouching documents and analytical reviews.

Through our compliance procedures, we will gather evidence related to the existence and effectiveness of specific internal controls. These procedures include examinations of documents for proper approval and review of procedures for compliance with rules and regulations.

This phase of the audit will consist primarily of substantive testing of year-end balances and review of the financial statements and reports. If any problems or issues come to our attention during the course of our work, we will immediately inform you so that action can be taken before the completion of our fieldwork.

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**Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)**

See anticipated significant accounts and transactions and related audit procedures summarized below:

*Accounts Receivable and Revenue*

- Perform analytical procedures over water and sewer revenue
- Confirm wholesale charges with customers
- Use IDEA to select a sample of revenues and accounts receivable and detail test for proper cutoff, occurrence, classification and valuation
- Evaluate reasonableness of allowance for doubtful accounts

*Capital Assets*

- Obtain and review summary schedule showing beginning balances, additions, retirements and other changes and ending balances for both cost and accumulated depreciation and reconcile to supporting schedules
- Substantively test capital asset additions and retirements vouching dates, vendor or donor, description, life, depreciation method and cost, trade-ins, or acquisition value to supporting documents
- Recompute present value of minimum future lease payments for new capital leases using implicit interest rate or client's incremental borrowing rate, as appropriate.
- Test that all construction in progress including self-constructed capital assets are reported at the end of the period, which includes the proper capitalization of any related costs incurred during the period

*Intangible Assets*

- Determine whether the intangible asset is identifiable and properly recognized on the Statement of Net Position.
- Obtain a schedule of depreciation/amortization allowances and test computations and tie out additions to expense accounts. Compare methods, rates and lives to policy or agreements.

*Long Term Debt*

- Confirm transactions occurring during the audit period and year-end balances
- Revenue bond testing consists of identifying specific revenue pledged, general purpose of the debt, term of the commitment, relationship of the pledged amount to the specific revenue and comparing the pledged revenues recognized to the principal and interest requirements for the debt directly and indirectly collateralized by the revenues
- Debt covenant testing consists of summarizing the financial and nonfinancial covenants, vouching those covenants to the debt documents and testing compliance with each identified restrictive covenant
- Determine disclosures are proper

## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)

### *Risk Financing and Self Insurance*

- Obtain an understanding of the entity's method of financing risk
- Review authorization for risk financing and insurance programs in minutes, statutes, resolutions, etc.
- Test recorded expenses
- Test and/or review claims paid subsequent to year end to identify potential unrecorded payables.
- Verify that claims and related expenditures/ expenses are recognized in accordance with GASB Statement No. 10 and GASB Codification Section C 50
- Verify that a provision has been made for retrospective insurance premiums and/or estimated incurred but not reported (IBNR) claims in any liability estimates and that such estimates are reasonable and adequately supported.

### **Evaluation**

At the conclusion of the audit, we evaluate the sufficiency and appropriateness of the audit evidence obtained and whether the assessments of the risks of material misstatement at the relevant assertion level remain appropriate. We may redesign planned audit procedures based on our evaluation. We also evaluate the effects, both individually and in the aggregate, of factual, judgmental and projected misstatements that are not corrected by the organization. We communicate all misstatements identified during the audit, other than those we believe to be trivial, to management and the board on a timely basis.

### **Reporting**

Our audit culminates with the issuance of a report on the financial statements and single, report on internal control over financial reporting and report to the board.

#### *3. Indicate when your firm will be ready to start work on this contract, if awarded.*

Our firm is ready to get started as soon as we have a signed contract. We have substantial resources with over 1,000 professional staff in our Great Lakes practice. Because you are a June 30 year-end, the majority of the work will take place during our non-peak season. Joe Evans and Mike Dingwall will immediately assemble our team and hit the ground running so that we can ensure a smooth transition and that all deadlines are met. We have identified the key staff that will be working on the engagement as well as the replacement staff that will be serving the clients they are leaving.

#### *4. Explain the approach and activities your firm will engage to meet the timelines in the project schedule.*

Early planning and constant communication are the keys to meeting the project timelines. We serve many large governments and have a solid reputation for meeting timelines in the project schedule. Several factors distinguish our firm.

## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)

- a. We have extensive experience with large governments similar in size and structure to GLWA. Our knowledge base will enable us to be more proactive dealing with issues as they arise.
- b. We have dedicated team of professionals serving similar governmental clients enabling us to provide experienced professionals.
- c. We have extensive training geared toward serving governments.
- d. Our technology is state-of-the-art and secure. Using the “RSM cloud” will enable us to exchange data more easily and enable our entire team to be engaged real time.
- e. We will hold weekly status meetings to review the progress of the engagement.

*5. Provide a work plan with milestones, durations and a timeline that includes planning, fieldwork, and final report preparation and issuance of the reports. Include the estimated number of hours by category to demonstrate the level of effort for each fiscal year.*

Following is a summary work plan for 2019. Subsequent years will be tailored for specific circumstances as they arise. However, we do not anticipate any major change in total hours.

GENERAL TASK DESCRIPTION	TITLE	NUMBER OF HOURS	SPECIFIC TASKS TO BE PERFORMED	DELIVERABLES	MONTH
Audit Planning	Associate	40	1. Entity level planning - Entity, governance, operations and internal control environment understanding memos 2. Meet with GLWA staff and document internal control processes and complete walkthroughs of the internal controls	Memos Internal control understandings	June - Aug
Audit Planning	Associate	40	1. Preliminary analytical procedures 2. Meet with GLWA staff and document internal control processes and complete walkthroughs of the internal controls	Memos Internal control understandings	June - Aug
Audit Planning	Senior Associate	40	1. Complete audit strategy memo 2. Calculate materiality 3. Determine significant accounts and estimates 4. Document RSM understanding of GLWA, their internal control environment 5. Supervise and review work of staff	Memos Internal control understandings	June - Aug
Audit Planning	Senior Associate	40	1. Complete audit strategy memo 2. Calculate materiality 3. Determine significant accounts and estimates 4. Document RSM understanding of GLWA, their internal control environment 5. Supervise and review work of staff	Memos Internal control understandings	June - Aug
Audit Planning	Manager	16	1. Complete risk assessment forms, schedule, budget, and planning letters 2. Supervise and review work of staff and senior associates	Arrangement Letter SAS 114 Planning Letter	June - Aug
Audit Planning	Senior Manager	16	1. Complete risk assessment forms, schedule, budget, and planning letters 2. Supervise and review work of staff and senior associates	Arrangement Letter SAS 114 Planning Letter	June - Aug
Audit Planning	Partner	4	1. Review risk assessments 2. Review and approve materiality calculation 3. Review and approve significant account determinations		June - Aug
	<b>Planning Total</b>	<b>196</b>			

## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)

GENERAL TASK DESCRIPTION	TITLE	NUMBER OF HOURS	SPECIFIC TASKS TO BE PERFORMED	DELIVERABLES	MONTH
Cash Testing	Associate	12	1. Confirm bank balances 2. Test bank reconciliations 3. Review subsequent bank statements		Oct - Nov
Cash Testing	Senior Associate	2	1. Review associate's work 2. Review classification of cash balances		Oct - Nov
Grant Revenue/Receivable/Deferral	Associate	24	1. Confirm accounts receivable 2. Reconcile the receivable subsidiary record(s) to the general ledger control account(s) and corroborate reconciling items 3. Confirm material grant entitlements		Oct - Nov
Grant Revenue/Receivable/Deferral	Senior Associate	16	1. Review, document and test the process used by management to determine the reserves, allowances and deferrals. 2. Reconcile the receivable subsidiary record(s) to the general ledger control account(s) and corroborate reconciling items 3. Confirm material grant entitlements		Oct - Nov
Water Revenue/Receivable	Associate	24	1. Reconcile the receivable subsidiary record(s) to the general ledger control account(s) and corroborate reconciling items. 2. Complete analytical procedures to evaluate revenue and accounts receivable 3. Confirm revenue and accounts receivable with customers		Oct - Nov
Water Revenue/Receivable	Senior Associate	20	1. Reconcile the receivable subsidiary record(s) to the general ledger control account(s) and corroborate reconciling items. 2. Complete analytical procedures to evaluate revenue and accounts receivable 3. Confirm revenue and accounts receivable with customers		Oct - Nov
Water Revenue/Receivable	Senior Manager	8	1. Reconcile the receivable subsidiary record(s) to the general ledger control account(s) and corroborate reconciling items. 2. Complete analytical procedures to evaluate revenue and accounts receivable 3. Confirm revenue and accounts receivable with customers		Oct - Nov
Sewer Revenue/Receivable	Associate	24	1. Reconcile the receivable subsidiary record(s) to the general ledger control account(s) and corroborate reconciling items. 2. Complete analytical procedures to evaluate revenue and accounts receivable 3. Confirm revenue and accounts receivable with customers		Oct - Nov
Sewer Revenue/Receivable	Senior Associate	20	1. Reconcile the receivable subsidiary record(s) to the general ledger control account(s) and corroborate reconciling items. 2. Complete analytical procedures to evaluate revenue and accounts receivable 3. Confirm revenue and accounts receivable with customers		Oct - Nov
Sewer Revenue/Receivable	Manager	8	1. Reconcile the receivable subsidiary record(s) to the general ledger control account(s) and corroborate reconciling items. 2. Complete analytical procedures to evaluate revenue and accounts receivable 3. Confirm revenue and accounts receivable with customers		Oct - Nov
Inventory	Associate	16	1. Obtain an inventory summary and reconcile to general ledger balances as of physical inventory date explaining significant differences. 2. Determine that the method of pricing is appropriate and consistently applied 3. Review cutoff procedures		Oct - Nov
Inventory	Senior Associate	10	1. Obtain an inventory summary and reconcile to general ledger balances as of physical inventory date explaining significant differences. 2. Determine that the method of pricing is appropriate and consistently applied 3. Review cutoff procedures		Oct - Nov
Accounts Payable/Other Liabilities	Associate	40	1. Complete subsequent disbursement testing 2. Obtain a schedule of accruals and trace balances to the general ledger 3. Test accrued expenses and other liabilities using analytical procedure		Oct - Nov
Accounts Payable/Other Liabilities	Senior Associate	36	1. Assess whether all liabilities have been provided for 2. Assess and test potential environmental clean-up costs		Oct - Nov
Accounts Payable/Other Liabilities	Manager	4	1. Assess whether all liabilities have been provided for 2. Assess and test potential environmental clean-up costs		Oct - Nov
Accounts Payable/Other Liabilities	Senior Manager	4	1. Determine that all applicable disclosures pertaining to pollution remediation activities are properly reported		Oct - Nov
Investments and related income	Associate	24	1. Confirm investment securities 2. Test the fair value of investments 3. Test purchases and sales transactions 4. Analytically test investment income		Oct - Nov
Investments and related income	Senior Associate	16	1. Confirm investment securities 2. Test the fair value of investments 3. Test purchases and sales transactions 4. Analytically test investment income		Oct - Nov



## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)

GENERAL TASK DESCRIPTION	TITLE	NUMBER OF HOURS	SPECIFIC TASKS TO BE PERFORMED	DELIVERABLES	MONTH
Capital Assets	Associate	40	1. Reconcile ledger to trial balance 2. Test additions and deletions 3. Analytically test depreciation		Oct - Nov
Capital Assets	Senior Associate	16	1. Review capital asset policies 2. Review associate's work		Oct - Nov
Interfunds and transfers	Associate	24	1. Obtain schedules that show transfers, advances, and internal balances 2. Test transfers		Oct - Nov
Interfunds and transfers	Senior Associate	12	1. Determine that all applicable disclosures pertaining to transfers are properly reported		Oct - Nov
Debt and notes payable	Associate	40	1. Obtain and analyze rollforward 2. Review debt agreements 3. Confirm debt 4. Test interest expense and interest payable		Oct - Nov
Debt and notes payable	Senior Associate	20	1. Obtain and analyze rollforward 2. Review debt agreements 3. Confirm debt 4. Test interest expense and interest payable		Oct - Nov
Debt and notes payable	Senior Manager	16	1. Review disclosures		Oct - Nov
Expenses	Associate	34	1. Test expenses for classification, timing and accuracy		Oct - Nov
Payroll expenses	Associate	22	1. Test payroll expense, related expenses, and accrued payroll for timing and accuracy 2. Test accrued vacation		Oct - Nov
Payroll expenses	Senior Associate	10	1. Review analysis of bonus, profit sharing, 401k expense accounts and compare expenses to amounts authorized by Board of Directors/Trustees. 2. Review analysis of officer payroll expense and compare compensation paid to amounts authorized by the Board of Directors/Trustees.		Oct - Nov
Retirement expenses and liability	Manager	16	1. Test expenses for classification, timing and accuracy		Oct - Nov
Risk management / self insurance	Associate	20	1. Obtain an understanding of the entity's method of financing risk 2. review authorization for risk financing and insurance programs in minutes, statutes, resolutions, etc. 3. Test recorded expenses 4. Test and/or review claims paid subsequent to year end to identify potential unrecorded payables.		Oct - Nov
Risk management / self insurance	Senior Associate	16	1. Verify that claims and related expenditures/ expenses are recognized in accordance with GASB Statement No. 10 and GASB Codification Section C 50 2. Verify that a provision has been made for retrospective insurance premiums and/or estimated incurred but not reported (IBNR) claims in any liability estimates and that such estimates are reasonable and adequately supported.		Oct - Nov
Risk management / self insurance	Manager	10	1. Determine that the liability for retrospective insurance premiums and/or self insurance has been properly recorded and reported		Oct - Nov
Journal entry testing and other GAAS procedures	Associate	12	1. Test for management override of controls 2. Document related parties and test transactions		Oct - Nov
Journal entry testing and other GAAS procedures	Senior Associate	8	1. Test for management override of controls 2. Document related parties and test transactions		Oct - Nov
Fund balance and net position	Associate	16	1. Test rollforward of net position 2. Determine that the financial statements properly reflect conditions and agreements that affect the entity's net positions		Oct - Nov
Fund balance and net position	Senior Associate	8	1. Test rollforward of net position 2. Determine that the financial statements properly reflect conditions and agreements that affect the entity's net positions		Oct - Nov
GAS/A-133 Compliance Testing	Associate	60	Single audit testing		Oct - Nov
GAS/A-133 Compliance Testing	Senior Associate	60	Single audit testing		Oct - Nov
GAS/A-133 Compliance Testing	Senior Manager	58	Single audit testing		Oct - Nov
Senior Reviews	Senior Associate	60	1. Senior reviews		Oct - Nov
Senior Reviews	Senior Associate	46	1. Senior reviews		Oct - Nov
Manager Reviews	Manager	30	1. Manager reviews		Oct - Nov
Manager Reviews	Senior Manager	30	1. Manager reviews		Oct - Nov
Partner Reviews	Partner	70	1. Partner reviews/ Audit Committee meetings/quality review		Oct - Nov
	Fielwork Total	1,062			

## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)

GENERAL TASK DESCRIPTION	TITLE	NUMBER OF HOURS	SPECIFIC TASKS TO BE PERFORMED	DELIVERABLES	MONTH
Reporting	Senior Associate	12	Complete reports	Reports Opinions Single Audit Report SAS 114 letter	Nov
Reporting	Senior Associate	12	Complete reports		
Reporting	Manager	12	Complete reports		
Reporting	Senior Manager	12	Complete reports		
Reporting	Partner	26	Complete reports		
Reporting	Support Staff	8	Complete reports		
	Reporting Total	82			
	Overall Total	1,340			

*6. Describe availability of the firm's resources to ensure that no conflict would exist with timely completion of GLWA's audit and related reports.*

We have identified the key individuals that would be servicing GLWA and have adjusted their schedules accordingly and have identified the replacement personnel that will be serving their existing clients. Given the size of our staff in the Great Lakes region, we have ample staff to properly serve GLWA.

In order to minimize conflicts, we employ full-time scheduling coordinator and we have an on-line real time scheduling system that enables everyone to see each other's schedules. This enables us to better serve the needs of our clients, including the need for last minute scheduling changes that may arise out of unplanned circumstances. RSM will ensure your needs are met.

*7. Describe how your team will communicate among the team and with the assigned partner or other technical resources. Describe how these communications will result in effectively executing the work consistent with professional standards.*

Our process includes meeting with the entire team, including the partner and review team prior to commencing any engagement. We hold a pre-audit brainstorming session to discuss client needs, industry trends, timing and other key elements of the engagement. Throughout the engagement, we will have regular progress meetings with the entire team to ensure we stay on track. The engagement partner, Joe Evans, will perform periodic on-site visits to meet with client personnel and review the audit progress. With our advanced technology, including the "RSM cloud" we have the ability to keep everyone on the team informed and up-to-speed on the progress of the engagement.

*8. Describe how your team will communicate with GLWA. Describe how these communications will result in effectively executing the work.*

We will employ a continuous audit process, whereby we address and resolve issues, new accounting standards and changes in your organization throughout the year rather than just at year-end. A no-surprises audit is always our goal.

Because we communicate frequently with you throughout the year, we expect few, if

## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)

any, major accounting-related issues to arise during the audit. Most accounting issues arise from a misunderstanding of the facts, circumstances and complexities specific to an organization and its industry. Because we take a business advisory approach to auditing, we truly believe we are better equipped to understand the issues surrounding management's position on accounting and reporting matters. Rather than analyze the transaction after the fact, we will help management and the finance department with their decision-making process as accounting issues arise.

At the start of the audit we will hold an entrance conference to review the timing, document request, and overall audit plan. During the audit we will hold weekly status meetings or more frequently if needed. At the conclusion of the audit process, we will have an exit conference with management of GLWA, and the audit committee to summarize the results of fieldwork and review significant findings, including proposed management letter comments. We will then issue a management letter discussing these internal control recommendations and weaknesses. The letter will also include observations about accounting methods and procedures, business and industry practices or issues, operational ideas and suggestions to further enhance GLWA. We will advise you of any new accounting pronouncements that have been or may be issued and indicate their potential impact on you. We are available to also make a formal presentation to the board and also meet with the audit committee throughout the year at the request of GLWA.

### *9. Describe the internal quality management program your firm will employ with respect to the execution of this project and the review of the work including the staff levels involved.*

At RSM, we establish policies and procedures designed to provide reasonable assurance that (a) engagements are consistently performed in accordance with applicable professional standards and regulatory and legal requirements, and (b) we issue reports that are appropriate in the circumstances. We implement these policies by developing, maintaining and providing personnel with our electronic manuals, software tools and subject-matter guidance materials, which address:

- Our audit methodology
- Engagement supervision, including the timing and extent of the various levels of engagement review
- Appropriate documentation of the work performed
- Identifying matters for consultation or consideration by more experienced professionals

### **Our audit methodology**

Our audit approach is carefully designed to comply with professional standards, providing a high level of audit quality and an appropriately low level of business risk. The audit approach is founded on a thorough understanding of the client's business, including its financial reporting and business control environments. Our understanding

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**Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)**

of the client's business also focuses on obtaining an understanding of internal control over financial reporting that is sufficient to identify and assess the risks of material misstatement and developing an audit plan that is responsive to those risks.

The engagement team is required to plan the audit work so that an effective audit is performed, designing procedures that are responsive to the fraud risks and other risks of material misstatement identified. The nature, timing and extent of procedures performed are consistent with risk assessments made and the approach described in the planning documentation. The appropriateness of planned procedures is reconsidered when significant changes in risk factors are identified during the execution of tests of controls and substantive procedures.

**Engagement supervision**

Various levels of engagement review, including by the senior in-charge, manager and partner, are used to document the supervision and review of the engagement performed by engagement supervisory personnel. An engagement quality review provides additional assurance with respect to the financial statements and our report thereon, the sufficiency of evidential matter obtained and the audit conclusions reached.

**Appropriate documentation**

We use CaseWare software to share and manage workpapers and audit programs through an online cloud database, which results in increased audit productivity. This tool streamlines audit work by enabling more efficient documentation and review of a comprehensive, standardized audit file. As part of building our knowledge of your business, we focus on obtaining an understanding of the internal control over financial reporting that is sufficient to identify and assess the risks of material misstatement. We then develop an audit plan that is responsive to those risks. CaseWare efficiently facilitates our documentation of:

- Your financial processes and internal control procedures
- Our testing for an understanding of the actual operation of these processes and controls

**Consultations**

Our firm expects its professionals to seek assistance from persons possessing specialized knowledge and expertise whenever they encounter situations where they lack sufficient knowledge or experience, and in certain specific situations prescribed by our consultation policy. RSM has designated subject matter experts and functional and industry specialists who provide professionals with access to knowledge and expertise in a variety of specialized, complex and (or) unusual areas. Certain situations prescribed by our policy require consultation with the National Professional Standards Group.

## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)

### *10. Identify the quality control system in place for monitoring compliance with independence requirements. The firm must meet all applicable independence requirements.*

Our commitment to auditor independence and integrity, which is reflected in our audit process and review, helps ensure that independence is not jeopardized.

RSM is not currently aware of any existing relationships between our firm and GLWA or trustees or employees of your company that would impair our independence or objectivity. Potential relationships between our firm and your company that could impair our independence or objectivity include, but are not limited to, the following:

- Our professionals having a direct financial interest in a client or a material indirect financial interest in a client
- Our professionals having a loan to or from a client, or an officer, director or principal stockholder of a client
- A member of a professional's immediate family or a close relative being employed in positions of significant influence with a client or an audit-sensitive position with a client
- Our professionals receiving from a client a gift or a discount that is not available to a regular consumer
- Our professionals serving as an officer or director for a client
- We will ensure the firm stays independent in accordance with AICPA rules and *Government Auditing Standards*. Prior to performing any non-audit services, we will discuss the nature of those services and ensure proper safeguards are in place to ensure independence is not compromised.

### *11. Identify all assumptions made in developing the proposal including but not limited to data, resources, etc.*

In preparing this proposal, we made the following assumptions. We consider these to be normal assumptions for a large sophisticated client like GLWA.

- No material weaknesses in internal control
- No major changes in operations
- Timely receipt of client prepared schedules
- Accuracy of client prepared schedules
- Providing a clean draft of the financial statements without major revisions
- Availability of personnel throughout the organization to respond to questions
- Electronic access to data

## Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)

Should our assumptions not be correct, we will discuss with you immediately the impact this may have on our estimated hours and timeline. We do not want there to be any surprises in the audit process and our goal is to complete the engagement as efficiently as possible on time and on budget. Because of our commitment to planning and communication, we often make changes in our approach and assumptions without the need to increase our hours or change engagement timing. We have an excellent record for completing engagements on time and on budget.

### *12. GLWA's Role - Clearly identify the proposed role of GLWA in the project and to what extent will GLWA be encouraged to participate.*

Our goal is the same as yours, a smooth audit process done on time and on budget. Because we share similar goals, we need to work together to ensure they are met. We are a team and once we agree on responsibilities and a timeline, our expectation is we will all work hard to ensure the goal is met.

As for GLWA, we expect you to be fully engaged in providing information necessary to conduct the audit and we expect you to provide timely and accurate responses to our inquiries.

### *13. Quality Control - Provide a written quality assurance/quality control plan that describes procedures for verifying accuracy, quality and completeness of the deliverables; ensuring the quality of the deliverables; identifying and correcting non-complying work and adverse quality trends; and preventing deficiencies from recurring.*

RSM has a system of quality control for our audit practice that is structured to provide reasonable assurance that our personnel comply with applicable professional standards and applicable regulatory and legal requirements, and that our firm issues reports that are appropriate in the circumstances. We establish monitoring policies and procedures designed to provide reasonable assurance that the policies and procedures relating to our system of quality control are relevant, adequate, operating effectively and complied with in practice. In assuring that our quality control policies and procedures remain relevant and adequate, we consider changes in professional standards or other regulatory requirements applicable to our practice. We also consider other external factors, such as industry trends, economic developments and emerging audit quality issues. All key deliverables prepared in connection with the audit are reviewed by the immediate supervisor, the engagement manager, engagement partner, and independent quality assurance partner.

**Appendix B – Technical Work Plan/Approach (Evaluation Criteria #1) (Continued)**

Policies and procedures serving as the framework of our quality control system encompass the following areas:

- Leadership responsibilities for quality within the firm
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring

Responsibility for the design, implementation and monitoring of RSM's quality control system rests with our firm's National Office of Risk Management. RSM develops and maintains a number of manuals and other guidance material to implement its quality control system. We monitor our quality control system through annual internal inspections.

All of the reports for GLWA will be subject to a concurring review by an audit and accounting specialist who is not part of your day-to-day engagement team. Kevin Smith is an experienced quality control and governmental financial reporting partner and will fill the quality control review role on your engagement. He is independent of the personnel assigned to the engagement.



## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*)

Each proposal will be evaluated on its responsiveness to the technical and administrative criteria identified below.

### A. Minimum Qualifications (Pass/Fail)

- A minimum of three (3) Single Audit engagements within the last five (5) years demonstrating experience comparable to the scope of services described for this project including the name, scope of work, location, services provided, and the length of time the respondent's services were provided.*

RSM has extensive experience performing approximately 600 single audits annually. We have hundreds of current single audit clients of various sizes. Because of the size of our practice, we have developed in-house specialty training for our staff assigned to single audit engagements.

Following is a list of five of our larger single audits performed in the past 5 years by personnel from our Great Lakes practice. We would be happy to provide additional information on other engagements if requested.

<b>Client name:</b>	City Colleges of Chicago
<b>Scope of work:</b>	Financial statement audit – budget \$505 million annually Federal single audit – Federal funds \$81 million annually
<b>Location:</b>	Chicago, Illinois
<b>Services provided:</b>	Annual financial audit, annual single audit
<b>Dates:</b>	2013 - present

<b>Client name:</b>	Chicago Public School System
<b>Scope of work:</b>	Financial statement audit – budget \$6.5 billion annually Federal single audit – Federal funds \$750 million annually
<b>Location:</b>	Chicago, Illinois
<b>Services provided:</b>	Annual financial audit, annual single audit
<b>Dates:</b>	2007 - 2016

**Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)**

<b>Client name:</b>	Illinois State University
<b>Scope of work:</b>	Financial statement audit – budget \$600 million annually Federal single audit – Federal funds \$156 million annually
<b>Location:</b>	Normal, Illinois
<b>Services provided:</b>	Annual financial audit, annual single audit
<b>Dates:</b>	2017 - present

<b>Client name:</b>	Northeastern Illinois Regional Transportation Authority
<b>Scope of work:</b>	Financial statement audit – budget \$1.6 billion annually Federal single audit – Federal funds \$10 million annually
<b>Location:</b>	Chicago, IL
<b>Services provided:</b>	Annual financial audit, annual single audit
<b>Dates:</b>	2006 - present

<b>Client name:</b>	Northern Illinois University
<b>Scope of work:</b>	Financial statement audit – budget \$650 million annually Federal single audit – Federal funds \$200 million annually
<b>Location:</b>	DeKalb, IL
<b>Services provided:</b>	Annual financial audit, annual single audit
<b>Dates:</b>	2011 - 2016

We are the auditors of the Metropolitan Water Reclamation District of Greater Chicago, Chicago Park District and Cook County (Chicago). Each of these organizations has a very large single audit and in each case the report is issued by our subcontracted minority CPA firm who works under our direction. During 2018, on behalf of the Indiana State Board of Accounts (Indiana Auditor of State), we performed the single audits of all the public universities in the State of Indiana. Our experience with performing single audits of large governments enables us to provide you highly qualified personnel to serve you.

## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)

2. *A minimum of two (2) audit engagements within the last eight (8) years demonstrating experience with municipal water and sewer enterprise accounting including the name, scope of work, location, services provided, and the length of time the respondent's services were provided for clients with annual revenue greater than \$100 million and more than 300 employees.*

RSM has a long history and extensive experience providing audit services to large municipal water and sewer agencies. Listed below are several recent clients with attributes similar to GLWA.

<b>Client name:</b>	Tulsa Metropolitan Utility Authority
<b>Relative size:</b>	Greater than \$150 million revenue 400 employees
<b>Location:</b>	Tulsa, OK
<b>Scope of services:</b>	Annual audits
<b>Dates:</b>	2010 – present

<b>Client name:</b>	Metropolitan Utilities District
<b>Relative size:</b>	Greater than \$350 million revenue 800 employees
<b>Location:</b>	Omaha, NE
<b>Scope of services:</b>	Annual audits
<b>Dates:</b>	2014 – present

<b>Client name:</b>	Metropolitan Water Reclamation District of Greater Chicago
<b>Relative size:</b>	Greater than \$1.0 billion revenue 2,200 employees
<b>Location:</b>	Chicago, IL
<b>Scope of services:</b>	Annual audits
<b>Dates:</b>	2015 – present

<b>Client name:</b>	Orange County Sanitation District
<b>Relative size:</b>	Greater than \$300 million revenue 700 employees
<b>Location:</b>	Fountain Valley, CA
<b>Scope of services:</b>	Annual audits
<b>Dates:</b>	2011 – 2015

## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)

3. *A minimum of two (2) audit engagements within the last five (5) years providing consent letters for inclusion in revenue bond official statements for debt issuances greater than \$50 million demonstrating experience with the needs of large public debt issuers.*

RSM is a recognized leader in providing services to governmental issues of public debt. As a national firm, we are recognized by the capital markets as a trusted partner. Many of our clients have outstanding public debt and we are familiar with the disclosure and filing requirements.

For many years, RSM has provided comfort letters and consents associated with public issuance of revenue bonds. Joe Evans, engagement partner, has been involved with several consents for bond issuances of the Northeastern Illinois Regional Transportation Authority (RTA) and Illinois Housing Development Authority. In addition to our governmental issues, we have a robust practice serving commercial issuers of public debt and have a dedicated national office team serving our clients.

Following is a listing of more recent consents we have issued for our government clients for revenue bond debt issues greater than \$50 million.

<b>Client name:</b>	Tulsa Public Facilities Authority
<b>Relative size:</b>	\$118,100,000 Capital Improvement Revenue Bonds, Series 2018
<b>Location:</b>	Tulsa, OK
<b>Scope of services:</b>	Issue auditor consent
<b>Dates:</b>	2018

<b>Client name:</b>	Tulsa Public Facilities Authority
<b>Relative size:</b>	\$115,300,000 Capital Improvement Revenue Bonds, Series 2017
<b>Location:</b>	Tulsa, OK
<b>Scope of services:</b>	Issue auditor consent
<b>Dates:</b>	2017

<b>Client name:</b>	Tulsa Metropolitan Utility Authority
<b>Relative size:</b>	\$61,280,000 Utility Revenue Bonds, Refunding Series 2013
<b>Location:</b>	Tulsa, OK
<b>Scope of services:</b>	Issue auditor consent
<b>Dates:</b>	2013

## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)

<b>Client name:</b>	Trustees of the Tulsa Airports Improvement Trust
<b>Relative size:</b>	\$76,005,000 General Airport Revenue Bonds, Series 2015A, B, C & D
<b>Location:</b>	Tulsa, OK
<b>Scope of services:</b>	Issue auditor consent
<b>Dates:</b>	2015

In addition to the bonds listed above we have issued numerous consents over the past 5 years for revenue bond issues in the \$20 to \$50 million range.

*4. The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.*

The assigned engagement partner, Joe Evans, has devoted his entire career serving governments. He has over 30 years of experience serving similar engagements, including single audits. In the past 10 years, Joe has served the following large governments.

<b>Name</b>	<b>Annual budget</b>	<b>Years served</b>
<b>Metropolitan Water Reclamation District of Greater Chicago</b>	\$1.0 billion	2015-present
<b>Northeastern Illinois Regional Transportation Authority</b>	\$1.6 billion	2005-present
<b>Indiana Public Retirement System</b>	\$3.5 billion	2014-present
<b>Chicago Public School System</b>	\$6.5 billion	2008-2017
<b>City Colleges of Chicago</b>	\$500 million	2013-present
<b>Illinois State University</b>	\$600 million	2017-present

Additionally, Mr. Evans has served as technical review partner for many local government clients with single audit requirements and water/sewer operations. Mr. Evans has extensive experience with all aspects of governmental financial reporting, public finance and public pensions. A complete resume for Mr. Evans is included in Appendix D – Project Team and Key Individuals.

**Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)**

5. *The firm must have undergone a peer review in the last three (3) years and received a peer review rating of pass or a pass with deficiency. A pass with deficiency rating requires an explanation on the findings and recommendations made including the remediation efforts to correct the deficiencies noted in the peer review report. Firms with a peer review rating of fail will not be considered.*

Our firm is subject to the triennial peer review requirements of the American Institute of Certified Public Accountants (AICPA). RSM US LLP's system of quality control for the accounting and auditing practice for the year ended April 30, 2016, was subject to peer review by the firm of BKD, LLP. RSM US LLP received a peer review rating of pass.

Our non-SEC audit practice is subject to the triennial peer review requirements of the American Institute of Certified Public Accountants. As specifically required by the standards for such reviews and our membership in the AICPA Governmental Audit Quality Center, a representative sample of the approximately 1,000 audits that are performed annually in accordance with *Government Auditing Standards*, including approximately 600 single audits, were selected for review.

We are currently in the process of completing our peer review for the period ended April 30, 2019 and the report is expected to be issued later in 2019.

See attached for our peer review report.

6. *All assigned partners and managers must be licensed to practice public accounting in the State of Michigan. The qualifications of those licensed in the State of Michigan will be considered during the evaluations of the proposal. However, the qualifications of those not currently licensed in the State of Michigan will not be considered during the evaluation process.*

RSM US LLP holds an active CPA firm license in Michigan.

All partners in the firm are CPAs. All CPAs must be licensed in the state in which their office is located. Our licensing department ensures that our firm and its individual employees are in compliance with the licensing requirements in the states where active firm and individual licenses are held. All of the staff assigned to GLWA's engagement from supervisors through partners are licensed CPAs and are in compliance with licensing requirements of the State of Michigan.

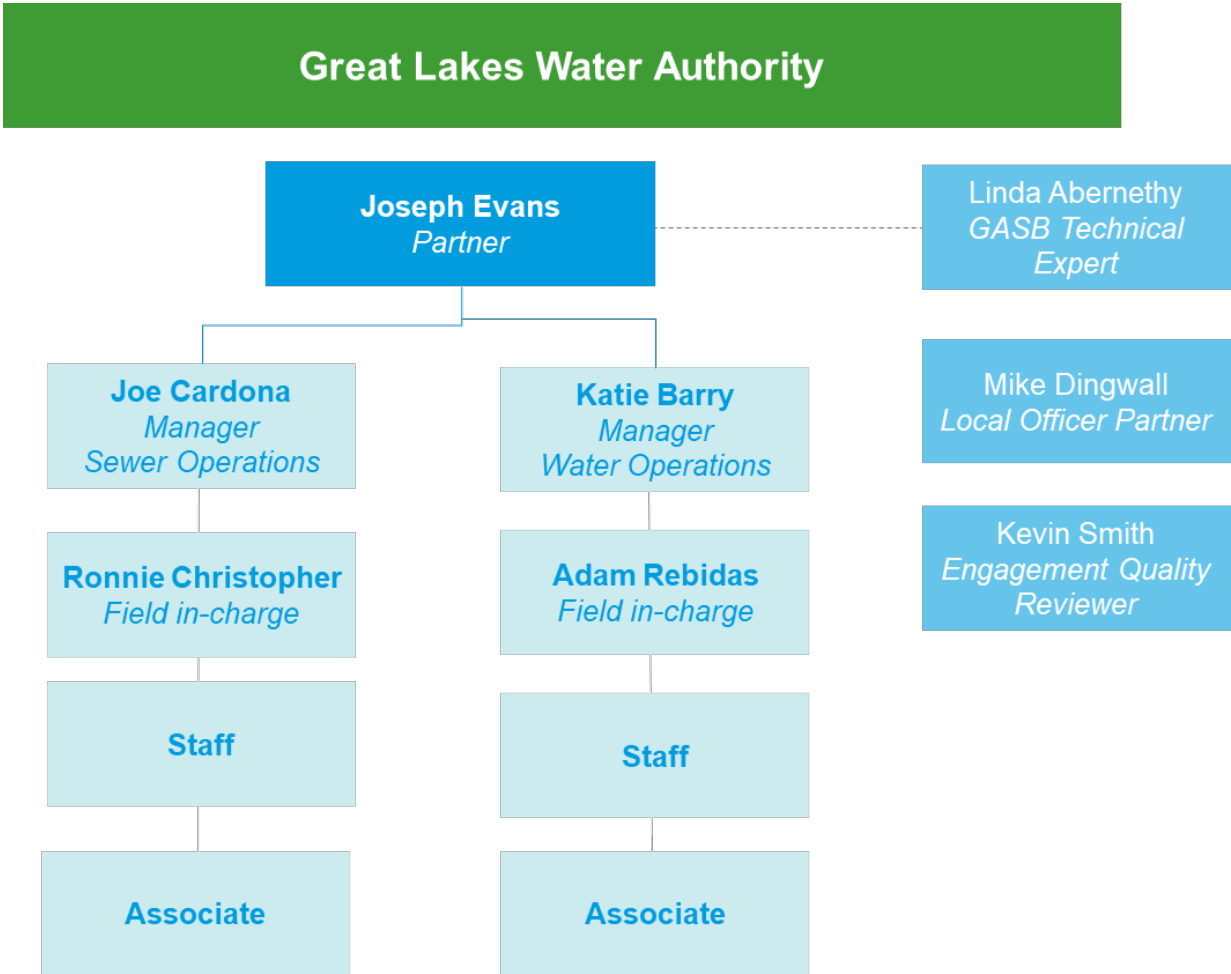
Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (*Continued*)

B. Experience and Qualifications

1. *Explain how the engagements noted above provide you the ability to be uniquely qualified and experienced to fulfill GLWA’s audit requirements including the location of the office from which the engagement was performed, and the size of the audit team assigned to the engagement.*

We have more than 1,300 professionals in our Great Lakes Operating Unit. This operating unit includes the States of Michigan, Ohio, Indiana and Illinois. The primary audit engagement team will consist of Joe Evans, Partner, Katie Barry, Senior Manager, Joe Cardona, Manager, Ronnie Christopher, Senior Associate and Adam Rebidas, Senior Associate. The personnel assigned to serve GLWA are part of our governmental practice and are resident in our Chicago and Detroit offices. All of the key personnel assigned have extensive governmental training and experience.

The following chart shows the basic structure of our proposed engagement team.





## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)

*2. Identify whether the firm is a member of the AICPA Audit Quality Centers. Identify other resources available in the firm to verify the quality of municipal audits in the firm in accordance with recent changes in accounting pronouncements or best practice.*

RSM is a member of the following audit organizations:

- American Institute of Certified Public Accountants (AICPA)
- AICPA Private Company Practice Section
- AICPA Employee Benefit Plan Audit Quality Center
- AICPA Governmental Audit Quality Center
- AICPA Center for Audit Quality

In addition, RSM US LLP is registered with the Public Company Accounting Oversight Board (United States) and the Canadian Public Accountability Board. Further, individual RSM professionals are current or past members of many standard-setting committees and boards including the AICPA Governmental Expert Panel.

*3. Provide evidence of past performance and your ability to complete tasks on time and within budget.*

RSM has an excellent record for completing tasks on time and on budget. Through our use of technology and heavy commitment to planning and communication, we have the ability to change or modify our approach in many cases without incurring additional hours or fees. Government is a focus industry at RSM and we have devoted resources serving our government clients. This enables us to appropriately adjust resources to meet our clients changing needs. Many of our current clients were previously served by other firms without a similar focus and they have been pleasantly surprised at our commitment to meeting deadlines and quality service.

*4. Describe your knowledge of local conditions, GLWA requirements and procedures, and how the proposing firm's knowledge will benefit the engagement.*

We are familiar with the environment that you operate and we understand some of your customers have financial constraints. We will utilize our knowledge of local conditions to design audit procedures that are most effective under the circumstances. Our history of working with similar organizations and other large governments makes us well qualified to serve GLWA.

## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (*Continued*)

### 5. *Describe additional industry experts or resources at your firm that may be utilized in this engagement or additional services that may be of interest to GLWA.*

State and local governments across all jurisdictions are continually expected to do more with less. Even in economically stable times, these entities must be able to respond to fluctuations in local, state, and federal funding and make difficult decisions while maintaining the trust of stakeholders.

In seeking a professional services provider, state and local governments need to work with a firm that can help them address an array challenges and anticipate future changes.

RSM has a national practice focused on serving government entities like GLWA. Our practitioners leverage their experience to create meaningful value for clients through a strong knowledge base and efficient processes.

Available services that may be of interest to GLWA include:

- Financial and compliance audits
- Operational reviews
- Internal control reviews
- Information systems consulting
- Long range planning and financial analysis
- Cost of service studies
- User charge / rate analysis
- Accounting policies and procedures manuals
- Interim controllership and/or financial management assistance
- Accounting assistance
- Litigation support services

#### **Client base**

RSM serves the audit, compliance and business consulting needs of over 550 governmental entities. Our clients include cities and towns, utilities, housing authorities, redevelopment agencies and transportation authorities. This translates into considerable knowledge of the environment in which government entities operate.

In working with RSM, GLWA will have the benefit of dedicated resources that closely monitor public sector developments and provide regular communications on accounting, regulatory, and tax pronouncements pertinent to state and local governments.

#### **Focused on state and local governments**

RSM understands the importance of cost savings and efficiencies at all levels of government. And we believe you deserve service providers who understand your objectives and are committed to helping GLWA follow through on its mission.

## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)

In serving GLWA, we will draw on experience gained from assisting numerous other cities, utilities, transportation authorities, agencies with financial management and technology solutions. Leveraging this perspective, RSM is positioned to assist GLWA in meeting responsibility and accountability expectations—and help cultivate the technical, regulatory and cultural changes necessary for success.

### Resources

It is one thing to say we are committed to the success of your organization—it is another to show it. One of the ways we show it is by providing tools at no additional cost that give you an added perspective and keep you up-to-date on the latest rules and regulations.



### Accounting research

To help ensure you and your staff have access to the most current audit and accounting information, RSM uses an online research manager tool. This web-based tool includes GASB Statements and Interpretations, AICPA Statements of Position and guidance on many other accounting standards and applications.

### Audit and accounting insights

RSM's national office provides *Insights*, a monthly electronic newsletter designed to communicate recent accounting and auditing developments to our clients and other friends.

### Award-winning publications

*Muse* is a newsletter focusing on governmental nonprofit organizations. It features the latest accounting, tax and business news impacting our public sector clients.

We also present on a variety of technical and industry-specific topics.

### *Financial Reporting Insights*

*Audit & Accounting Guide for state and local governments updated.* The American Institute of Certified Public Accountants Audit & Accounting Guide, State and Local Governments, has been updated.

*GASB proposes implementation guidance.* A recent Exposure Draft provides guidance to clarify certain Governmental Accounting Standards Board Statements.

### Webcasts

*Governmental lease accounting.* Get the latest information on the new lease standard that could affect your organization, including what and how to plan for implementation.

## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)

Annual governmental accounting update—What's new, what's next? Get the latest information on GASB standards that could affect your organization, including a detailed focus on the new OPEB standards.

Cybersecurity best practices and considerations for the public sector. Understand the risks internal employees can pose and learn what public sector entities can do to protect accidental breaches by insiders.

### 6. *Describe your level of expertise auditing public sector utilities and understanding of revenue charge setting methodologies.*

**Public utility experience.** Our proposed team for GLWA engagement has significant experience providing audit and advisory services to various participants in the public utility industries, including entities engaged in water & sewer, transportation, and generation, transmission and electric distribution.

RSM provides a full range of services to governmental, regulatory and nonprofit clients, including those clients that have water and sewer and or electric enterprise funds.

Services we have provided to public enterprises with utility operations include the following:

- Actuary studies of post-employment benefit plans
- Financial and compliance audits
- Merger and acquisition assistance
- Merger feasibility studies
- Accounting policy and procedure manuals
- Internal control evaluations
- Interim controllership and/or financial management assistance
- User charge and rate analysis
- Service efforts and accomplishments assessments
- Budget preparation assistance
- Operational and performance reviews
- Assistance with tax-exempt financing, evaluation of alternatives and bond offerings
- Long-range planning and financial analysis
- Accounting assistance
- Forensic accounting
- Employee training in the use of various Microsoft software modules
- Installation of a local area network
- Employee policy manuals and various other human resources issues
- Retirement plan design and administration

### 7. *Describe your level of expertise auditing revenue bonds and understanding the related master bond ordinances. Municipal Securities Rulemaking Board requirements (Electronic Municipal Market Access), and related Internal Revenue Service code.*

We have experience with auditing revenue bonds and restrictive covenants included in official statements or in master bond ordinances. When auditing revenue bonds, our

## **Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)**

audit procedures consist of identifying the following:

- The specific revenue pledged
- The general purpose of the debt secured by the pledge revenue
- The term of the commitment
- The relationship of the pledge amount to the total specific revenue
- A comparison of the pledged revenues recognized during the fiscal year to the principal and interest requirements for the debt directly or indirectly collateralized by the revenues

When auditing restrictive covenants included in official statements or in master bond ordinances, our audit procedures consist of the following:

- Obtain or prepare a schedule of financial covenants, including additional bond tests
- Obtain listing of non-financial covenants in each debt agreement
- Perform tests that indicate compliance or noncompliance with each identified restrictive covenant
- If a noncompliance situation exists for any restrictive covenant, we will discuss with management and bond counsel as to ramifications and determine disclosures for violations, if applicable

Another important aspect that pertains to bonds is timely filings with the Municipal Securities Rulemaking Board (Electronic Municipal Market Access) (EMMA). Depending on the date specified in the official statement, audited financial statements and continuing disclosures are required to be filed anywhere from 120 – 360 days after the issuer's year-end. The purpose of submitting this information is for market transparency and to promote a fair and efficient market. In addition to providing audited financial statements and the continuing disclosures, there historically has been 14 reportable events, such as a change in bond rating, payment delinquencies, changes in trustees, etc. As of February 27, 2019, the SEC issued Release No. 34-83885 which adopted Amendments to Rule 15c2-12 which added two new events to the list of reportable events. These new reportable events consist of the following:

- 1) (a) the incurrence of a financial obligation, if material, or  
(b) an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- 2) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)

*8. Describe your ability and approach to work cooperatively with the City of Detroit, in particular the Detroit General Retirement System, consultants, auditors and other stakeholders.*

RSM has an extensive practice serving governmental pension systems and we are very familiar with the requirements of GASB 67 and 68. We see no issues in obtaining any necessary information with the City of Detroit and the Detroit General Retirement System.

*9. Describe if there have been any engagements where the firm has had disputes with management and resigned from the engagement. Provide an explanation on the effort made to cooperate with management.*

Our plan is to fully cooperate with management and ensure your needs are met. There are very few situations where we have had disagreements with management and no instances where we have resigned a governmental engagement over disagreements. Our commitment to communication is ongoing and in-depth. We want you to be aware of new information and we want to be informed of matters potentially impacting the audit. Through our commitment to ongoing communication we typically avoid the unusual surprises or disagreements arising during the audit process.

*10. Describe if there have been any legal proceedings, lawsuits or claims, which have been filed against the firm or present employees within the past five (5) years. Provide a further explanation on the resolution of such claims.*

RSM US LLP is a national provider of accounting, tax and consulting services. Like other professional services firms, we engage in matters with legal and regulatory implications as a part of doing business. At any given time, most public accounting firms will have ongoing legal activity.

As is customary within the accounting profession and other professional practices, RSM does not disclose information pertaining to legal proceedings. Settlements and regulatory activity often involve matters that are bound by confidentiality agreements and orders that prohibit comment. However, there are no pending or actual claims that could reasonably be expected to impact our ability to serve our clients generally, or to provide the services contemplated by this proposal.

*11. Describe any conflicts of interest, real or perceived, in performing the audit for GLWA with other clients and how your firm would address such conflicts.*

When we pursue or accept new client engagements, certain information about the prospective client is circulated throughout the firm for purposes of identifying conflicts of interest or independence issues.

We have identified no such issues with respect to our ability to serve GLWA.

**Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)**

Your engagement partner, Joseph Evans, will take an active role in determining which non-audit services we perform—and is responsible for making prudent decisions in line with all applicable independence rules.

All RSM US LLP partners and client service employees are provided access to our policies and procedures relating to independence and conflicts of interest and are educated about prohibited non-audit services, including consulting services. We obtain annual written acknowledgment regarding their understanding of, and compliance with, these policies.



## Appendix C – Experience and Qualifications (*Evaluation Criteria #2*) (Continued)



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### System Review Report

To the Partners of  
 RSM US LLP  
 and the National Peer Review Committee  
 of the American Institute of Certified  
 Public Accountants Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of RSM US LLP (the “firm”) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review. The nature, objectives, scope, limitations of and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of RSM US LLP applicable to non-SEC issuers in effect for the year ended April 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. RSM US LLP has received a peer review rating of *pass*.

*BKD, LLP*

December 2, 2016



## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)

*1.0 Project Team - Summarize the roles and pertinent experience of each key individual and indicate the percentage of time planned for them to be dedicated to this project using the following chart below.*

*Part 1 Summary of contractor's current involvement with all projects.*

Key team member: Joe Evans, Partner and engagement leader

Client Name	Year-end	Involvement Time	Contract Title	Type of involvement
GLWA	6/30/19	200 hours*	Audit and single audit	Engagement leader
City Colleges of Chicago	6/30/19	120 hours	Audit and single audit	Partner, not leader
Metropolitan Water Reclamation District of Greater Chicago	12/31/19	120 hours	Audit	Engagement leader
Indiana Public Retirement System	6/30/19	100 hours	Audit	Partner, not leader
Northeastern Illinois Regional Transportation Authority	12/31/19	120 hours	Audit and single audit	Engagement leader
Illinois Municipal Retirement Fund	12/31/19	100 hours	Audit	Partner, not leader
Other miscellaneous commitments		200 hours		
<b>Total commitment</b>		<b>960 hours</b>		

\*Includes additional first-year start-up time and transitional hours

**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)**

Key team member: Katie Barry, Senior manager

Client Name	Year-end	Involvement Time	Contract Title	Type of involvement
GLWA	6/30/19	200 hours*	Audit and single audit	Manager
Illinois Department of Human Services	6/30/19	400 hours	Compliance exam	Manager
Village of Oak Lawn, Illinois	12/31/19	120 hours	Audit and single audit	Engagement leader
College of Lake County	6/30/19	100 hours	Audit and single audit	Engagement leader
School District U-46	6/30/19	100 hours	Audit and single audit	Engagement leader
Springfield Public School District	6/30/19	60 hours	Audit and single audit	Engagement leader
Cook County Treasurers Office	11/30/19	80 hours	Audit	Engagement leader
Other miscellaneous commitments		120 hours	Audit	Engagement Quality Reviewer or Independent Report Reviewer
<b>Total commitment</b>		<b>1,180 hours</b>		

Key team member: Joe Cardona, Manager

Client Name	Year-end	Involvement Time	Contract Title	Type of involvement
GLWA	6/30/19	200 hours*	Audit and single audit	Manager
Metropolitan Water Reclamation District of Greater Chicago	12/31/19	200 hours	Audit	Manager
State Employees Retirement System	6/30/19	160 hours	Audit	Manager
Illinois Municipal Retirement Fund	6/30/19	120 hours	Audit	Manager
Draper & Kramer	12/31/19	400 hours	Audit	Manager
Other miscellaneous commitments		220 hours	Audit	Manager
<b>Total commitment</b>		<b>1,300 hours</b>		

**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)**

Key team member: Adam Rebidas, Supervisor

Client Name	Year-end	Involvement Time	Contract Title	Type of involvement
GLWA	6/30/19	300 hours*	Audit and single audit	Senior
Village of Oak Lawn, Illinois	12/31/19	200 hours	Audit and single audit	Senior
College of Lake County	6/30/19	100 hours	Audit and single audit	Senior
School District U-46	6/30/19	100 hours	Audit and single audit	Senior
Cook County Treasurers Office	11/30/19	200 hours	Audit	Senior
Other miscellaneous commitments		400 hours	Audit	Senior
<b>Total commitment</b>		<b>1,300 hours</b>		

Key team member: Ronnie Christopher, Senior

Client Name	Year-end	Involvement Time	Contract Title	Type of involvement
GLWA	6/30/19	420 hours*	Audit and single audit	Senior
City Colleges of Chicago	6/30/19	400 hours	Audit and single audit	Senior
Metropolitan Water Reclamation District of Greater Chicago	12/31/19	260 hours	Audit	Senior
Other miscellaneous commitments		220 hours	Audit	Senior
<b>Total commitment</b>		<b>1,300 hours</b>		

## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (Continued)

*Part 2 Explain how the commitments listed under part 1 will impact performance on this project.*

Because GLWA is a June 30 year-end, the bulk of the work will be performed during our non-peak season. As such, we have staff to work on this engagement and to replace staff moving off other engagements to serve GLWA. We have already worked with our full-time staff scheduler to ensure personnel serving you have been appropriately replaced on engagements they are leaving.

Part 1 of this section contains the major commitments with all key staff assigned to GLWA. We believe we have a comprehensive staffing plan that ensures all of our clients are properly served. Because of the large size of our governmental practice, we have ample resources to ensure all of our clients are properly served.

*Part 3 Explain how the project manager or consultant representatives allocated percentage of time to this contract will be utilized.*

Joe Evans as engagement team leader will manage the entire project ensuring your needs are met. As needed, Joe and the team will consult with our technical experts who typically have lesser client loads so they are readily available to meet client needs as they occur.

*2.0 Staff experience - Identify by name and title the individuals the vendor considers to be key to the successful completion of this project.*

Staff Name	Public or Private Sector	Role and Tenure	Total years' experience serving governments	Similar projects served
Linda Abernethy	Public	Partner 15 years	30	Metropolitan Water Reclamation District of Greater Chicago, Illinois Municipal Retirement Fund
Kevin Smith	Public	Partner 6 years	19	Tulsa Municipal Utilities, City of Tulsa
Katie Barry	Public	Sr. Manager 5 years	12	Illinois Department of Human Services, City of Oak Lawn
Joe Cardona	Public	Manager – 2 years	6	Metropolitan Water Reclamation District of Greater Chicago, Illinois Municipal Retirement Fund

**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)**

Staff Name	Public or Private Sector	Role and Tenure	Total years' experience serving governments	Similar projects served
Adam Rebidas	Public	Supervisor 2 years	4	City of Oak Lawn
Ronnie Christopher	Public	Senior 2 years	3	Metropolitan Water Reclamation District of Greater Chicago, City Colleges of Chicago, other munis

**Staff Experience**

Provide a detailed table with the names of the partner and management to be assigned to this project, other staff to be assigned, their functions, total work hours for each phase of the engagement, the office location, and a two-page maximum resume for the partner and management. Indicate if anyone to be assigned to the engagement is through a third-party service provider. GLWA retains the right to approve all third-party service providers and to approve or reject replacements of personnel in writing that are not related to personnel leaving the firm, promotions, or relocations.

Team member, engagement role	Qualifications
<p><b>Joseph Evans</b>  Partner  Joseph.evans@rsmus.com  312 634 4540</p> <p><i>Engagement partner/team leader.</i> As the engagement partner, Joe will have the overall responsibility for the planning, execution and reporting and will be responsible for your complete satisfaction with the services we provide. He will be the key contact with management and the Board and keep you informed about our progress, and promptly address your questions and concerns.</p>	<ul style="list-style-type: none"> <li>• Over 35 years of experience in the public sector</li> <li>• Audit practice focus is in government organizations and <i>Government Auditing Standards</i></li> <li>• Responsible for providing financial and single audit services to governmental entities</li> <li>• Currently the lead engagement partner on audit of the Metropolitan Water Reclamation District of Greater Chicago, the Indiana Public Retirement System, and City Colleges of Chicago</li> </ul>

**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)**

<p><b>Mike Dingwall</b>  Partner  Mike.dingwall@rsmus.com  248 321 0920</p> <p><i>Local office partner.</i> As the assurance leader of the Detroit Office, Mike will be responsible for ensuring all staffing and administrative office needs are met.</p>	<ul style="list-style-type: none"> <li>• Over 25 years of experience in public accounting</li> <li>• Assurance practice leader of RSM's Detroit Office</li> <li>• 10 years of experience in the governmental industry serving the State of Michigan Unemployment Agency, City of Detroit, Oakland County, and Wayne County</li> </ul>
<p><b>Linda Abernethy</b>  Partner, Subject matter expert - GASB  Linda.abernethy@rsmus.com  847 413 6248</p> <p><i>Subject matter expert.</i> Linda is an expert in governmental accounting and will be available to ensure all GASB standards are properly applied.</p>	<ul style="list-style-type: none"> <li>• Over 30 years of experience in providing advice and consultation on accounting and reporting matters for governmental entities</li> <li>• Former member of the AICPA Expert Panel for State and Local Governments</li> <li>• Has served as concurring reviewer and the independent report reviewer for numerous governments including Metropolitan Water Reclamation District of Greater Chicago</li> </ul>
<p><b>Kevin Smith</b>  Partner  Kevin.smith@rsmus.com  816 751 4027</p> <p><i>Engagement quality reviewer.</i> Kevin will be responsible for reviewing the audit plan and other relevant planning documentation, including the audit team's assessment of and response to significant risks.</p>	<ul style="list-style-type: none"> <li>• Over 19 years of experience in the public sector</li> <li>• Serves as concurring reviewer for governmental engagements throughout the firm and partner on several water and sewer utility clients</li> <li>• Extensive experience performing audits in accordance with Government Auditing Standards and single audits</li> <li>• Reviewer for the national GFOA Certificate of Achievement for Excellence in Financial Reporting program</li> </ul>



## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (*Continued*)

<p><b>Katie Barry</b> Senior manager Katie.barry@rsmus.com 312 634 4415</p> <p><i>Audit manager – water operations.</i> Katie will make the determination of specific audit steps, provide periodic status reports to the audit partner and monitor all phases of the audit to promote timely completion</p>	<ul style="list-style-type: none"> <li>• Over 14 years of experience in public accounting</li> <li>• Specializes in state and local government</li> <li>• Serves numerous municipalities, school districts, state of Illinois agencies, and other special districts, including the Village of Oak Lawn, Village of Lansing, Village of Bedford Park, and others</li> <li>• Serves as an independent report reviewer and engagement quality reviewer across the firm</li> </ul>
<p><b>Joe Cardona</b> Manager Joe.cardona@rsmus.com 847 413 6252</p> <p><i>Audit manager – sewer operations.</i> Joe will make the determination of specific audit steps, provide periodic status reports to the audit partner and monitor all phases of the audit to promote timely completion.</p>	<ul style="list-style-type: none"> <li>• Six years of experience in public accounting</li> <li>• Specializing in state and local governments and serves Metropolitan Water Reclamation District of Greater Chicago</li> <li>• Experience auditing of large, diverse investment portfolios. Has been involved in the audits of several large public employee retirement system's, including the Indiana Public Retirement System, the Illinois Municipal Retirement Fund and the State Employees Retirement System</li> </ul>
<p><b>Adam Rebidas</b> Supervisor Adam.rebidas@rsmus.com 312 634 4758</p> <p><i>Engagement in-charge.</i> Adam will oversee the day-to-day functions of the audit and the professional staff members assigned to the engagement. He will participate in planning and developing the overall audit approach and will monitor all phases of the work to help ensure timely completion.</p>	<ul style="list-style-type: none"> <li>• Over four years of experience in public accounting</li> <li>• Experience includes the Village of Oak Lawn that includes a regional water system</li> </ul>

## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (*Continued*)

### **Ronnie Christopher**

Senior associate

Ronnie.christopher@rsmus.com

312 634 5929

*Engagement in-charge.* Ronnie will oversee the day-to-day functions of the audit and the professional staff members assigned to the engagement. She will participate in planning and developing the overall audit approach and will monitor all phases of the work to help ensure timely completion.

- Over three years of experience in public accounting
- Provides financial and compliance audit services to a variety of public sector entities, including the Metropolitan Water Reclamation District of Greater Chicago

### *1. Describe the assigned partner's ten (10) years of recent experience auditing similar engagements including Single Audits.*

The assigned engagement partner, Joe Evans, has devoted his entire career serving governments. He has over 30 years of experience serving similar engagements, including single audits. In the past 10 years, Joe has served the following large governments.

Name	Annual budget	Years served
Metropolitan Water Reclamation District of Greater Chicago	\$1.0 billion	2015-present
Northeastern Illinois Regional Transportation Authority	\$1.6 billion	2005-present
Indiana Public Retirement System	\$3.5 billion	2014-present
Chicago Public School System	\$6.5 billion	2008-2017
City Colleges of Chicago	\$500 million	2013-present
Illinois State University	\$600 million	2017-present

## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (Continued)

Additionally, Mr. Evans has served as technical review partner for many local government clients with single audit requirements and water/sewer operations. Mr. Evans has extensive experience with all aspects of governmental financial reporting, public finance and public pensions. A complete resume for Mr. Evans follows this section.

### *2. Describe the experience of the project team relative to similarly sized engagements and types of engagements.*

All of our key personnel have similar experience with other similar sized governments as noted throughout this document.

### *3. Identify the type of engagement selected if work of the assigned partner was selected in the most recent peer review. Describe any negative responses noted on engagements performed by them and any remediation actions taken.*

The most recent engagements peer reviewed for Mr. Evans were Chicago Public Schools and Northeastern Illinois Regional transportation Authority. Both of these engagements are very large governments, with large debt and single audits. There were no significant negative findings for either of these engagements.

### *4. For all proposed staff to be assigned to the engagement, identify the number of hours of continuing professional education required in the firm that is directly related to governmental auditing for the last two years.*

The following table summarizes the governmental CPE for each of the key team members.

	CPE Credits	
	2018	2017
Abernethy, Linda	39.5	59.5
Barry, Katie	32.5	46.0
Cardona, Joe	47.0	38.0
Christopher, Ronnie	51.5	60.5
Evans, Joseph	60.5	53.0
Rebidas, Adam	43.5	36.5
Smith, Kevin	36.5	47.0

### *5. Provide details on any additional firm requirements for this training including if the training is conducted in house or conducted directly by the AICPA, or another rule governing body.*

RSM US is a registered sponsor with the National Association of State Boards of Accountancy. We ensure our internal training meets the requirements of the AICPA/NASBA Statement on Standards for Continuing Professional Education (CPE) Programs.

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**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)**

Our audit and tax partners and professional staff, including CPAs and non-CPAs, are required to participate in at least 20 hours of qualifying CPE every year and at least 120 hours every three years. In addition to these requirements, there are additional minimum standards for professionals who practice in certain industries. It is the responsibility of each professional to be familiar with the various CPE requirements for the states in which they are licensed, and to properly register and complete the necessary CPE requirements when renewing state licenses to practice. Our National Office of Risk Management monitors compliance with CPE requirements.

When required, our audit engagement team meets Yellow Book competency CPE standards. In addition, we have stringent standards as to who can perform the in-charge and manager function on a governmental audit.

*6. Indicate if the proposed partner, management or assigned staff are currently working on other GLWA contracts and non-GLWA contracts that are scheduled concurrently with the timelines identified in this RFP. If so, please indicate how their involvement on this project will impact timely performance of previous contracted services to GLWA and indicate how their involvement with non GLWA contracts will impact their performance on this project.*

Several members of our team are scheduled for other engagements concurrently with GLWA. We have already made adequate provisions to ensure all our clients are properly served.

*3.0 Key Individuals - Provide staff biography/resume for all individual assigned to this project.*

See following pages.

## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (Continued)



### Joseph J. Evans

Partner, Audit Services  
RSM US LLP  
Chicago, Illinois  
joseph.evans@rsmus.com  
312 634 4540



### Summary of experience

Joe has over 30 years' experience in serving governments including serving as partner and engagement team leader on numerous large governmental entities, including water and sewer districts, municipalities, higher education, special districts, park districts, school districts, counties, state and federal government and public employee pensions. Joe has extensive experience with financial accounting procedures, controls and systems and he has experience with all aspects of finance operations, including budgeting, purchasing, payroll, cash management and debt, complex investments, capital assets, revenue and receivables, pensions, taxes, accounting and financial reporting. His knowledge and experience will help ensure the best practices in the industry are utilized at your organization. Joe currently serves as the engagement partner on many audits, including, Metropolitan Water Reclamation District of Greater Chicago, City Colleges of Chicago, Regional Transportation Authority and Indiana Public Employees' Retirement System.

Joe has performed hundreds of single audits of many schools, municipalities and several other governmental entities. He has extensive experience with various federal departments and funding agencies. He has an in-depth knowledge of the myriad of federal rules and regulations and compliance requirements associated with these programs. He has also performed audits of several hundred governmental benefit plans. He has significant experience dealing with municipal bond issues and governments investing over \$40 billion in public funds.

### Professional affiliations and credentials

- Certified public accountant
- American Institute of Certified Public Accountants
- Illinois Society of Certified Public Accountants
- Government Finance Officers' Association
- Illinois Government Finance Officers' Association

**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(*Continued*)**

**Education**

- Bachelor of Business Administration, accounting, Loyola University of Chicago

## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (Continued)



### **Linda Abernethy**

Partner, Audit Services  
RSM US LLP  
Schaumburg, Illinois  
linda.abernethy@rsmus.com  
847 413 6248

### **Summary of experience**

Linda has served governmental entities almost exclusively for over 33 years. She has performed financial, TIF, compliance and single audits of many municipalities, counties, state agencies and other governmental entities.

Linda is partner on the audits of several large governmental entities including Cook County and the Chicago Park District, the largest county and park district in Illinois, respectively. Linda is also partner of the Illinois Department of Human Services audit and compliance examination, the State's largest state agency as well as the Illinois Department of Revenue. Linda has also served as partner on numerous other state agencies and local governments.

In addition to directly serving clients, Linda serves as concurring reviewer for governmental engagements throughout the firm. Linda is also responsible for much of the technical training provided to employees in the region and is a frequent speaker at National training conferences both internal and external.

Linda has served on the AICPA Governmental Expert Panel and has been actively involved with the ILCPA Society Governmental Executive Committee which results in a proactive approach to understanding all GASB Statements, *Government Auditing Standards*, and other issues impacting governments, prior to their required implementation.

### **Education**

- Bachelor of Science, accounting, Northern Illinois University



**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)**

**Professional affiliations and credentials**

- AICPA State and Local Government Expert Panel (former)
- Government Finance Officers Association (GFOA), Illinois Government Finance Officers Association (IGFOA) ,Illinois GFOA Technical Accounting Review Committee (former)
- Illinois CPA Society (ILCPAS), board member (former), governmental expert witness, Government Executive Committee and Government Conference Steering Committee Chairperson
- Illinois Local Government Advisory Board – Board member

## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (Continued)



### **Michael J. Dingwall**

Partner, Audit Services  
RSM US LLP  
Detroit, Michigan  
mike.dingwall@rsmus.com  
248-321-0920

### **Summary of experience**

Mike has over 25 years of experience auditing financial statements and advising clients, both domestically and internationally. Mike spent 20 years at a Big Four firm and left the firm as an audit partner leading the Detroit middle market group. He was the partner on audits under both accounting principles generally accepted in the United States of America and International Financial Reporting Standards. Mike has extensive experience with PCAOB and AICPA standards, SEC rules and regulations, internal controls, opening balance sheet audits, and accounting research.

At RSM, Mike leads the Detroit office assurance practice. He has experienced client responsibilities for original equipment manufacturers, tier 1 suppliers, industrial manufacturers, distributors, real estate entities, technology companies, governmental entities and various service providers. Mike has delivered services to clients owned by private equity groups, families, and publicly traded corporations.

### **Professional affiliations and credentials**

- Certified public accountant
- American Institute of Certified Public Accountants
- Michigan Association of Certified Public Accountants
- Coalition of Temporary Shelters (Detroit, Michigan), board member and chairman of the facilities committee
- Oakland University, accounting and finance advisory committee

### **Education**

- Bachelor of Science, accounting, Oakland University

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**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)****Kevin Smith**

Partner, Audit Services  
RSM US LLP  
Kansas City, Missouri  
kevin.smith@rsmus.com  
816 751 4027

**Summary of experience**

Kevin is a regional team leader for RSM's public sector practice and has over 19 years of experience serving this industry. As an experienced professional committed to the public sector, he focuses on providing audit, consulting and reporting services to governmental and nonprofit entities. In his role as a public sector professional and working with a wide variety of clients throughout the country, Kevin brings an in-depth understanding of governmental and nonprofit accounting, auditing and compliance reporting to his clients and consistently shares new ideas and best practices with them. In addition to directly serving clients, Kevin serves as concurring reviewer for governmental engagements throughout the firm. He is well versed in the financial and compliance-related requirements of governmental entities and has extensive experience performing audits in accordance with Government Auditing Standards and single audits in accordance with Uniform Guidance (previously OMB Circular A-133).

Kevin is involved in teaching and developing professional education material at a national and local level. He has received specific training for governmental entities and future governmental accounting standard changes, and has received the necessary continuing professional education to be considered Yellow Book certified. In addition, Kevin is a reviewer for the national Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting program.

Kevin's community involvement includes the following:

- United Way Young Leaders Society
- KIPP Endeavor Academy, board treasurer

**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)**

**Professional affiliations and credentials**

- Certified public accountant
- American Institute of Certified Public Accountants
- Missouri Society of Certified Public Accountants
- Government Finance Officers Association
- Kansas Government Finance Officers Association
- Colorado Government Finance Officers Association
- Government Finance Officers Association of Missouri

**Education**

- Bachelor of Arts, accounting, St. Ambrose University

## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (Continued)



### Katie Barry

Senior Manager, Audit Services  
RSM US LLP  
Chicago, Illinois  
katie.barry@rsmus.com  
312 634 4415

### Summary of experience

Katie provides financial and compliance audit services to a variety of public sector entities. Katie has 13 years of experience serving clients in the public sector. Since the beginning of her career, her focus has been on units of local governments, particularly municipalities and school districts. Her expertise in the government arena led to her involvement in a state of Illinois agency, county, and special purpose districts. She is responsible for the overall quality of the audit. She also has extensive knowledge in auditing various federally assisted programs and compliance with those programs.

In addition to serving her clients, Katie also performs the role of independent report reviewer for numerous public sector clients. In this capacity, she ensures public sector reports issued by the firm comply with professional and firm standards.

### *Recent engagements similar to the Great Lakes Water Authority*

**Village of Oak Lawn, Illinois:** Katie serves as the engagement partner on the Village of Oak Lawn, Illinois. The Village of Oak Lawn has a regional water system which supplies Lake Michigan water to various customers, including Oak Lawn. Katie is responsible for the overall quality of the audit and for ascertaining that professional and regulatory standards have been complied with throughout the engagement.

**Thorn Creek Basin Sanitary District:** Katie formerly served as the engagement manager on the Thorn Creek Basin Sanitary District. The District is a public utility organized to provide wastewater treatment services for various municipalities. Katie was responsible for the determination of specific audit steps, provided regular status reports and monitored all phases of the audit to promote timely completion.

**Other Experience to Note:** In addition to the work above, Katie has spent her career exclusively in the government arena. She is well-versed in complex transactions and disclosures that impact local governments. Many of these engagements are subject to Government Auditing Standards, Uniform Guidance, and the Tax Incremental Redevelopment Allocation Act (Illinois Public Act 85-1142). Additionally, Katie serves as independent report reviewer for governmental engagements throughout the region,

**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)  
(*Continued*)**

including the Farmington Sanitary District. Lastly, Katie has experience performing the single audit, including testing the Capitalization Grants for Clean Water State Revolving Funds.

**Professional affiliations and credentials**

- Certified public accountant
- American Institute of Certified Public Accountants
- Government Finance Officers Association
- Illinois CPA Society

**Education**

- Bachelor of Science, accounting, University of Northern Iowa

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**Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*)**  
**(Continued)****Joseph (Joe) Cardona**

Manager, Audit Services  
RSM US LLP  
Schaumburg, Illinois  
joe.cardona@rsmus.com  
847 413 6252

**Summary of experience**

Joe Cardona provides financial and compliance audit services to a variety of public sector entities. His focus is on state and local governments, primarily governmental benefit plans, State agencies, villages, cities, counties and school districts. Joe currently serves as the engagement manager on the audit of the Metropolitan Water Reclamation District of Greater Chicago.

Joe has experience with public entity retirement systems, including having been involved in the audits of several governmental benefit plans, including the Indiana Public Retirement System, the Illinois State Employees' Retirement System and the Illinois Municipal Retirement Fund.

**Professional affiliations and credentials**

- Certified public accountant
- American Institute of Certified Public Accountants
- Government Finance Officers Association
- Illinois CPA Society

**Education**

- Masters of Science, accounting, University of Illinois at Urbana-Champaign
- Bachelor of Science, accounting, University of Illinois at Urbana-Champaign



## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (Continued)



### Adam Rebidas

Supervisor, Audit Services  
RSM US LLP  
Chicago, Illinois  
adam.rebidas@rsmus.com  
+1 312 634 4758

### Summary of experience

Adam has been in public accounting for over four years. He provides financial and compliance audit and consultation services to a variety of public sector entities. He focuses primarily on municipalities, school districts, associations and other nonprofit organizations. His work on municipalities includes the Village of Oak Lawn that includes a regional water system which supplies Lake Michigan water to various customers, including Oak Lawn.

In addition to overseeing the day-to-day functions on his audits, Adam is the regional leader for the Stars and Stripes employee network group. The Stars and Stripes has two primary goals, to shed light on the transferable skills and experience a military career provides and to provide as much support to veterans and their families as possible.

### Professional affiliations and credentials

- Certified public accountant
- American Institute of Certified Public Accountants

### Education

- Master of Science, accounting, Western Illinois University
- Bachelor of Arts, accounting, Western Illinois University

## Appendix D – Project Team and Key Individuals (*Evaluation Criteria #3*) (Continued)



### **Ronnie Christopher**

Senior Associates, Audit Services  
RSM US LLP  
Chicago, Illinois  
Ronnie.Christopher@rsmus.com  
312 634 5929

### **Summary of experience**

Ronnie Christopher provides financial and compliance audit services to a variety of public sector entities. She currently serves as the engagement in-charge for the Metropolitan Water Reclamation District of Greater Chicago and she has served other large governments. Ronnie has practiced public accounting for more than 3 years.

In her current role, Ronnie assists engagement teams in audit matters, completes audit testing as the senior on the engagement, consults with client point of contacts to gain an understanding of their processes, and assists newer team mates in the completion of audit procedures.

### **Professional affiliations and credentials**

- Certified public accountant
- American Institute of Certified Public Accountants

### **Education**

- Master of Accountancy, University of Wisconsin-Madison
- Bachelor of Business Administration, accounting, University of Wisconsin-Madison



## **Audit Committee**

**Wednesday, May 29, 2019 at 10:30 a.m.**

5th Floor Board Room, Water Board Building  
735 Randolph Street, Detroit, Michigan 48226  
*GLWater.org*

### **AGENDA**

*(revised 5.28.2019)*

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
  - A. None
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
7. NEW BUSINESS
8. REPORTS
  - A. External Auditor Request for Proposal Process
    - i. Request for Proposal
    - ii. Minimum Qualifications - Review of Responses Received
  - B. External Auditor Interviews
    - i. 10:45 am – 11:30 am – Rehmann Robson LLC
    - ii. 11:45 am – 12:30 pm – RSM US LLP
    - iii. 12:45 pm – 1:30 pm – Baker Tilly Virchow Krause LLP
  - C. External Auditor Interview Deliberations
  - D. Review Tabulation of Hours and Fees
  - E. Next Steps
9. LOOK AHEAD
  - Next Audit Committee Meetings
    - A. Regular Meeting June 21, 2019 at 8 am
10. INFORMATION
11. OTHER MATTERS
12. ADJOURNMENT



## Financial Services Audit Committee Communication

**Date:** May 28, 2019

**To:** Great Lakes Water Authority Audit Committee

**From:** Dana Bierer-Casinelli, Management Professional Consultant  
Internal Audit & Data Integrity Team

**Re:** RFP 1900933 External Auditor Proposals - Additional Information

**Background:** Requests for proposals for external audit services were received on May 20, 2019. The scorable sections of the proposals were distributed to the Audit Committee on May 22, 2019.

**Analysis:** The following is additional information for review by the Audit Committee at its meeting on May 29, 2019.

1. Reconciliation of proposal contents and previously redacted pages  
This became necessary as two firms erroneously included fees in the base proposal and one firm included non-scorable items in the proposal. Since each Audit Committee used different methods to score, staff wanted to provide a reconciliation of the documentation distributed.
2. Analysis of fees
  - a. Summary of Fees and Hours
  - b. Summary of Hours by Staff Level
  - c. Summary of Hours by Task
  - d. Cost Proposal Excerpt from each Submittal

**Budget Impact:** None

**Proposed Action:** None.

Great Lakes Water Authority  
Reconciliation of Proposal Submittal Contents  
Audit Committee Binder (Scorable Sections compared with All RFP Submittal Requirements)  
As of May 28, 2019

File#	File	Audit Committee Scoring?	Files in Bonfire for Each Firm?			In Binder Sent to Audit Committee?		
			Baker Tilly	Rehmann	RSM	Baker Tilly	Rehmann	RSM
1	<b>Proposal</b>	Yes	Y	Y	Y	Y	Y	Y
2	Appendix A - Administrative Information	No	Y	Y	Y	N	N	N
3	<b>Appendix B - Technical Work Plan</b>	Yes	Y	Y	Y	Y	Y	Y
4	<b>Appendix C - Experience e &amp; Qualifications</b>	Yes	Y	Y	Y	Y	Y	Y
5	<b>Appendix D - Project Team and Key Individu</b>	Yes	Y	Y	Y	Y	Y	Y
6	Appendix E - Covenant of Equal Opportunity	No - Pass/Fail	Y	Y	Y	N	N	N
7	Appendix F - Non-Collusion Affidavit	No - Pass/Fail	Y	Y	Y	N	N	N
8	Appendix G - Cost Schedule	No - Reviewing	Y	Y	Y	N	N	N
9	Appendix H - Terms & Conditions Exceptions	No	Y	Y	Y	N	N	N
10	Detailed Cost Breakdown	No - Reviewing	Y	Y	Y	Presented post-written evaluation		

Audit Committee Materials for Written Evaluation  
Not applicable for Written Evaluation

These documents were embedded in the "Proposal" document in Bonfire  
This information was embedded in the "Proposal" document in Bonfire

## COST PROPOSAL

This section presents our cost proposal for the audit services outlined in your RFP-1900933 dated April 16, 2019.

### Annual audit and related annual services

Following is our fixed price cost proposal for the annual audit services described in your RFP.

Amounts for June 30, 2019			
Level	Hours	Rate	Total
Partner	100	\$360	\$ 36,000
Manager	240	230	55,200
Senior	480	130	62,400
Staff	520	105	54,600
<b>Totals</b>	<b>1,340</b>		<b>\$208,200</b>

### Summary of audit fees by year for all three years

Year-end	Estimated Hours	Total fees
June 30, 2019	1,340	\$208,200
June 30, 2020	1,340	218,840
June 30, 2021	1,340	230,100

Our goal is to provide you the most comprehensive services at a fair and competitive price. We understand your needs and we consider this to be a fixed fee engagement unless the scope of services changes or our assumptions are not met.

### Consent letters

Our firm has considerable experience issuing consent letters for governmental debt issuances. The level of work associated with a consent letter can vary significantly depending on several factors. Here are some of the key factors impacting the level of effort and cost.

- **Timing of the consent** – The consent process requires us to perform down-to-date review procedures. If the consent letter is issued relatively close to the financial statement opinion date, then the period of review is minimal. However, if the consent letter is issued many months after the opinion date, then there would be additional data to review.
- **Interim financial data** – if interim financial data is included in the offering document, additional procedures would be necessary to review this information.
- **Size and complexity of the offering document** – if the offering document contains financial data other than what is directly from the audited financial statements, we have an obligation to review that data.

The base price for a non-complex consent letter is typically \$5,000. We will work with you to minimize the level of effort to issue a consent letter and keep costs to a minimum.

### **Other services**

You have requested hourly rates for additional services. Our rates are set by level, not individual, so the partner rate is the same for all partners. This is the same for all levels. The rates we are quoting are for services provided by our governmental audit professionals at discounted rates. Services requiring specialized skills such as complex tax matters, cyber security, or other complex information technology services will require separate consideration.

We typically do not set minimum charges. Our approach is to discuss the service with you in advance, then agree on an estimate of hours and price.

Following is a listing of hourly rates by level for additional services.

Level	Hourly rate
Partner	\$360
Manager	230
Senior	130
Staff	105

Our approach is to provide a realistic estimate of the hours required to provide you the best possible service at a fair and competitive price. We would be pleased to discuss with you our approach to estimating fees. We are excited about the opportunity to become your audit provider and we look forward to your reply.



An audit is not designed to provide assurance on internal control, or to identify significant deficiencies or material weaknesses in internal control, or to express an opinion on the effectiveness of internal control over financial reporting. However, during the audit, we will communicate to the appropriate level of management and those charged with governance internal control related matters that are required to be communicated under professional standards, *Government Auditing Standards* and the Uniform Guidance. These matters refer to significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. When applicable, we are responsible for communicating certain matters required by laws or regulations, or by additional requirements that may be applicable to this engagement. Auditing standards generally accepted in the United States of America do not require the independent auditor to design or perform procedures for the purpose of identifying other matters to communicate with those charged with governance. Management is responsible for assessing the implications of and correcting any internal control-related matters brought to the Authority's attention by us.

#### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of GLWA's compliance with provisions of applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of your major programs. The purpose of those procedures will be to express an opinion on the Authority's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

#### **Fees**

Our fees for the audit services for the year ended June 30, 2018 will be \$203,980. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. This fee is based on the scope and deliverables defined in the fully executed contract number GLWA-CS-132.

#### **Engagement Administration, and Other**

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with management the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

Great Lakes Water Authority  
RFP 1900933  
External Auditor  
Proposal due date-May 20, 2019  
Summary of fees and hours

	Baker Tilly	Rehmann	RSM
<b>Year 1</b>			
Planning/ preliminary work	300	124	196
Year end fieldwork	532	604	1062
Reviews, report preparation & delivery	212	196	82
<b>Total hours</b>	<b>1,044</b>	<b>924</b>	<b>1,340</b>
<b>Fees</b>	<b>\$ 189,400</b>	<b>\$ 213,470</b>	<b>\$ 208,200</b>
<b>Year 2</b>			
Planning/ preliminary work	300	118	196
Year end fieldwork	532	574	1062
Reviews, report preparation & delivery	212	188	82
<b>Total hours</b>	<b>1,044</b>	<b>880</b>	<b>1,340</b>
<b>Fees</b>	<b>\$ 195,296</b>	<b>\$ 211,700</b>	<b>\$ 218,840</b>
<b>Fees % change over last year</b>	<b>3%</b>	<b>-1%</b>	<b>5%</b>
<b>Year 3</b>			
Planning/ preliminary work	300	118	196
Year end fieldwork	532	574	1062
Reviews, report preparation & delivery	212	188	82
<b>Total hours</b>	<b>1,044</b>	<b>880</b>	<b>1,340</b>
<b>Fees</b>	<b>\$ 201,192</b>	<b>\$ 216,100</b>	<b>\$ 230,100</b>
<b>Fees % change over last year</b>	<b>3%</b>	<b>2%</b>	<b>5%</b>
<b>Grand total</b>			
<b>Hours</b>	<b>3,132</b>	<b>2,684</b>	<b>4,020</b>
<b>Fees</b>	<b>\$ 585,888</b>	<b>\$ 641,270</b>	<b>\$ 657,140</b>
<b>Avg hourly rate for all years</b>	<b>187.07</b>	<b>238.92</b>	<b>163.47</b>

Great Lakes Water Authority  
RFP 1900933  
External Auditor  
Proposal due date-May 20, 2019  
Hours by Staff Level Comparison

	Baker Tilly (page xiii & xxxviii)		Rehmann (fourth page-not numbered) **		RSM (page 13)	
	Hours	Percentage	Hours	Percentage	Hours	Percentage
Partner	96	9%	128	14%	100	7%
Manager	180	17%	314	34%	240	18%
Senior	176	17%	192	21%	480	36%
Associate	592	57%	290	31%	520	39%
<b>Grand Total</b>	<b>1044</b>	<b>100%</b>	<b>924</b>	<b>100%</b>	<b>1340</b>	<b>100%</b>

\*\* Rehmann hours for Year 2 & 3 total 880 hours which are reduced by 44 hours from Year 1. This includes 8 Partner hours, 12 Manager hours, 12 Senior hours, and 12 Associate hours.

Great Lakes Water Authority  
RFP 1900933  
External Auditor  
Proposal due date-May 20, 2019  
Hours by Task Comparison

	Baker Tilly (page xiii & xxxviii) *		Rehmann (fourth page-not numbered) **		RSM (page 13)	
	Hours	Percentage	Hours	Percentage	Hours	Percentage
1 Planning/prelim	312	30%	124	13%	196	15%
2 Fieldwork	526	50%	604	65%	1062	79%
3 Review/report completion	206	20%	196	21%	82	6%
<b>Grand Total</b>	<b>1,044</b>	<b>100%</b>	<b>924</b>	<b>100%</b>	<b>1340</b>	<b>100%</b>

\* Hours for Baker Tilly are averaged due to staff by task data was not specifically provided.

\*\* Rehmann hours for Year 2 & 3 total 880 hours which are reduced by 44 hours from Year 1. This includes 6 hours for planning, 30 hours of fieldwork, and 8 for reporting.

## Appendix: Required attachments

1900933

### Appendix G – Cost Schedule

Completion of the cost schedule is completed in Bonfire under the Bid Table tab.

1. The vendor's pricing shall include, and payment for completed Work shall be compensation in full for, all services, obligations, responsibilities, labor, materials, devices, equipment, royalties and license fees, supervision, temporary facilities, bonds, insurance, taxes, close-out, overhead and profit and any other incidental items of any kind or nature, as are necessary to complete the Work, in a neat, first quality, workmanlike and satisfactory manner in accordance with the solicitation and as otherwise required to fulfill the objectives of the contract and the intent of the solicitation. Costs shall contain neither any qualifications or conditions nor any recapitulations of the Work whatsoever. Unless alternates are otherwise added to the solicitation by specific provision, no alternates will be accepted.

We are separately submitting the required **Bid Table** in Excel format, including annual fixed fees for financial and single audits.

If requested to provide an agreed-to-include or consent letter under SAS 133, we will provide the consent letter and perform the related required procedures for \$7,000 per occurrence. If requested to provide comfort work, which requires additional testing and services as outlined by bond council, we will provide management with a quote for comfort work based on the specific procedures requested.

**Failure to submit Appendix G signed will deem your firm's submittal as non-responsive.**

Authorized Signature: Jodi Y. Dobson Date: May 16, 2019

Baker Tilly Proposed Cost Schedule

Item	Quantity Required	Proposed Team Member/Title	# of Years in Current Position	General Task Description	Est # of Hrs Yr 1	Hourly Rate Year 1	Est # of Hrs Yr 2	Hourly Rate Year 2	Est # of Hrs Yr 3	Hourly Rate Year 3	Total Cost Year 1	Total Cost Year 2	Total Cost Year 3
Consultant 1	1	Jodi Dobson/Partner	21	Serve as partner- in-charge and oversee the engagement.	80	\$ 400.00	80	\$ 415.00	80	\$ 430.00	\$ 32,000.00	\$ 33,200.00	\$ 34,400.00
Consultant 2	1	Laurie Horvath/Partner	20	Serve as local office liaison and ensure client satisfaction.	4	\$ 400.00	4	\$ 415.00	4	\$ 430.00	\$ 1,600.00	\$ 1,660.00	\$ 1,720.00
Consultant 3	1	Aaron Worthman/ Partner	21	Serve as concurring partner.	6	\$ 400.00	6	\$ 415.00	6	\$ 430.00	\$ 2,400.00	\$ 2,490.00	\$ 2,580.00
Consultant 4	1	Heather Acker/Partner	22	Serve as single audit concurring partner.	6	\$ 400.00	6	\$ 415.00	6	\$ 430.00	\$ 2,400.00	\$ 2,490.00	\$ 2,580.00
Consultant 5	1	Gwendolynn Zech/Manager	7	Manage the audit and oversee senior and staff auditors.	180	\$ 250.00	180	\$ 260.00	180	\$ 270.00	\$ 45,000.00	\$ 46,800.00	\$ 48,600.00
Consultant 6	1	Senior accountants	Varies	Execute audit plan and oversee staff accountants.	176	\$ 165.00	176	\$ 170.00	176	\$ 175.00	\$ 29,040.00	\$ 29,920.00	\$ 30,800.00
Consultant 7	1	Staff accountants	Varies	Execute audit plan.	592	\$ 130.00	592	\$ 133.00	592	\$ 136.00	\$ 76,960.00	\$ 78,736.00	\$ 80,512.00

**Appendix G – Cost Schedule**

Completion of the cost schedule is completed in Bonfire under the Bid Table tab.

1. The vendor's pricing shall include, and payment for completed Work shall be compensation in full for, all services, obligations, responsibilities, labor, materials, devices, equipment, royalties and license fees, supervision, temporary facilities, bonds, insurance, taxes, close-out, overhead and profit and any other incidental items of any kind or nature, as are necessary to complete the Work, in a neat, first quality, workmanlike and satisfactory manner in accordance with the solicitation and as otherwise required to fulfill the objectives of the contract and the intent of the solicitation. Costs shall contain neither any qualifications or conditions nor any recapitulations of the Work whatsoever. Unless alternates are otherwise added to the solicitation by specific provision, no alternates will be accepted.

**Failure to submit Appendix G signed will deem your firm's submittal as non-responsive.**

Authorized Signature: Mark Kettner Date: 5/16/19



Pricing for Non-Audit Services

Bond consent letter

Beginning in June 2018, any request for the auditor to be "involved" in a bond offering (which would include a consent letter) would require procedures under SAS 133. Our base fee for each bond consent letter is \$5,000.

Other non-audit services

Our quoted audit fee includes the hours and fees for the preparation of the Authority's financial statements and notes (including the CAFR and separate fund reports). Our standard hourly rates for other non-audit services that may be requested by the Authority (and will only be billed upon prior written approval by the Authority) are as follows:

Principal	\$ 450
Senior manager	335
Manager	290
Senior auditor	225
Staff auditor	175
Clerical support	105

The above rates are subject to annual inflationary increases not to exceed 5.0% (rounded up or down to the nearest \$5).

## Rehmann Proposed Cost Schedule

Item	Quantity Required	Proposed Team Member/Title	# of Years in Current Position	General Task Description	Est # of Hrs Yr 1	Hourly Rate Year 1	Est # of Hrs Yr 2	Hourly Rate Year 2	Est # of Hrs Yr 3	Hourly Rate Year 3	Total Cost Year 1	Total Cost Year 2	Total Cost Year 3
<b>Consultant 1</b>	1	Mark Kettner, Principal	31	Audit	72	\$ 360.00	32	\$ 380.00	0	\$ 385.00	\$ 25,920.00	\$ 12,160.00	\$ 0.00
<b>Consultant 2</b>	1	Daniel Clark, Principal	3	Audit	48	\$ 360.00	80	\$ 380.00	112	\$ 385.00	\$ 17,280.00	\$ 30,400.00	\$ 43,120.00
<b>Consultant 3</b>	1	Stephen Blann, Principal	15	Audit	8	\$ 360.00	8	\$ 380.00	8	\$ 385.00	\$ 2,880.00	\$ 3,040.00	\$ 3,080.00
<b>Consultant 4</b>	1	Michelle Hodges, Sr Manager	2	Audit	72	\$ 280.00	72	\$ 290.00	72	\$ 295.00	\$ 20,160.00	\$ 20,880.00	\$ 21,240.00
<b>Consultant 5</b>	1	Ken Melvin, Manager	2	Audit	242	\$ 280.00	230	\$ 290.00	230	\$ 295.00	\$ 67,760.00	\$ 66,700.00	\$ 67,850.00
<b>Consultant 6</b>	1	TBD (Senior Auditors)	5	Audit	192	\$ 210.00	180	\$ 220.00	180	\$ 225.00	\$ 40,320.00	\$ 39,600.00	\$ 40,500.00
<b>Consultant 7</b>	1	TBD (Staff Auditors)	2	Audit	290	\$ 135.00	278	\$ 140.00	278	\$ 145.00	\$ 39,150.00	\$ 38,920.00	\$ 40,310.00

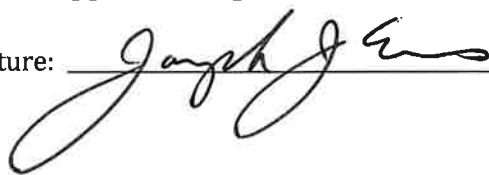
**Appendix G – Cost Schedule**

Completion of the cost schedule is completed in Bonfire under the Bid Table tab.

1. The vendor's pricing shall include, and payment for completed Work shall be compensation in full for, all services, obligations, responsibilities, labor, materials, devices, equipment, royalties and license fees, supervision, temporary facilities, bonds, insurance, taxes, close-out, overhead and profit and any other incidental items of any kind or nature, as are necessary to complete the Work, in a neat, first quality, workmanlike and satisfactory manner in accordance with the solicitation and as otherwise required to fulfill the objectives of the contract and the intent of the solicitation. Costs shall contain neither any qualifications or conditions nor any recapitulations of the Work whatsoever. Unless alternates are otherwise added to the solicitation by specific provision, no alternates will be accepted.

**Failure to submit Appendix G signed will deem your firm's submittal as non-responsive.**

Authorized Signature: \_\_\_\_\_



Date: \_\_\_\_\_

5/14/2019

## RSM Proposed Cost Schedule

Item	Quantity Required	Proposed Team Member/Title	# of Years in Current Position	General Task Description	Est # of Hrs Yr 1	Hourly Rate Year 1	Est # of Hrs Yr 2	Hourly Rate Year 2	Est # of Hrs Yr 3	Hourly Rate Year 3	Total Cost Year 1	Total Cost Year 2	Total Cost Year 3
<b>Consultant 1</b>	1	Joe Evans	26	Engagement Partner	90	\$ 360.00	90	\$ 378.00	90	\$ 397.00	\$ 32,400.00	\$ 34,020.00	\$ 35,730.00
<b>Consultant 2</b>	1	Kevin Smith	6	Concurring Partner	10	\$ 360.00	10	\$ 378.00	10	\$ 397.00	\$ 3,600.00	\$ 3,780.00	\$ 3,970.00
<b>Consultant 3</b>	1	Katie Barry	5	Manager	144	\$ 230.00	144	\$ 242.00	144	\$ 254.00	\$ 33,120.00	\$ 34,848.00	\$ 36,576.00
<b>Consultant 4</b>	1	Joe Cardona	2	Manager	96	\$ 230.00	96	\$ 242.00	96	\$ 254.00	\$ 22,080.00	\$ 23,232.00	\$ 24,384.00
<b>Consultant 5</b>	1	Adam Rebidas	2	Senior	206	\$ 130.00	206	\$ 137.00	206	\$ 144.00	\$ 26,780.00	\$ 28,222.00	\$ 29,664.00
<b>Consultant 6</b>	1	Ronnie Christophe	2	Senior	274	\$ 130.00	274	\$ 137.00	274	\$ 144.00	\$ 35,620.00	\$ 37,538.00	\$ 39,456.00
<b>Consultant 7</b>	1	Other staff	1 to 2	Associates	520	\$ 105.00	520	\$ 110.00	520	\$ 116.00	\$ 54,600.00	\$ 57,200.00	\$ 60,320.00



**Audit Committee**

**Wednesday, May 29, 2019 at 10:30 a.m.**

5th Floor Board Room, Water Board Building  
735 Randolph Street, Detroit, Michigan 48226  
*GLWater.org*

**MEETING BINDER #3  
Additional Materials Distributed**

Comfort Letter Non-Audit Service Costs.....	page 1
External Auditor Services - Scoring Summary.....	page 2
Interview Questions.....	page 3
Technical Proposal Rehmann Robson LLC.....	page 4
GLWA Oral Evaluation Score Sheet.....	page 31

Great Lakes Water Authority  
RFP 1900933  
External Auditor  
Proposal due date-May 20, 2019  
Consent Letter SAS133 & Fees for Non-Attest Services  
5/29/2019

Scope of work-consent letters	Baker Tilly-Schedule G	Rehmann-Schedule G	RSM-Proposal pages 19 &20
Consent letter base fee, per occurrence	7,000	5,000	5,000

**Scope of work-Non-attest services**

Staff level	Baker Tilly-Schedule G	Rehmann-Schedule G	RSM-Proposal pages 19 &20
Partner	400	360	360
Manager	250	280	230
Senior	165	210	130
Staff	130	135	105

**Great Lakes Water Authority**  
**RFP-1900933 - External Auditor Services**  
**Written Proposal Scoring Summary as of 5.29.2019**

	Total	Appendix B - Technical Work Plan / Approach	A-1 - B-1	A-2 - B-2	A-3 - B-3	A-4 - B-4	A-5 - B-5	A-6 - B-6	A-7 - B-7	A-8 - B-8	A-9 - B-9	A-10 - B-10	A-11 - B-11	A-12 - B-12	A-13 - B-13
Supplier	65/ 100 pts	/ 25 pts*	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts
Rehmann Robson LLC	<b>51.08 pts</b>	<b>19.36 pts</b>	4 pts	4.667 pts	4 pts	4 pts	4 pts	3.667 pts	3.333 pts	3.667 pts	4 pts	4 pts	3.667 pts	3.667 pts	3.667 pts
Baker Tilly Virchow Krause, LLP	<b>50.04 pts</b>	<b>17.56 pts</b>	4.333 pts	3.667 pts	3.667 pts	3.333 pts	3.667 pts	3.667 pts	3.333 pts	3.333 pts	3.333 pts	3.667 pts	3.333 pts	3 pts	3.333 pts
RSM US LLP	<b>49.17 pts</b>	<b>17.69 pts</b>	4 pts	4 pts	4 pts	3.667 pts	3.667 pts	3.667 pts	3 pts	3.333 pts	3.333 pts	3 pts	3.667 pts	3.333 pts	3.333 pts

	B - Appendix - C - Experience and Qualifications	B-2 - B-2	B-3 - B-3	B-4 - B-4	B-5 - B-5	B-6 - B-6	B-7 - B-7	B-8 - B-8	B-9 - B-9	B-10 - B-10	B-11 - B-11
Supplier	/ 20 pts*	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts
Rehmann Robson LLC	<b>16.24 pts</b>	4 pts	4.333 pts	4.667 pts	4 pts	3.333 pts	4 pts	4 pts	4 pts	4 pts	4 pts
Baker Tilly Virchow Krause, LLP	<b>15.88 pts</b>	4.333 pts	3.667 pts	3.333 pts	4.667 pts	4 pts	4 pts	3.667 pts	3.667 pts	3.667 pts	4 pts
RSM US LLP	<b>14.67 pts</b>	4 pts	3.333 pts	3 pts	3.667 pts	3.333 pts	4 pts	3.667 pts	4 pts	3.333 pts	4 pts

	C - Appendix - D Project Team and Key Individuals Staff Experience	C-2 - 2	C-3 - 3	C-4 - 4	C-5 - 5	C-6 - 6	C-7 - 1.0 - Project Team	C-8 - 2.0 - Staff Experience	C-9 - 3.0 - Staff Experience
Supplier	/ 20 pts*	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts	/ 5 pts
Rehmann Robson LLC	<b>15.48 pts</b>	3.667 pts	4 pts	3.667 pts	3.667 pts	4 pts	3.667 pts	4.5 pts	4 pts
Baker Tilly Virchow Krause, LLP	<b>16.59 pts</b>	4 pts	4 pts	4 pts	4 pts	4 pts	4 pts	4.5 pts	4.5 pts
RSM US LLP	<b>16.81 pts</b>	4.667 pts	4 pts	4.333 pts	3.667 pts	4 pts	4.333 pts	4 pts	4.5 pts



Questions for firms during oral interviews:

GLWA is a stable organization now with a solid team. We are continually striving for improvements to be the “best in class”. What does your firm bring to us that would equally match your qualifications in your industry? Why should we consider you as a firm that is “best in class”?

1. A rating of a pass was received from the last peer review (all three firms). What area of improvement has been noted at your firm where process improvement plans are in the works even without it being identified as a deficiency? Explain a specific example of how this is being implemented.
2. Although the peer review has been completed in compliance with the three-year requirement, the peer review of your firm was not completed in this last year (all three firms). Have the processes stayed the same at the firm where it is believed that the same peer review rating would be received today?
3. Are there upcoming changes being made currently at the firm that will first be in place this year (process, technology changes, etc.)?
4. What makes your firm’s audit approach unique over other firms?
5. What will change in the audit approach from one year to the next? Will there be changes? Will there be efficiencies, and will these be passed through to the costs billed to the organization?
6. In obtaining an understanding of GLWA and the unique environment GLWA operates in, where do you believe your audit approach will be modified from the standard approach as a result of what you have noted?
7. What other priorities will the assigned staff be juggling between the start of the engagement and the finalization of the report, both during fieldwork and after fieldwork but before report issuance?
8. Provide an example of another client with complex business relationships and how you were able to work through any difficulties with obtaining support and drawing conclusions.
9. What level of staff will be reviewing the actual documentation?
10. What level of staff will be drawing conclusions on potential findings?
11. What is the process for presenting and reviewing findings by the firm and what level staff discusses the findings with GLWA?
12. Explain the client experiences of the partner assigned to GLWA that aligns with our organization? Does this partner have water and sewer clients?
13. What other water and sewer client experience does the assigned staff have? Will your firm bring any specific knowledge of water and sewer to the engagement that is unique?
14. Why type of technology is used during the engagement?
15. Explain if there are any specific items that you would like to be available when setting foot into GLWA that would allow for the most efficient and effective engagement.
16. How much turnover occurred over this last year for the staff that performs governmental audits? How many governmental auditors are in the office and what level are they? Are there other resources in other offices that you have to call upon to complete governmental audits?
17. How many hours of governmental CPE hours does your staff receive in a year? Is this CPE training received inside the firm or outside the firm?
18. Would you consider the relationship with GLWA and the Board to be a partnership or compliance or enforcement? How do you balance independence and the type of audit/auditee relationship?
19. Have you had engagements where there was a disagreement with management? How was this situation addressed and resolved?
20. There is a requirement four times a year to be at an Audit Committee meeting. Explain what will be presented at these meetings and the means of communicating with the Audit Committee and the Board including communications outside the required meetings.
21. Is there anything else that you would like to share with the Audit Committee to further explain why your firm should be the external auditors for GLWA?

December 20, 2016

Great Lakes Water Authority  
Financial Services Group - Procurement  
735 Randolph, Suite 1508  
Detroit, Michigan 48226

Thank you for the opportunity to submit our proposal to audit the financial statements of **Great Lakes Water Authority** (GLWA or the Authority) as of and for the six months ended June 30, 2016 and as of and for the years ending June 30, 2017 and 2018. Our audits will be conducted in accordance with generally accepted auditing standards; *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance").

Our engagement will provide for annual report issuance in accordance with the terms and conditions set forth in your request for proposals and the sample contract. As a leading public accounting firm serving the governmental industry, you can be confident that Rehmann Robson LLC ("Rehmann") is well positioned to serve you. We will leverage our industry experience, technical skills and broad knowledge of issues impacting you to provide high-quality assurance services in a timely, efficient manner.

Our mission is to *deliver governmental business wisdom*. This means that you will:

- Have your audits managed and performed by full-time governmental professionals.
- Work with a team known for excellence and efficiency in government financial reporting.
- Know your auditors have extensive federal single audit experience.
- Have access to customized governmental training and value-added services.
- Benefit from our extensive/unique use of technology, particularly Microsoft Excel.
- Enjoy our transparent audit process that eliminates surprises.

Our proposed project team is headed by **Mark Kettner, CPA, CGFM** as the signing engagement principal and **Stephen W. Blann, CPA, CGFM, CGMA** as the concurring and consulting engagement principal. As later described, both are eminently qualified to serve these project team roles.

We expect that Mark and Stephen will be joined for certain segments of the annual engagements by two other principals: **Mark Tschirhart, CPA** and **Nathan Baldermann, CPA, CGFM**. Mark will have a lead role with risk assessment procedures, preliminary work and the audit of opening balances and allocations. Nate will have a lead role with the audit of federal awards and other compliance procedures.

The project team will be rounded out with **Tracey Kasparek, CPA** as the senior manager (who will direct and supervise the year-end onsite fieldwork) and a mix of governmental audit managers, seniors and associates. Although the count will vary from one week to the next, we generally expect one manager, two seniors and three associates on the project team.

This proposal is a firm, irrevocable offer for six months after the RFP advertisement opening date/time to provide independent auditing services at the prices quoted in our bid package. The undersigned are authorized to bind our Firm to any agreement resulting from this proposal, including the terms and conditions of the sample contract, and to make representations on our behalf.

We acknowledge receipt of all RFP bid documents and bulletins (through #2) posted by the Authority on MITN. We also confirm that we are ready, willing and able to start work on the engagement immediately upon official notification of your acceptance of our proposal.

Thank you for considering Rehmann. Feel free to contact us at any time.

Sincerely,

**Rehmann Robson LLC**

A handwritten signature in black ink that reads "Mark Kettner". The signature is written in a cursive, flowing style.

Mark T. Kettner, CPA, CGFM  
Principal

Section I – Proposal Format

Rehmann's proposal conforms to GLWA's format requirements.

Section II - Mandatory Items

- A. Letter of Transmittal – Prescribed letter with required items presented on previous two pages.
- B. Minimum Qualifications – As demonstrated with the information provided in the Section III answers, Rehmann meets and exceeds the minimum qualification requirements.
- C. Statement of Financial Capability – Our D&B number is 02-491-7072. For the record, Rehmann has the financial capability to readily perform/provide the proposed services.
- D. Covenant of Equal Opportunity (see appendix A) – Submitted with proposal package.
- E. Non-Collusion Affidavit (see appendix B) – Submitted with proposal package.
- F. Contract Terms and Conditions Compliance Checklist (see appendix C) – Submitted with proposal package.
- G. References – Three references are as follows (additional references are available upon request):

Charter County of Wayne

Mathieu Dubé, CPA, Deputy Chief Financial Officer

[mdube@waynecounty.com](mailto:mdube@waynecounty.com) ; (313) 224-5219

Rehmann currently audits the County, which obviously shares geographic similarity with GLWA and also is a very large government with significant enterprise fund activity (i.e., multiple wastewater utilities) along with the audit of federal awards totaling \$90-\$100 million, annually.

Detroit Public Schools

Delores Brown, Deputy Chief Financial Officer

[delores.brown@detroitk12.org](mailto:delores.brown@detroitk12.org) ; (313) 873-4013

Rehmann audited DPS for eight years through 6/30/15; it changed firms for its most recent fiscal year through the bid process and a planned rotation of firms. While DPS does not have water and wastewater enterprise activities, it is similar in that it is a very large and complex government (with a large and complex audit) with a correspondingly large federal single audit and extraordinary state and federal oversight.

Ypsilanti Community Utilities Authority

Dwayne Harrigan, Finance Director

[dharrigan@ycua.org](mailto:dharrigan@ycua.org) ; (734) 484-4600 x169

Rehmann currently audits YCUA (and has done so for several decades). While YCUA is much smaller, it is perhaps most similar to GLWA than any other entity in Michigan, being a separate authority that provides water and wastewater enterprise services/activities. YCUA provides services to both retail customers (i.e., residents of the direct service area) and wholesale customers (i.e., contract communities).

- H. Disclosures – There have been no matters of the nature described in the RFP that would have any significance for purposes of this proposal, evaluation thereof or resulting engagement. As a \$100+ million business, we would of course not be immune to litigious matters, but as stated, there have been no issues in our governmental or audit practice that merit specific disclosure.

I. Statement of No Conflict of Interest - Submitted (as an attachment on Rehmann letterhead) with proposal package.

### Section III Evaluation Criteria

#### A. Experience and Qualifications

1. Describe a minimum of two (2) audit engagements within the last eight (8) years demonstrating experience over municipal enterprise accounting including the name, scope of work, location, services provided, and the length of time the respondent's services were provided. Rehmann currently audits the Charter County of Wayne and has completed the last two audits for the fiscal years ended September 30, 2015 and 2014. Wayne County has well over \$500 million in annual revenue and well over 500 employees (relative to the RFP minimum requirements). Wayne County has significant enterprise fund accounting with two major enterprise funds that are sewer funds (along with two other nonmajor sewer enterprise funds). Both Wayne County audits have been completed on-time and within budget.

2. Describe a minimum of two (2) audit engagements within the last five (5) years providing consent letters for inclusion in revenue bond official statements for debt issuances greater than \$100 million demonstrating experience with the needs of large public debt issuers. Rehmann served as the independent auditor for Detroit Public Schools for the years ended June 30, 2008 through 2015. During this eight years we had numerous consent letters for debt issuances greater than \$100 million. For specific reference, we provided a consent letter dated 2/3/15 for a revenue bond issuance totaling \$192,580,000 and another consent dated 9/4/15 for revenue notes totaling \$121,200,000. Documents to support these items and others can be readily provided upon request.

3. Describe a minimum of three (3) Single Audit engagements within the last five (5) years demonstrating experience comparable to the scope of services described for this project including the name, scope of work, location, services provided, and the length of time the respondent's services were provided. For purposes of brevity, the ten audits described in #1 and 2 above were each federal single audits with the level of annual federal awards subject to audit in the range of \$90-\$100 million for Wayne County and \$225 million for DPS. We perform scores of federal single audits across our significant governmental audit group; as a measure of the extent of this, for fiscal years ending in 2014, we audited federal awards in excess of \$1.3 billion.

4. Describe of minimum of two (2) audit engagements within the last eight (8) years demonstrating experience on initial audits or beginning balance audits including the name, scope of work, location, services provided, the length of time the respondent's services were provided, a demonstration of project time tables and deliverables that were adjusted to client's needs and unique circumstances. Most recently, Rehmann performed the initial or beginning balance audits of Detroit-Wayne County Mental Health Authority (DWMHA; now a separate legal entity but previously a major special revenue fund of Wayne County) and Genesee Health System (GHS; also is now a separate legal entity but a former major special revenue fund of Genesee County).

DWMHA's initial audit was performed for the fiscal year ended September 30, 2014. The audit was performed in the normal timeframe that the prior fund financial statement audit was performed, but ongoing communication was necessary leading up to the audit to address issues related to the transfer of operations, including the measurement of liabilities as a result of negotiations between the County and the Authority for pensions and OPEB.

The initial audit for GHS was performed for the nine month period ended September 30, 2013 (the effective date of the transfer of operations was January 1, 2013). Due to the mid-year effective date for establishing the Authority, a separate audit for the fund of the County for the three month period had to be performed in order to assist in providing opening balances for GHS. The initial procedures for that entity were performed in December 2013 with the primary audit fieldwork for GHS in February and March of 2014.

These experiences are similar to the GLWA separation from the City of Detroit and reflect a special expertise that distinguishes Rehmann from its competitors.

5. Explain how the engagements noted above provide you the ability to be uniquely qualified and experienced to fulfill GLWA's audit requirements including the location of the office from which the engagement was performed and the size of the audit team assigned to the engagement. Each of the above engagements (#1 through #4) were performed by executives and audit staff from our Jackson, Troy, Detroit and Toledo offices with technical support from Grand Rapids (Stephen Blann) and Saginaw (Jerry Desloover). Each instance demonstrates our ability to successfully perform ultra-large scale engagements in complex environments and to complete them on time. Wayne County and DPS had audit teams ranging from 8-12 people plus principals. DWMHA had 3-5 people plus principals. GHS had 3-4 people plus principals. Rehmann takes great pride in completing our audits on time and commits to provide the resources and skills necessary to do so for any client we take on, assuming that the government shares that commitment.

6. Identify the whether the firm is a member of the AICPA Audit Quality Centers. Identify other resources available in the firm to verify the quality of municipal audits in the firm in accordance with recent changes in accounting pronouncements or best practice. Yes, we are a member of the AICPA Audit Quality Centers (and have been so since their inception). Besides our internal quality control procedures on every report produced by the firm, we have a range of other quality control measures/procedures specifically applicable to the municipal practice. This includes: (a) Stephen Blann, a state and nationally recognized trainer, is Rehmann's director of governmental quality; (b) Stephen chairs our GAQC Subcommittee (Governmental Audit Quality Control), comprised of seven of our top governmental executives, that meets quarterly to consider new standards, requirements and/or best practices, and communicates implementation (or modification, as we are very open to new approaches to old tasks) to the industry group; and (c) we use a standard template using CCH ProSystem fx Engagement for every governmental audit, which provides uniformity and has pre-populated files tailored to Michigan municipals that helps improve our ongoing audit efficiency.

7. Provide evidence of past performance and your ability to complete tasks on time and within budget. A great example of this is our first year audit with Wayne County for the fiscal year ended 9/30/14. Due to problems in the bidding process that we pointed out, the County actually went through three rounds of bids. We were finally award the contract in late November 2014 (well after the fiscal year end). The County Commission officially approved our contract on 12/1/14 and we started work the next day on 12/2/14. Despite this inordinate delay, we performed the risk assessment, preliminary procedures and year-end work simultaneously and still issued the report (CAFR) several days before the state due date, and we did so for the proposed fee (which was about a \$400k reduction from the predecessor's annual fee). This work was completed on-time and within budget despite the delays in contract initiation and the significant staff turnover that accompanied the change in county administration.

8. Describe your knowledge of local conditions, GLWA requirements and procedures, and how the proposing firm's knowledge will benefit the engagement. With our specialization in Michigan governmental audits and outsourcing services, and a focus on high profile, significant governmental clients in the Detroit area (e.g., Wayne County DPS, DWMHA and others), we are in tune with local conditions particularly the plight of the City of Detroit, DWSD, City pension plans, the formation of GLWA and the unique needs of its audits. Rehmann also has strong professional relationships with parties that are intimately familiar and involved with the "local conditions" who will be readily available to us, as needed. While we stand by the strength of our governmental audit team and its ability and capacity even without this additional knowledge and experience, we cannot deny that this added experience positively contribute to the efficiency of the project. Further, it is worth noting that this knowledge and experience has been earned without triggering any event that would question Rehmann's auditing independence.

9. Describe additional industry experts or tools at your firm utilized in engagements. Your audits will be managed and primarily performed by Rehmann governmental auditors, who do nothing but governmental audits on a full-time, year-round basis. Thus, we do not need to bring in additional industry experts or tools because everyone we assign already fits that description (along with their laptops and Microsoft Excel templates).

10. Describe your level of expertise auditing public sector utilities and understanding of revenue charge setting methodologies. Through our many annual audits of counties, cities, villages, townships and authorities, we regularly deal with public sector utilities (water, sewer, electric, parking and others). It is simply "commonplace" for our governmental auditors to work with proprietary funds and public utilities that include residential, commercial and contract communities. And, while we do not typically perform rate studies due to independence considerations, we are certainly well versed and adaptable in documenting, understanding and auditing the revenue and receivable cycles by whatever rate setting methodologies are used.

11. Describe your level of expertise auditing revenue bonds and understanding the related master bond ordinances. Municipal Securities Rulemaking Board requirements (Electronic Municipal Market Access), and related Internal Revenue Service code. There are few public sector utilities that are debt free. As such, it is common to have revenue bonds (or GO / LTGO bonds) in those enterprise funds that have disclosure, continuing disclosure and reserve requirements (among other things). While debt is normally a significant audit area for public sector utilities and major enterprise funds, it is not particularly hard to audit and simply requires verification with applicable documents and material compliance with those documents and applicable regulations. We are, however, certainly experienced and adept at working with master bond ordinances (particularly, understanding the purpose of the various sections and being able to zero in on the final documents and those need for audit and/or financial reporting and disclosures). We are also well aware of the continuing disclosure requirements and the submission requirements under SEC and IRS regulations.

12. Describe your ability and approach to work cooperatively with GLWA, the City of Detroit, and other stakeholders in particular as it relates to the opening balance sheet audit. Rehmann has a track record and reputation, we believe, for "playing nice" with other auditors, accountants and governments, as well as with our clients. We expect that high level attention and services were provided with respect to the opening balance (resulting in high quality results and support), so we will carry that expectation and respect into our procedures, but nevertheless remain unbiased in completing the procedures we determine necessary in circumstances. We might add that we have worked closely with Plant Moran at a number of different municipalities and schools over recent years where we or they wore the auditor or outsourced CFO hat,

and we have been able to work cooperatively with each other despite being competitors on many occasions. We recognize that GLWA required and received the services of other accounting firms in separating your finance functions from the City of Detroit. We feel that our experience in working with those firms taken together with our unquestionable independence uniquely positions us to handle the opening balance sheet audit.

13. Describe if there have been any engagements where the firm has had disputes with management and resigned from the engagement. Provide an explanation on the effort made to cooperate with management. **None that are of any significance or to suggest a pattern to be of even remote concern for purposes of this proposal.** Rehmann conducts, through a third-party service, a biennial customer satisfaction survey, which certainly has at its core the effort and ability to cooperate with management (which sometimes has its challenges when unfavorable matters are required to be reported). We can tell you that our client base is highly satisfied. We would be glad to share those results with you, if so desired.

14. Describe if there have been any legal proceedings, lawsuits or claims, which have been filed against the firm or present employees within the past five (5) years. Provide a further explanation on the resolution of such claims. **As previously mentioned in the Disclosures subsection for the Mandatory Items, there have been no matters of the nature described in the RFP that would have any significance for purposes of this proposal, evaluation thereof or resulting engagement. As a \$100+ million business, we would of course not be immune to litigious matters, but as stated, there have been no issues in our governmental or audit practice (for the firm or any individuals) that merit specific disclosure.**

#### **B. Staff Experience and Staff Plan**

Provide a detailed table with the names of the partner and management to be assigned to this project, other staff to be assigned, their functions, total work hours for each phase of the engagement, the office location, and a two page maximum resume for the partner and management. Indicate if anyone to be assigned to the engagement is through a third party service provider. GLWA retains the right to approve all third party service providers and to approve or reject replacements of personnel in writing that are not related to personnel leaving the firm, promotions, or relocations. **See Schedule of Estimated Hours included as an attachment in the bid submission package. See resumes for engagement executives at the end of this proposal file.**

1. Describe the assigned partner's ten (10) years of recent experience auditing similar engagements including Single Audits. **Mark Kettner will be the signing engagement principal (we do not use the term "partner" because we are an LLC not a partnership). Mark is the firm's principal in-charge of the governmental industry group and has been in that position for the last ten years; basically, this means that he has responsibility for setting the strategic direction of the industry group along with certain administrative duties. Since the industry group has steadily grown in terms of total billings, staff and profitability, it is generally concluded that we are collectively doing a good job and Mark gets some of the credit.**

**Most of his time is actually spent, though, in serving as signing principal on a wide range of governmental jobs (no commercial audits, no income taxes and a handful of nonprofits with single audits or governmental contracts). These governments primarily include counties (Wayne, Washtenaw, Monroe and others currently and over the last ten years) and cities (Ann Arbor, Battle Creek, Jackson, Ypsilanti, Ecorse, Inkster, Oak Park and others currently and over the last ten years). Mark has also been the principal for Ypsilanti Community Utilities Authority throughout the last ten years (YCUA is a water and sewer utilities authority) and Wayne County Employee Retirement System for the last seven years. Overall, Mark has 38+ years in governmental auditing and financial reporting, and is among the top industry group specialists in the state.**



2. Describe the experience of the project team relative to similarly sized engagements and types of engagements. Each of the project team members (other than associates that will undoubtedly be hired during the term of the engagement) has worked on one or more of the specific projects previously mentioned (such as Wayne County or DPS) and is a full-time member of the governmental industry group, meaning they work on nothing but similar types of engagements to the GLWA audits.

3. Identify the type of engagement selected if work of the assigned partner was selected in the most recent peer review. Describe any negative responses noted on engagements performed by them and any remediation actions taken. Since the government audits account for roughly one-quarter of Rehmann's overall assurance practice (and has been such a significant portion for many years), municipal engagements are regularly selected for examination during our peer reviews, including the most recent one. The typical approach is that at least one engagement is selected from each governmental principal, with preference for significant new engagements during the peer review year. No negative comments were made by the peer reviewers on the governmental engagements that were selected and examined, including those of the proposed GLWA project principals.

4. For all proposed staff to be assigned to the engagement, identify the number of hours of continuing professional education required in the firm that is directly related to governmental auditing for the last two years. All Rehmann governmental audit staff are required to obtain, at a minimum, sufficient continuing professional education hours to satisfy Yellow Book requirements. Briefly, this means 80 hours every two years with 24 of those hours specific to governmental accounting and auditing, though we often exceed these minimums by a wide margin. If you would like an accounting of the hours for particular proposed staff, we will be glad to provide it. Additionally, it is worth noting that the principals proposed to be assigned to this engagement also actively participate in, and lead, the training sessions that Rehmann routinely provides for our governmental clients (and other CPA firms).

5. Provide details on any additional firm requirements for this training including if the training is conducted in house or conducted directly by the AICPA, or another rule governing body. Rehmann conducts in-house training to satisfy all or a portion of the required CPE (depending on staff level), but also relies on programs conducted by the AICPA, GFOA, MGFOA and other professional organization to satisfy the hour requirements and/or to obtain topic-specific training (such as with new standards, regulations, etc.).

6. Indicate if the proposed partner, management or assigned staff are currently working on other GLWA contracts and non-GLWA contracts that are scheduled concurrently with the timelines identified in this RFP. If so, please indicate how their involvement on this project will impact timely performance of previous contracted services to GLWA, and indicate how their involvement with non GLWA contracts will impact their performance on this project. Rehmann does not currently have any GLWA contracts. We have a range of non-GLWA contracts that will run concurrently with the timelines for this proposed engagement (particularly with the differing periods for the first year versus the subsequent years). We can tell you that, as a public accounting firm, we are very used to (and adept at) managing and conducting concurrently scheduled engagements. We do not anticipate any issues with performing your audits and guarantee that it will not adversely impact the successful (and timely) completion of them. By recently cycling out of the DPS engagement (which was a June 30 year end job), there is no question that we have the capacity to add the GLWA engagement to our current workload.

### C. Work Plan and Organization

1. Submit a detailed work plan, which describes your audit approach and methodology to all tasks you have determined to be necessary to complete the entire scope of work for this contract. Include the critical evaluations and decisions that must be made to efficiently complete the engagement. Our audits are normally performed in three inter-related phases (four when we take the lead in preparing the CAFR, which we could do at no additional cost if so requested):

(1) planning and risk assessment, (2) primary fieldwork and testing, (3) financial statement preparation and review, and (4) conclusion and issuance procedures. A brief overview of our audit approach is provided below. A detailed explanation of the audit process and Rehmann's approach is provided as a separate attachment to the proposal package.

*Phase 1: planning/risk assessment.* In accordance with your time schedule, we will hold a planning meeting prior to the start of the engagement involving all associates assigned to the job. We will schedule the dates of our on-site fieldwork, arrange for downloads from your computer systems, document internal controls over financial reporting and compliance, and review the materials you typically provide your auditors. At roughly the same time, we will work closely with you to begin preparing/updating the format and structure of the financial statements in Microsoft Excel and Word.

Once the Authority is ready and has available a reasonably-adjusted trial balance, we will complete the planning process. Our engagement executives will analytically review the draft financial statements, and document our assessment of audit risk by area. We will use this information to tailor our standard governmental audit programs to correlate with our risk assessment of the Authority's accounting and financial processing environment.

*Phase 2: primary fieldwork/testing.* Working from the reasonably-adjusted trial balance used to complete our planning procedures, we will begin our year-end fieldwork. Our lead schedules and audit work papers will be created based on the Authority's draft financial statements. This allows us to conduct our audit at the same level of detail on which our opinions will be expressed, and enhances the efficiency of the entire process. Each audit area will be tested through a combination of analytical, substantive, and sampling procedures, consistent with the tailored audit programs developed above.

As the year-end fieldwork procedures are completed, we will review the work papers, quality control documents, and checklists as part of our internal system of quality control. All comments and issues generated by these reviews will be resolved in the field.

*Phase 3: financial statement preparation/review.* Financial statement preparation actually begins in Phase 1, and continues throughout Phases 2 and 3. Once the financial statements and related notes have been compiled, they will be processed through our Technical Standards Review (TSR). In most cases, the first level of this process is completed while we are still in the field, which allows for complete drafts (including any related audit findings and recommendations) to be reviewed with management before the audit team leaves the field, when information is still fresh and any issues are easily resolved.

*Phase 4: conclusion/issuance procedures.* After management has had an opportunity to thoroughly review the draft financial statements and any audit findings or recommendation, we will perform our conclusion and issuance procedures. These vary, but may include following up on outstanding confirmations, reviewing the minutes of board meetings held subsequent to our fieldwork, and obtaining written representations from management concerning the completeness and fair presentation of the financial statements. Once complete, we will produce final PDF versions of the financial statements and related reports, and provide them to you via email. Hard copies of separate reports and letters will be printed and bound.

The cornerstone of all four phases is open and transparent communication. There should not be any surprises about timing or status because there will be ongoing communication and direct involvement between our auditing team and the GLWA finance team.

We also understand and practice an approach to separate politics from our work and communications. For example, Wayne County has an engaged audit committee. At times, there were questions regarding the actions of current and former management; our approach then and elsewhere is to leave politics out of the audit process and reporting of the results, and let the numbers speak for themselves.

2. Indicate when your firm will be ready to start work on this contract, if awarded. We will be available to start work on the contract immediately following official notification of contract award. This would mean scheduling a kickoff meeting (that could be as early as the next day or more likely within 3-5 working days). After scheduling the kickoff meeting, we will then jump into scheduling all staff for both the first year (six months ended 6/30/16) and second year (year ending 6/30/17); these will, of course, be tentative until confirmed at the kickoff meeting. We would expect that onsite procedures will start within 15 to 30 days of the official notice (or sooner depending on when the notice occurs). The overall message is that we can be flexible and will accommodate your needs.

3. Explain the approach and activities your firm will engage to meet the timelines in the project schedule. When we were first awarded the contracts for DPS and Wayne County, in both instances the contracts were awarded late in the process and we responded by putting together a calendar and plan to assign enough resources to complete the job; we assigned people who are experienced with and know governmental accounting, auditing and financial reporting; and we were respectfully diligent in obtaining the documents and work papers needed from the client to complete our work. We propose this same *common sense* approach in working with GLWA's management staff to meet timelines (which, of course, requires a mutual agreement on those timelines between you and us).

4. Provide a detailed work breakdown structure with milestones, durations and a timeline that includes planning, fieldwork, and final report preparation and issuance of the reports. . See Schedule of Estimated Hours included as an attachment in the bid submission package.

5. Describe how your team will communicate among the team and with the assigned the partner. Describe how these communications will result in effectively executing the work. We make liberal use of emails and instant messaging, so there is never a reason to delay in communicating important matters between team members (at any level). This will be supplemented by formal team meetings on a weekly or bi-weekly basis, depending on the status of the engagement (bi-weekly earlier on and weekly as procedures and overall fieldwork approaches completion). These meetings will be timed to precede executive status meetings with GLWA management and the Audit Committee.

6. Describe how your team will communicate with GLWA. Describe how these communications will result in effectively executing the work. As indicated above, we would expect to have periodic onsite meetings (or by video or teleconference) throughout the respective audits. These meetings will be more frequent during the year-end fieldwork and approaching the completion and issuance of the reports. There will, of course, be intermittent emails and telephone calls throughout the year to maintain contact on important matters. Our experience shows that open and routine communication results in a more transparent audit process, producing clear expectations, and completion of projects on-time and within budget.

7. Describe the internal quality management program your firm will employ with respect to the execution of this project and the review of the work including the staff levels involved. The work of the audit team is documented through the completion of quality control forms (most of which come from a service called CCH Knowledge Coach and the others are Rehmann files in either Microsoft Excel or Word). All of these documents/files are placed in an electronic binder provided through CCH ProSystem fx Engagement (think of it as very large set of secure folders and subfolders in Windows Explorer). Every audit has a single binder and every binder must contain 100% of the audit files. The binder is set up in a fashion that clearly shows the preparer, first reviewer and second reviewer. This, too, reflects the audit completion and review documentation process. Preparers “sign off” when a particular form or file is completed (in his/her judgment); unsigned items indicate the work is still in process. Prepared files are reviewed (generally within a day or two) by an immediate supervisor (or, depending on the significance, by more than one supervisor, up the team hierarchy); this reviewer or reviewers each sign off in the first reviewer space. The third and final review is made by the signing engagement principal. Throughout this process, any matters to be addressed are noted on electronic review comments; the software captures the resolution actions that are made up to the point where the reviewer is satisfied and the comment is disposed.

While this is fairly standard practice/approach for public accounting, the Engagement software provides great efficiency to the process and allows access to the binder anywhere that an authorized user has access to a computer.

8. Identify the quality control system in place for monitoring compliance with independence requirements. The firm must meet all applicable independence requirements and be independent with respect to GLWA. Rehmann and all of its employees are independent, in fact and appearance, of GLWA. If any circumstances arise to suggest that our independence might be impaired, we will immediately address them internally and as well as with GLWA management to properly resolve the matter on a timely basis (before it becomes an issue).

To monitor independence, we have a multi-tiered approach that includes: (a) at the start of each calendar year, every Rehmann principal and associate (100% of our employees) are required to complete an independence survey; (b) on a monthly basis, new clients are published on our intranet to advise all employees of the new client (in order to maintain independence) and to solicit feedback of any potential situations that should be considered; and (3) on an ongoing basis, all firm associates are required to immediately communicate any situation that should be considered as a potential impairment (which are described in our personnel policies and audit practice policies and procedures).

In responding to this RFP, we have completed an independence investigation and can affirmatively state that there are no engagements that impact our independence in any manner whatsoever under the applicable professional standards.

9. Identify all assumptions made in developing the proposal including but not limited to data, resources, etc. Our key assumptions (as it simply is not possible to identify “all assumptions” and to do so within the limited space of 15 pages) is that: (1) GLWA will fulfill its obligation to provide us with a reasonably adjusted final trial balance at the start of our year-end fieldwork and to have reasonable evidentiary documents / work papers to support all material account balances in that trial balance, and (2) GLWA will have adequate staffing throughout the audit to provide those documents / work papers (on a timely basis) and to be readily available to the audit team to address our questions and audit needs. Further, we assume that we will have reasonable access to the management team and Audit Committee members in order to conduct our risk assessment and audit planning work at the start of the engagement (and each subsequent year).

#### D. Management Plan and Schedule

##### 1. Evaluation of proposers overall management plan and schedule for this project.

a. GLWA's Role - Clearly identify the proposed role of GLWA in the project and to what extent will GLWA be encouraged to participate. Audits by their very nature are highly collaborative endeavors between the auditor and auditee; in fact, there is no audit without the auditor and auditee playing their respective roles. To clearly identify the auditee and auditor roles and responsibilities, we have included with the proposal submission package a sample engagement letter and management representation letter.

As previously mentioned, we offer and expect that from a project management aspect, we will regularly meet and/or correspond with GLWA regarding the planning and conduct of the audit. Particularly, as we approach completion of the year-end fieldwork, we will provide written lists of "open items" to clearly communicate those items that are needed to complete our procedures (and/or reports). We would encourage GLWA to participate in these meetings and to invite us to attend/participate in your internal management meetings regarding the audit.

b. Quality Control - Provide a written quality assurance/quality control plan that describes procedures for verifying accuracy, quality and completeness of the deliverables; ensuring the quality of the deliverables; identifying and correcting non-complying work and adverse quality trends; and preventing deficiencies from recurring. All Rehmann deliverables, regardless of the industry or type of report, go through the same quality control procedure. That is, deliverables are first reviewed by the preparers. They are then reviewed (called a "detail check") by someone of equal or greater position on the audit team; as the name suggests, emphasis is verifying report details both within the report and to supporting documents (for example, pension note details are tied back to actuarial reports). Next, in the third level, the deliverables (often concurrently with the review of the working papers) are reviewed by the engagement principal; here, there is emphasis on compliance with standards and regulations, but also on details (including report format, grammar, etc.) as well. Next, in the fourth level, a principal who is independent of the audit team reviews the deliverable; this too is primarily for standards and regulations, but also corrects any noted formatting and grammatical errors. For first year audits, this independent technical standards review (TSR) would also include a concurring review of the audit binder (which is an electronic binder using CCM ProSystem fx Engagement) that includes all of the quality control and work paper documents to support all of the audit procedures and conclusions. After each level of review, the deliverable goes back to the previous level reviewer and initial preparer for corrections (or to otherwise be addressed) and then back to the reviewer to verify the changes (or to otherwise consider the resolution and document thereof).

While it varies between clients (some of whom prepare their own reports and others use us to do it, as specifically allowed by standards/regulations), there will be various interfacing points where we share our review comments and the updated dates. Before report issuance, though, GLWA (both finance staff, management and Audit Committee, as you may prefer) will have the final drafts and indicate its acceptance prior to issuing.

**Mark T. Kettner, CPA, CGFM, GOVERNMENTAL AUDIT PRINCIPAL****CONTACT INFORMATION**

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**AREAS OF SERVICE**

- Governmental / Nonprofit Auditing, Financial Reporting and Advisory Services
- Community Mental Health (CMH) Compliance, Auditing and Advisory Services
- CFO Outsourcing and Advisory Services
- Federal Grant Compliance and Auditing
- GASB Standards Implementation

**CURRENT POSITION:** Mark is Principal-in-charge of the firm's Governmental Audit, Assurance and Outsourcing Group.

**EXPERIENCE:** Mark joined the firm in 1978 and has been a principal since 1987. He is responsible for all facets of engagement planning and management, including on-site fieldwork. Mark has served as a member of the Board of Directors, Managing Principal of the Jackson Office, and a member of our Audit and Assurance Executive Committee.

As the leader of the firm's Governmental Group, Mark coordinates our multi-state efforts to extend our services to all sizes and types of governments. He serves as the engagement principal for numerous counties, cities, townships and villages, community mental health agencies, authorities and providers, and various nonprofit organizations, and is leading the governmental outsourcing services initiatives.

**EDUCATION:** Mark is a graduate of Central Michigan University with a Bachelor of Science in Accounting.

**PROFESSIONAL ORGANIZATIONS:** American Institute of Certified Public Accountants, Michigan Association of Certified Public Accountants, Government Finance Officers Association, Association of Government Accountants, and Michigan Association of County Administrative Officers.

**Stephen W. Blann, CPA, CGFM, CGMA, GOVERNMENTAL AUDIT PRINCIPAL****CONTACT INFORMATION**

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**AREAS OF SERVICE**

- Governmental & Not-for-Profit Auditing & Consulting
- Financial Reconstruction & Accounting Services
- Technology Utilization & Training
- Custom Spreadsheet & Database Programming

**CURRENT POSITION:** Stephen is a Principal of Government/Nonprofit Services with Rehmann, where he serves as the firm's Director of Government Audit Quality and heads the government and not-for-profit assurance practice for West Michigan.

**EXPERIENCE:** Stephen has been with Rehmann since 1995, during which time he has concentrated exclusively in the governmental and not-for-profit sector. Stephen is a Certified Government Financial Manager (CGFM) and a frequent speaker for a variety of professional organizations, including the national Government Finance Officers Association (GFOA), the Native American Finance Officers Association (NAFOA), the Michigan Association of Community Mental Health Boards (MACMHB), the Association of Government Accountants (AGA), and the Michigan Association of Certified Public Accountants (MICPA).

Selected engagements include Michigan Technological University (A-133), Lansing Community College (A-133), Lake Michigan College (A-133), and Montcalm Community College (A-133). Stephen's client base also includes counties, cities, villages, townships, road commissions, community mental health authorities, local and intermediate school districts, Indian tribal governments, and a variety of not-for-profit organizations.

**EDUCATION:** Stephen is a graduate of Indiana Wesleyan University with a Bachelor of Science in Accounting and Business Administration. He is licensed as a CPA in both Michigan and Florida.

**PROFESSIONAL ORGANIZATIONS:** Active member of and regular speaker for various professional organizations including the GFOA, NAFOA, MACMHB, AGA, FICPA and MICPA, Advisor to the GFOA's Standing Committee on Accounting, Auditing, and Financial Reporting; and member of the Special Review Committee for the Certificate of Achievement for Excellence in Finance Reporting Program, and Founding president of the West Michigan Chapter of the AGA.



**Nathan C. Baldermann, CPA, CGFM, GOVERNMENTAL AUDIT PRINCIPAL****CONTACT INFORMATION**

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**AREAS OF SERVICE**

- Governmental & Nonprofit Auditing & Consulting
- Federal Grant Compliance & Auditing
- Community Mental Health (CMH) Compliance, Auditing and Advisory Services
- GASB Standards Implementation
- CFO Outsourcing and Advisory Services

**CURRENT POSITION:** Nate is a Principal in the Governmental Accounting and Auditing division in Rehmann's Jackson office.

**EXPERIENCE:** Nate began his career in governmental accounting and auditing in 1996. He is responsible for all facets of engagement planning and management, including on-site fieldwork. Nate is a member of the firm's Audit and Assurance Training Committee, as well as on our Governmental Audit Quality Committee.

Selected engagements include: Ingham County, Berrien County, Lenawee County, City of Lansing, City of Royal Oak, Detroit Public Schools, Huron School District, Airport Community Schools, Napoleon Community Schools, Detroit-Wayne County Community Mental Health, Washtenaw Community Health Organization, LifeWays, the Genesee Health System and various other governmental and non-profit organizations.

**EDUCATION:** Nate graduated from Ferris State University with a Bachelor of Science degree in Accountancy.

**PROFESSIONAL ORGANIZATIONS:** American Institute of Certified Public Accountants, Michigan Association of Certified Public Accountants, Association of Government Accountants, Government Finance Officers Association, and Michigan Government Finance Officers Association: Accounting Standards Committee (2006 to present), Board of Directors (2011 to present), and GFOA Certificate of Excellence program reviewer since 2010.

**Mark Tschirhart, CPA, GOVERNMENTAL AUDIT PRINCIPAL****CONTACT INFORMATION**

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**AREAS OF SERVICE**

- Governmental entities
- Not-for-profit organizations
- Federal grant compliance and auditing
- Benefit plans
- Real estate
- Business consulting

**CURRENT POSITION:** Mark is an audit and assurance principal with Rehmann and primarily serves clients in southeast Michigan.

**EXPERIENCE:** Mark joined Rehmann in 2007 after serving more than 20 years with an international CPA firm. Mark has extensive experience in auditing and consulting. He has provided compliance, internal control, due diligence and other services to governmental organizations and other industries throughout his career. He also has significant experience with the Single Audit Act. While Mark's background is primarily in the audit function, his overall experiences contribute an entrepreneurial perspective to the services he provides.

Mark has assisted many clients in resolving a wide array of accounting issues and technical pronouncements. He has also been significantly involved with the peer review inspection program throughout his career.

Mark currently serves as the lead principal on the audit of Detroit Public Schools and the City of Pontiac, as well as several other local governmental entities.

**EDUCATION:** Mark graduated from the University of Michigan - Dearborn with a Bachelor of Science.

**PROFESSIONAL ORGANIZATIONS:** American Institute of Certified Public Accountants and Michigan Association of Certified Public Accountants.

## Detailed audit approach

Each audit engagement is unique and requires different procedures to meet specific circumstances. However, the following broad approach is followed for most of our audits. While certain steps may occur in different order than presented below, a typical county audit would consist of the following audit procedures:

### Phase 1: planning/risk assessment

Pre-engagement – Certain audit procedures and inquiries are completed prior to the commencement of audit fieldwork. This ensures that we have a complete understanding of the entity, agreement on the extent of procedures to be performed, and an anticipated timeline for completion.

Procedure	Description
Planning meeting	<p>All members of the audit team will meet with the key contacts at the government. All parties will set dates for the milestones of the audit:</p> <ul style="list-style-type: none"><li>• Preliminary fieldwork (if requested)</li><li>• Availability of reasonably adjusted trial balance</li><li>• Primary fieldwork</li><li>• Interim audit status meetings (for larger engagements)</li><li>• Draft reports/exit conference</li><li>• Final reports</li><li>• Presentation to board(s)/committee(s), as requested</li></ul> <p>By agreeing to these dates up front, we are able to schedule the right people to have availability at the right time. During this meeting, both the county and the auditors will clarify expectations:</p> <ul style="list-style-type: none"><li>• Requested downloads</li><li>• Client-provided workpapers (content, format, timing, etc.)</li><li>• Communication methods (phone vs. e-mail, etc.) and direction (all requests through the primary contact vs. inquiring directly of the employee responsible)</li></ul>
Draft preliminary financial statements	<p>Using the prior year trial balance and issued financial statements, the audit in-charge will gain an understanding of account groupings for financial statement presentation. This will simplify the process of compiling the financial statements by only requiring newly created general ledger accounts to be grouped. It will also ensure that the audited financial statements are being prepared consistently. We refer to this as “coding the trial balance” which will then link directly to the financial statements, management’s discussion and analysis tables, and leadsheets. If</p>



	journal entries need to be posted after the auditors have received the trial balance, they can be posted in our Excel file and will flow through automatically to the related files.
Engagement letter	The engagement letter will serve as the contract between the auditors and the county and will be sent each year. This letter contains information on the scope of the audit and the related fees. We ask that the county return a signed copy of the letter to us prior to the commencement of primary audit fieldwork.
Discussion with audit committee	Each year before the start of the audit, one of the audit executives assigned to your engagement will conduct a short meeting or phone call with the chair of your audit committee (or its equivalent in your entity). We will discuss timing and the planned scope of the audit. Your audit committee chair will be given the opportunity to provide us with any additional information he/she deems relevant and ask any questions about the audit process.
Communication with prior auditors	Auditing standards require that we make certain inquiries of your predecessor auditors. We will provide management with the template of a letter that the county will send to the predecessor audit firm authorizing them to answer our questions and allow us access to their prior year workpapers. We have the county send a copy of this letter to us so we know when to initiate communication. In addition to make standard inquiries as required by Statement on Auditing Standards No. 84: <i>Communications Between Predecessor and Successor Auditors</i> , we may also visit the prior auditors' offices to review their workpapers. If we can determine that the appropriate standards were followed in performing that audit, we may not consider it necessary to test opening balances.
Communication with other auditors	If the county has any funds or component units audited by other CPA firms, we need to make certain inquiries of these firms regarding their understanding of our reliance on their separately-issued report(s) and the auditing standards they plan to follow. This process requires minimal assistance from the county and is deemed to remain in effect unless the audit firm changes.

## Phase 2: primary fieldwork/testing

Planning/Risk Assessment – In order to design our auditing procedures according to your unique operating environment, we will use various methods to gain an understanding of processes and internal controls. We will use the results of these inquiries and tests to assess risks and to further tailor our governmental audit programs. This process is more extensive in the first year as a base understanding is gained by the audit team, and may require a specially scheduled visit of 1-2 days. In future years, the process will consist primarily of updating our understanding for any procedural or personnel changes that may have occurred. Our standard planning/risk assessment procedures might include these tests:

Procedure	Description
Document financial systems	We will obtain any existing accounting policies and/or procedures manuals to gain an understanding of the operating environment. If no such materials are available, we have a form of basic questions that will guide you through the process of documenting your actual practices.
Review control activities	<p>A yes/no questionnaire will be provided that describes various typical control activities by transaction class (i.e., cash, accounts receivable, long-term debt, etc.). We will ask you to answer these questions and provide us with any additional information that may be helpful to us in understanding the internal control structure.</p> <p>Based on the responses to these questions, we will determine the 2-3 “key controls” over each transaction type.</p>
Walkthroughs	Once we have an understanding of internal controls and have identified the key controls, we will select a small sample of actual transactions and “walk through” each of the key controls to determine if the controls have been implemented and documented appropriately. The typical areas for which walkthroughs are performed are: cash disbursements, cash receipts, payroll, and general journal entries, though other areas may also be tested at this time.
Establish materiality and major funds	Using the reasonably adjusted trial balance and draft financial statements, the audit team will test the appropriateness of major funds. Materiality will then be calculated by opinion unit. Our substantive tests generally require the audit team to test all individually significant items and, depending on the remaining untested balance, may require sampling the remaining population.
Review of board minutes	In addition to discussing major activities in the year under audit with management (such as issuance of long-term debt, large capital-related purchases, new programs or services, etc.), we

	will review minutes from meetings of the Board and any committees. This will allow us to identify significant or unusual events or purchases and revise our planning audit procedures accordingly.
Analytical review	<p>Using the current and prior years' trial balances and the final amended budget, we will perform analytical procedures at the financial statement level. In general, we consider an income statement line item to be reasonable and consistent if it is within either 10 percent of the prior year actual or current year budget. Any financial statement line items with fluctuations outside of these parameters will be selected for additional procedures. We will review fluctuations at a greater level of detail (by general ledger account) and have discussions with management to identify and document the reasons for the change. At times, this process will identify errors or inconsistencies in posting of transactions, or accruals that still need to be posted (or reversed from the prior year).</p> <p>Based on our preliminary analytical review, certain income statement accounts may be selected for substantive testing because of their significance and/or ease of testing. Common substantive tests over income statement accounts are described later in this appendix.</p>
Risk assessment and brainstorming	At various times through the year, Rehmann's governmental audit group will meet to discuss risks that are common to Michigan governments. The audit team will review the notes from these meetings at the beginning of the county's audit to determine which of these risk factors might be applicable. The team will then use the information provided in the previous steps to identify additional risks and design audit procedures to address such risks. Our government-specific audit programs will be tailored to reflect the planned audit procedures.
Consideration of fraud	<p>In accordance with Statement on Auditing Standards No. 99: <i>Consideration of Fraud in a Financial Statement Audit</i>, we will make certain inquiries of personnel in various departments and positions to obtain their views about the risks of fraud and how they are addressed. These inquiries are made in the form of written questionnaires which are provided to selected individuals with a postage-paid return envelope and mailed directly to us when completed.</p> <p>In addition, each year the audit team will conduct 2-4 "surprise" procedures that are outside the scope of the typical audit. The use of these unpredictability tests is a requirement of SAS 99.</p>

	These tests are generally relatively simple and address various internal control, financial statement presentation, and compliance issues.
Review of attorney invoices	We will discuss any pending or anticipated litigation with upper management and review invoices for attorney services. If items are identified that may require accrual and/or disclosure in the financial statements, we may request written responses to certain inquiries from your attorneys. A pre-drafted letter to send to the attorney will be provided to management for preparation of inquiries, if deemed necessary.

Substantive Audit Procedures – In general, our approach to this audit will be “balance sheet oriented”. This means that we will first focus our attention on testing the ending balances of the assets and liabilities of each opinion unit. This approach has two distinct advantages: (1) it places greater emphasis on identifying potential misstatements in accounts that could have a carry-over effect on later periods (unlike income statement accounts that reset each year), and (2) it can reduce risk of material misstatement over the aggregate income statement accounts to a level where a primarily analytical approach can be applied with an acceptable detection risk for potential misstatements. This results in a very efficient audit process, and allows us to provide a high level of assurance in fewer hours. Of course, certain income statement accounts may still be tested substantively because of their ease of testing and/or significance.

Our auditors approach substantive balance sheet testing at the financial statement level (following our opinion) and not by individual trial balance accounts. Leadsheets are generated directly from the trial balance using grouping codes, and accounts are divided and subtotaled by opinion unit in order to easily determine whether appropriate testing has been completed. Each leadsheet contains both current and prior year balances to allow the auditors to quickly identify trends and expectations and document any significant fluctuations. Balance sheet accounts that have remained unchanged will be brought to the attention of management for inquiry and follow up.

Initially, all individually significant or unusual items are selected for testing and the percent of coverage by opinion unit is calculated and evaluated for adequacy to support our opinion. If, based on our risk assessment, we consider it necessary to obtain additional audit coverage, the remaining untested balance is stratified and sampled following professional standards. With each test performed, the auditors include sufficient documentation to both comply with professional standards and to allow the audit executives to understand the procedures performed and related conclusions reached during their review process.

Our entire audit process is facilitated electronically, using a paperless system. Accordingly, to the extent possible, we request that supporting schedules and documentation be provided to us in their native electronic format. The audit team will also come prepared with a high-speed scanner which will allow them to scan any hardcopy documents provided into the electronic audit file. The audit team will generally not require paper photocopies of supporting documents (unless the county is more comfortable providing photocopies). After testing is completed and any important items have been scanned into the file, the originals will be returned in-tact.

There are many advantages to a paperless system, or electronic audit file. As mentioned previously, the auditors will not require photocopies be made of supporting documentation. Workpapers and leadsheets can be updated and edited in the field without reprinting, and the auditors will have ready access to the prior year audit files in their entirety and can show you examples of what they are requesting. Throughout the year, if you contact the audit team with a question, they will have easy access to the audit files, regardless of whether they are in the office, at home, or at another client site.

While not all inclusive, the following listing summarizes many of the standard substantive audit procedures that may be performed, along with the requested documentation:

Audit Area	Substantive Test
Cash and investments	<ul style="list-style-type: none"> <li>• Send bank confirmation forms (completed by management) to respective financial institutions, compare confirmed balances to bank statements, and investigate discrepancies.</li> <li>• Consider allowability of investments in accordance with State statute and the government's investment policy.</li> <li>• Agree book balances to a trial balance account (or group of accounts for pooled cash systems).</li> <li>• Test bank reconciliations by tracing deposits in transit and outstanding checks to the subsequent period statement. Trace inter-bank transfers in transit between account reconciliations. Identify outdated or unusual reconciling items.</li> <li>• Consider the appropriateness of accrued interest on certificates of deposit and investments.</li> <li>• Calculate Federal Depository Insurance Coverage (FDIC).</li> <li>• Prepare financial statement disclosures such as those concerning interest rate risk, credit risk, and concentration of credit risk.</li> </ul>
Receivables	<ul style="list-style-type: none"> <li>• Obtain subledgers for significant account balances. Select items for detail testing and obtain subsequent receipt noting whether the amount was earned prior to year end and received in the next period.</li> <li>• Consider whether any receivables in governmental funds are collected outside of the period of availability (as it is defined by the government) and should be deferred in the fund financial statements.</li> <li>• Send confirmations for utilities receivable, pledges receivable, etc.</li> <li>• Trace grant receivables to financial status reports, subsequent receipts, and/or determine whether the recorded receivable is equal to grant expenditures, less actual cash receipts.</li> <li>• Trace special assessments receivable to signed special assessment rolls. Perform a rollforward of special assessments by taking the prior year receivable, subtracting special assessment revenue from the trial balance or financial</li> </ul>

	statements, adding new assessments levied, and comparing the result to the amount of the current receivable.
Inventory	<ul style="list-style-type: none"> <li>• Compare detailed listings of items, individual cost, and extended cost to the general ledger control accounts.</li> <li>• If deemed necessary, perform a physical observation of the inventory count at year-end. Select a sample of items from the inventory listing, locate and count the items, and compare to the recorded balance. Also select a sample of items directly from the floor, count, and compare to the actual amount recorded in the subledger.</li> <li>• Inquire about obsolete inventory.</li> </ul>
Prepays	<ul style="list-style-type: none"> <li>• Determine the nature of prepaid items in each general ledger account.</li> <li>• Recalculate prepaid balance using invoices and check vouchers and determine whether the amount was paid prior to year-end.</li> </ul>
Capital assets	<ul style="list-style-type: none"> <li>• Obtain rollforwards of capital asset activity. Agree beginning balances to prior year audited amounts and ending balances to general ledger control accounts.</li> <li>• Obtain a detailed listing of additions and agree to the rollforward. Test individually significant items by tracing to approved invoices.</li> <li>• Compare capital outlay expenditures to capital asset additions for reasonableness. If considered necessary, perform a search for unrecorded capital assets to audit completeness.</li> <li>• Agree approved capital items from board minutes to additions listing.</li> <li>• Obtain a detailed listing of disposals and agree to the rollforward. Determine whether any proceeds on the sale of such assets has been reported appropriately in the financial statements.</li> <li>• Obtain depreciation schedules and test the accuracy of calculation based on the selected depreciation method and useful life.</li> <li>• Test the accounting for and disclosure of amounts acquired through capital leases or installment purchase agreements.</li> <li>• Test the allocation of depreciation expense by function.</li> <li>• Inquire about timing of physical inventory observations, the existence of idle assets, and whether remaining useful lives are still appropriate.</li> <li>• Inquire about the existence of intangible assets such as usage or access rights.</li> </ul>

	<ul style="list-style-type: none"> <li>Consider whether amounts remain on construction contracts related to construction in progress for disclosure in the notes to the financial statements.</li> </ul>
Payables	<ul style="list-style-type: none"> <li>Obtain a detailed listing of the composition of general ledger control accounts and compare to year-end account balances.</li> <li>Perform a completeness test by selecting certain subsequent disbursements, reviewing the invoice for information on the accounting period involved, and determining whether the amount is properly included or excluded from year-end accounts payable.</li> <li>Trace fiduciary liabilities to subsequent disbursements or detailed subledgers of amounts held by individual/entity.</li> <li>Determine whether any amounts are being held in agency funds that represent funds of the primary government which should be accounted for in the respective funds.</li> </ul>
Accrued liabilities	<ul style="list-style-type: none"> <li>Recalculate accrued salaries and wages payable by gaining an understanding of the timing of service periods and pay dates, obtaining support for the first pay date in the subsequent period, determining the number of service days covered by the pay run and the number of service days during the period under audit, recalculating the accrual.</li> <li>Recalculate the accrual for the employer's share of FICA taxes payable based on known rate of 7.65%.</li> <li>Consider the reasonableness of other fringe benefit accruals such as health insurance, retirement, and workers' compensation.</li> <li>For self-insurance programs, obtain calculations or third-party reports estimating incurred-but-not-report claims. Rollforward self-insurance claims payable for disclosure in the footnotes.</li> </ul>
Long-term debt	<ul style="list-style-type: none"> <li>Obtain a rollforward of long-term debt activity. Compare the beginning balances to the prior year audit.</li> <li>Obtain amortization schedules for bonds and notes payable. Consider whether any debt covenants exist and test accordingly.</li> <li>Trace principal payments to the debt rollforward and the amortization schedules.</li> <li>Agree the current portion of long-term debt and future minimum payments of principal and interest to the amortization schedules.</li> <li>Determine whether new debt was approved by the governing body and issued in accordance with State statute.</li> <li>Determine whether there were premiums and/or discounts associated with the issuance of the debt by obtaining the</li> </ul>



	<p>sources and uses statement. Consider whether any bond issuance costs should be capitalized and amortized over the life of the bonds. Recalculate such balances.</p> <ul style="list-style-type: none"> <li>Recalculate accrued interest payable based on the first interest payable of the subsequent period, the length of time covered by this interest payment, and the length of time within the year under audit.</li> </ul>
Compensated absences	<ul style="list-style-type: none"> <li>Obtain a detailed listing of compensated absences (accrued sick and vacation time) by employee and agree to general ledger control accounts.</li> <li>Obtain an understanding of compensated absences policies, such as vesting, payment rates, and maximum payouts.</li> <li>Select a sample of individuals for testing. Trace accrued hours to source files and pay rates to personnel files or union/bargaining unit contracts. Recalculate accrual and determine whether hours are within the maximum amount.</li> <li>Determine whether FICA taxes are being accrued on the year-end balance.</li> <li>Rollforward compensated absences liability by obtaining either the accrual for amounts earned or the amounts used/paid for disclosure in the notes to the financial statements.</li> <li>Consider the appropriateness of the expense allocation for the change in compensated absences of governmental activities.</li> <li>Inquire about an estimated current portion and consider whether this is being presented appropriately in the financial statements. Compare current portion to actual uses/payments for reasonableness.</li> <li>Inquire about the existence of any severance agreements or termination benefits. Obtain supporting documentation and test accordingly.</li> </ul>
Equity	<ul style="list-style-type: none"> <li>Compare beginning equity by fund to the prior year audit, and investigate any differences.</li> <li>Review fund balance classifications based on the nature of the funds and board resolutions/policies (if applicable).</li> <li>Review net asset classifications for accuracy. Recalculate net assets invested in capital assets net of related debt.</li> </ul>

These substantive procedures will be completed primarily by our staff and senior auditors. Each workpaper will be reviewed by the engagement manager (and where appropriate, the engagement principal) during fieldwork so questions can be resolved while the team is still on-site.

### Phase 3: financial statement preparation/review

Financial Statement Preparation - Another key element of the fieldwork process is the preparation of draft financial statements (including footnotes), the management letter, and other applicable reports/correspondence. As mentioned briefly in the beginning of this appendix, Rehmann uses a unique system for preparing the financial statements. The following are the primary steps in the preparation of the financial statements:

Procedure	Description
Downloads	<ul style="list-style-type: none"><li>• Obtain a download directly from the client's financial accounting system which includes: complete account number, account name, and account balance. For income statement accounts, the original and amended budgets will be downloaded as well.</li><li>• Extract the system download into a usable Excel file using Monarch or other data extraction software.</li><li>• Assign fund and government-wide financial statement captions to each account based on the level of detail in the financial statements. This effectively maps each account on the government's chart accounts to the appropriate sections of the financial statements.</li><li>• This process is most intensive in the first year of the audit, which is why we request a prior year trial balance before we arrive on-site. That way, we can have the initial set-up completed before the audit begins.</li></ul>
Linking	<ul style="list-style-type: none"><li>• Use Excel PivotTables to summarize the data in the trial balance based on the assigned captions.</li><li>• Use Excel's "VLookup" and "Match" functions to link the PivotTables to the actual financial statements.</li><li>• The advantage of this system is that any account coding changes or journal entries discovered through the audit process can be posted to the auditors' version of the trial balance and with the click of a button the PivotTables are refreshed and the financial statements are automatically updated.</li><li>• Tables for the Management's Discussion and Analysis are linked to the financial statements.</li></ul>
Footnotes	<ul style="list-style-type: none"><li>• Draft notes to financial statements using a current disclosure checklist to ensure completeness.</li><li>• Obtain supporting documentation for disclosures not directly linked to the trial balance or financial statements, such as: retirement and other postemployment benefit plan funding progress and funded status, related party transactions, subsequent events, etc.</li></ul>

SAS 114 letter	<ul style="list-style-type: none"> <li>• Through the audit process, the engagement team will keep a list of potential audit issues and/or internal control or efficiency recommendations.</li> <li>• Near completion of fieldwork, the potential items are reviewed and discussed amongst the audit team.</li> <li>• The method of communication for items deemed to be control and/or compliance deficiencies is determined and a SAS 114 letter (informally known as the “management letter”) is drafted.</li> </ul>
Other reports	<ul style="list-style-type: none"> <li>• If the government is subject to a single audit in accordance with the Uniform Guidance (by expending at least \$750,000 in Federal awards in any given fiscal year), the reports on Single Audit Act compliance will be prepared.</li> </ul>
Detail check	<ul style="list-style-type: none"> <li>• After the financial statements and notes are drafted and a disclosure checklist has been completed, the entire report is reviewed by another individual. Controls totals are compared between statements and schedules, numbers are footed and cross-footed, footnotes are agreed to the underlying financial statement amounts (when applicable), and overall presentation is reviewed for proper formatting, spelling, and grammar.</li> <li>• The audit opinion (and Yellow Book report and/or single audit report, as applicable) are compared to current professional standards for completeness and accuracy.</li> <li>• Any management letter comments are reviewed for clarity and appropriateness.</li> <li>• The preparer of these documents is then provided feedback from the independent review and follows up on questions/comments accordingly.</li> </ul>
Technical standards review	<ul style="list-style-type: none"> <li>• Generally on the final day of audit fieldwork, the engagement principal comes on-site to review the audit team’s workpapers and perform a technical standards review of the financial statements and management letter.</li> <li>• Additional technical standards reviews are conducted after fieldwork by a principal not associated with the engagement (i.e., a “cold review” of the statements).</li> </ul>
Exit conference	<ul style="list-style-type: none"> <li>• While the auditors are still on-site, the draft financial statements and management letter are provided to and reviewed with management during an exit conference.</li> <li>• Audit findings or recommendations are explained in detail, and an open dialog is held to ensure that the facts and circumstances are properly understood by all parties.</li> </ul>

	<ul style="list-style-type: none"> <li>• A working draft of the management's discussion and analysis (with information related to the audited financial statement completed already) is provided.</li> <li>• Any open items are summarized in written format and reviewed with the client.</li> <li>• The timeline for engagement completion and issuance (initially agreed-upon as part of the planning meeting) is reviewed for reasonableness, and updated as needed.</li> </ul>
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At this point in the process, the auditors will pack up their equipment and leave the field. Management is then given as much time as requested to review the draft reports, provide feedback, and ask questions. Once management has proposed any necessary corrections and the management's discussion and analysis is completed, the entire financial reporting package is submitted to a second technical standards review. This review is always done by an audit executive in a different office with no continuing involvement in the audit process.

Any questions or issues that arise through the technical standards review are discussed between the audit team and management. If changes have been made to the initial drafts, management is provided with a final draft for its review and approval. We then provide management with a draft representation letter. This is a document that puts into writing the assertions made by management to the auditors throughout the audit process. We ask that this letter be printed on the government's letterhead and signed by two individuals (generally the equivalents of the CEO and CFO). We consider the signed representation letter to be management's assertion that drafts have been reviewed and our authorization for processing of final reports.

#### **Phase 4: conclusion/issuance procedures**

Rehmann's professional support staff will coordinate the printing and binding of final reports and will upload the required PDF to the State of Michigan. The printed copies will be mailed or delivered. Management will be provided with a final PDF of all reports produced in the audit. The government is free to use this document for distribution to grantor agencies and related parties, upload to the government's website, or to produce additional printed copies.

The audit process concludes with presentation to the governing body (or one of its committees), as requested. One of the executives assigned to the audit team will report on the result of the audit in whatever level of detail is requested. A typical presentation lasts 10-15 minutes, but can be as short as 5 minutes or as long as one hour, depending on your preferences.

While this concludes the formal process of the annual audit, your engagement team will be available for questions throughout the year. We will provide management with information on relevant upcoming changes in accounting standards and opportunities to participate in training events or webinars. We will also check in at times throughout the year to say hello and provide an opportunity for management to ask any questions or provide updates on the government's operations.

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We are confident that our audit process maximizes efficiency while still providing the highest level of audit assurance. Our governmental auditing team has a deep understanding of accounting and financial reporting as it relates to local units of government. But our auditors also understand that you are busy and have priorities and responsibilities in addition to the annual audit. Your audit team will make as many requests ahead of time as possible, coordinate information requests and questions, and strive to keep the audit process as quick as possible.

## 1900933 External Auditor Services

### Oral Proposal Scoring

Each element of consideration will be scored from 0 to 5 as defined below, with five being the best, using whole numbers only.

Rank	Designation	Description
0-1	Low	Incomplete response Doesn't meet expectations Missing or mismatched attributes Poor level of detail in response Unsupported claims(s) Other
2-3	Medium	Mostly complete response Partially meets expectations Fits desired attributes Medium level of detail in response Partially supported claim(s) Other
4-5	High	Meets or exceeds expectation Strongly fits desired attributes High level of detail in response Well supported claim(s) Other

*\*Please see notes for each element on attached sheet*

**Evaluation**
**Name** \_\_\_\_\_

<b>Element 1</b>	<i>Understanding of GLWA needs and Project requirements</i>	<i>Score</i>
<b>Element 2</b>	<i>Commitment to quality control, achieving milestones and reporting tools</i>	<i>Score</i>
<b>Element 3</b>	<i>Ability to answer GLWA questions completely</i>	<i>Score</i>
<b>Element 4</b>	<i>Vendor's consistency between written proposal and oral interview</i>	<i>Score</i>
<b>Additional notes:</b>		





**Audit Committee**

**Wednesday, May 29, 2019 at 10:30 a.m.**

5th Floor Board Room, Water Board Building  
735 Randolph Street, Detroit, Michigan 48226  
*GLWater.org*

**MEETING BINDER #4  
Proposal Presentations**

Rehmann Robson LLC.....	PDF page 2
RSM US LLP.....	PDF page 11
Baker Tilly Virchow Krause LLP.....	PDF page 37



# Great Lakes Water Authority

## Auditing Services Proposal

May 29, 2019



## Service Team

Mark Kettner, Principal

Daniel Clark, Principal

Michelle Hodges, Sr Mgr

Ken Melvin, Manager

Jackson

Ann Arbor / Detroit

Troy / Detroit

Jackson / Detroit

*Same proven performance team with the addition of Daniel.*

# Qualifying Experience

- GLWA – year ended 6/30/18
- GLWA – year ended 6/30/17
- GLWA – year ended 6/30/16
- Hundreds of other Michigan governmental audits including:
  - Preparing CAFRs
  - Auditing enterprise funds
  - Performing single audits

# Engagement Principal



**Mark T. Kettner, CPA, CGFM**

PRINCIPAL

Governmental and Not-for-Profit Services

Mark leads Rehmann's Government, Not-For-Profit and Higher Education Industry Group which serves over 700 clients in the industry with financial statement audits, single audits, and managed business services. He coordinates multi-state efforts to extend the Firm's services to all sizes and types of governments and he is leading governmental outsourcing service initiatives.



# Engagement Supporting Principal



**Daniel B. Clark, CPA**

PRINCIPAL

Governmental and Not-for-Profit Services

Daniel leads annual audit and single audit engagements for a multitude of governmental and not-for-profit clients throughout Michigan and Ohio. With a concentration on serving the public sector, Daniel spends a significant amount of time onsite at clients' locations and developing an understanding of their operations. He serves on Rehmann's government audit quality control subcommittee, ensuring compliance with technical standards and Firm-wide consistency.



# Engagement Senior Manager



**Michelle Hodges, CPA**

SENIOR MANAGER

Governmental and Not-for-Profit Services

Michelle plans, performs and supervises assurance and consulting engagements. She serves clients in a variety of industries, including franchising, manufacturing, not-for-profit, government and employee benefit plans. Michelle is a member of Rehmann's Not-for-Profit Industry Group, which provides industry updates, educates clients and associates on the new financial reporting model standards, and recommends action steps for streamlined implementation.



# Engagement Manager



**Ken Melvin, CPA**

MANAGER

Governmental and Not-for-Profit Services

Ken works solely with governmental and not-for-profit organizations, primarily managing single audit engagements. He is also involved in accounting and consulting engagements. Spending a significant portion of his time on-site with clients to develop a deep understanding of their operations enables Ken to proactively recommend improvements to internal controls and effectively manage the audit process.



# Best Qualified Firm

- Experience with GLWA (and its complexities)
- Proven past performance
- CAFR template
- Water and Sewer Fund report templates
- Institutional knowledge
- Same executive team to build engagement efficiency
- Positioned to enhance reporting timeliness

# Questions?

# GREAT LAKES WATER AUTHORITY

Audit Services Presentation by  
RSM US LLP

May 29, 2019

# Key Personnel Meeting With You Today



## **Joe Evans, Partner and Engagement Leader**

- Great Lakes regional public sector audit leader with over 30 years experience
- Currently serving Metropolitan Water Reclamation District of Greater Chicago
- Previous experience with all aspects of governmental operations including numerous governments that provide water and wastewater services
- Will serve as the main engagement partner directing the audit procedures
- Primary contact with management and the Audit Committee



## **Larry Keyler, Partner**

- Managing partner RSM Detroit
- Over 30 years experience serving clients
- Leader of the firm's Culture Diversity and Inclusion initiative in Detroit
- Local office contact available as needed



## **Kevin Smith, Partner**

- Central Region public sector audit leader with over 19 years experience
- Currently serving Tulsa Municipal Water and Sewer and Metropolitan Utilities District of Omaha
- Extensive experience serving governments especially water and wastewater treatment government utilities
- Working with the team on the planning, risk assessment, audit approach, reporting and overall conduct of the engagement



# Key Personnel Meeting With You Today



## **Linda Abernethy, Partner**

- Great Lakes regional public sector partner with over 30 years experience
- Experience serving many large Chicago governments including Metro Water Reclamation District of Greater Chicago and numerous water and wastewater utilities
- Previous member of AICPA Governmental Expert Panel, former Chair of ILCPA Government Executive Committee, instructor at County Auditor association meetings, IL Comptroller's Office local government Advisory Board member
- Will serve as technical leader and provide guidance on all technical matters and accounting issues



## **Katie Barry, Senior Manager**

- Great Lakes regional public sector senior manager with over 14 years of experience
- Experience with numerous governments and water utilities
- Will serve as the engagement manager for the water operations and single audit



## **Joe Cardona, Manager**

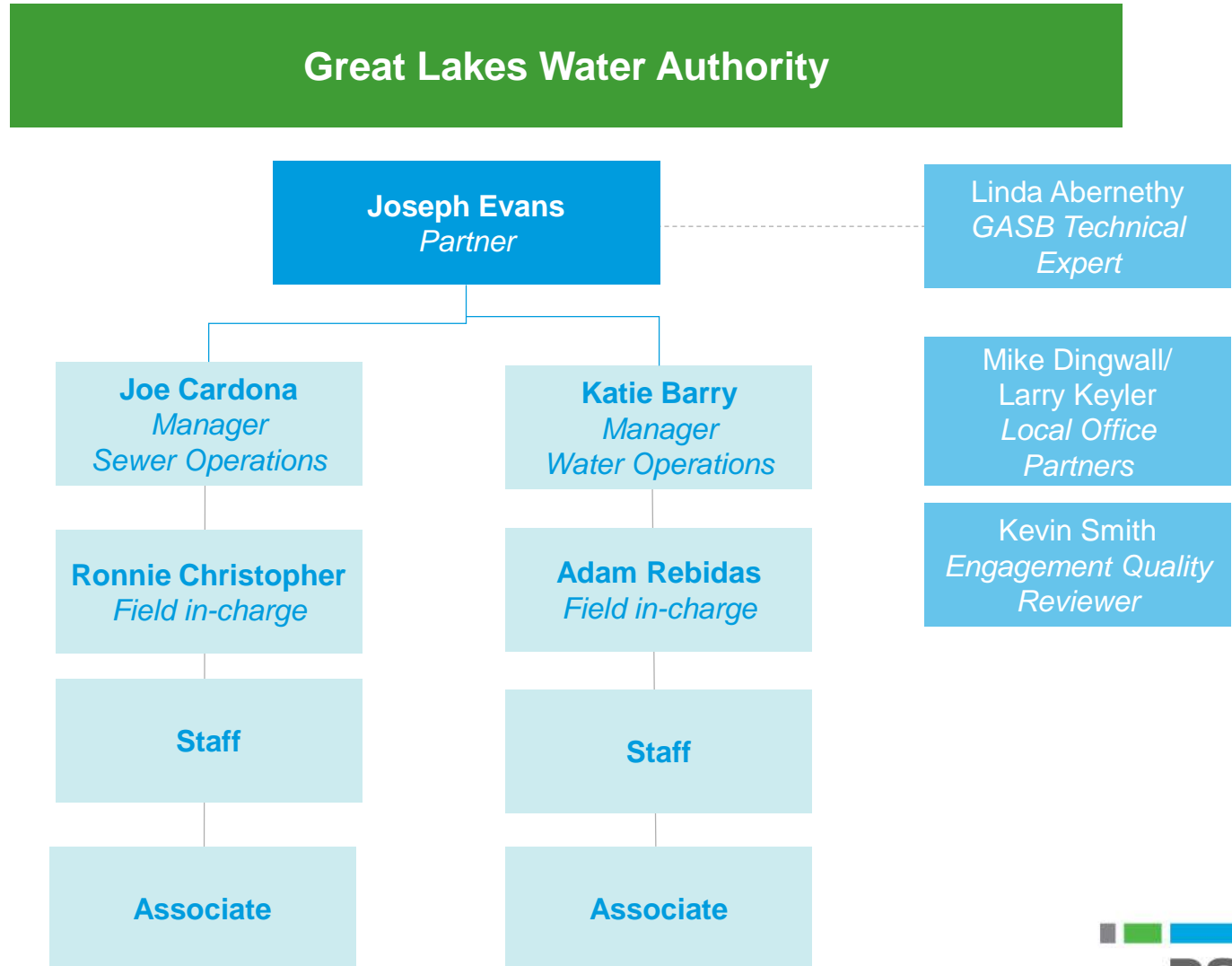
- Great Lakes regional public sector manager with over 6 years experience
- Experience with many governments and currently serves as manager on the Metropolitan Water Reclamation District of Greater Chicago
- Will serve as engagement manager on the wastewater treatment operations audit

# Skill Set Summary of Delivery Team

Name	Years Exp.	Govt. Audit	Water/ Sewer Audits	Internal Control	Single Audit (Uniform Guidance)	Information Technology Audit
Joe Evans	Over 30	✓	✓	✓	✓	✓
Kevin Smith	19	✓	✓	✓	✓	✓
Linda Abernethy	Over 30	✓	✓	✓	✓	✓
Joe Cardona	6	✓	✓	✓		✓
Katie Barry	14	✓	✓	✓	✓	✓

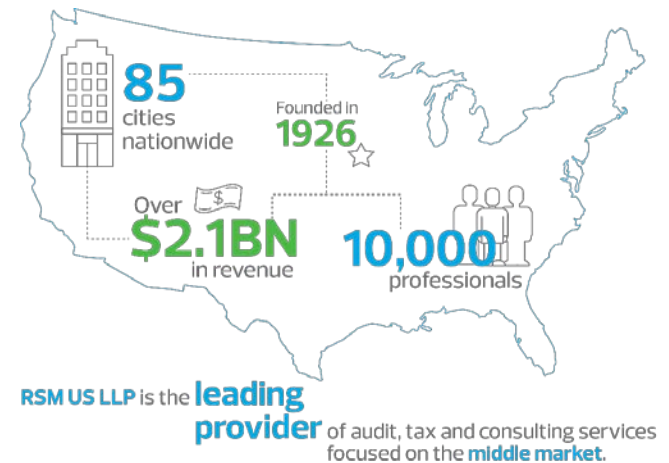
Our team has extensive experience.

# Team Organization Chart



# RSM Organization

- Assurance, tax and consulting services provider
- Established in 1926, over 90 years of quality service
- Fifth largest accounting firm in U.S. (*Accounting Today*)
- Over 10,000 employees; 1,300 in the Great Lakes Region
- 85 cities nationwide
- RSM International over 41,000 people in 116 countries
- Serve more than 25,000 clients
- National resources available to serve complex industries





# RSM Government Services Practice

- RSM is structured by industry and government is a focus industry at RSM
- Nationally over 700 professionals serving public sector
- National leadership and training– Brian Schebler and Michelle Horaney
- Significant industry involvement including AICPA Governmental Expert Panel, CPA Society Committees and Government Finance Officers' Association
- Webcasts on relevant topics impacting clients
- Experience with all aspects of governmental operations, including utilities, debt, consent letters, pensions, budgeting, etc.

# RSM Government Services Practice

Some of our larger clients include:

- Cook County, IL (Chicago)
- City Colleges of Chicago
- Chicago Park District
- Northeastern IL Regional Transportation Authority
- City of Tulsa, Oklahoma
- Indiana Public Employees' Retirement System
- Ohio School Employees' Retirement System
- City of Des Moines, Iowa
- City of Cedar Rapids, Iowa
- City of Oak Lawn, IL
- Washington Metro Transportation Authority
- Illinois Municipal Retirement System
- Illinois Department of Human Services
- Illinois Department of Revenue
- Illinois Department of Employment Security

# Detroit Office

- Downtown office location
- Larry Keyler, Office Managing Partner committed to insuring an exceptional client experience for GLWA
- Commitment to the City of Detroit, active in the community
- Industry focused on Automotive, Tech Auto, Consumer Products, and Financial Services
- Committed to work with our governmental services team to provide you with RSM best national industry resources with a local touch
- We are independent of GLWA, its customers, and the City of Detroit and therefore, have no conflicts
- Full service Audit, Tax and Consulting resources

# Commitment to Culture, Diversity and Inclusion (CDI)

## RSM Investment in Inclusion

### **Inclusive Workplace**

- \$1.5 Million Annual Internal Program
- CEO Sponsored
- C-Level Executive Council
- Internal Partners – HR, TA, Communications, Benefits, Marketing

### **Inclusive Workforce**

- 11 Employee Network Groups
  - Fully decentralized funding
  - Missions to enrich employee experience and professional advancement
- Diversity Training at all levels
- Flexible Work, Parental and Abilities Benefits
- Mentor and Sponsorship Programs
- Diversity Performance Goals and Metrics

### **Marketplace Impact**

- Supplier Diversity/Disadvantaged Business
- Diverse Professional organization Sponsorship: NABA, ALPFA, Ascend, AICPA
- Inclusive Business Partnership and Alliance Programs

### **Community Impact**

- Corporate Social Responsibility
- RSM Foundation
- Volunteering Partnerships – Junior Achievement, HBCU Center for Accounting Excellence, etc. Working Mother, Wounded Warrior, United Way
- Academic partnerships

# RSM US Culture Diversity and Inclusion (CDI) Dedicated Leadership

## **CDI Mission:**

Transforming innovation, collaboration and business results through a culture of diversity and inclusion.



## **Richard J. Caturano, Partner**

- National Leader of Culture, Diversity and Inclusion
- Immediate Past President AICPA
- Chair, AICPA National Commission on Diversity and Inclusion
- Founded Vitale, Caturano and Company (VCC)
- Member RSM Combined Leadership Team

## **CDI Goal:**

Leverage the benefits of a diverse and inclusive workforce/workplace to achieve corporate goals and objectives, and drive superior business results



## **Tracey Walker, Senior Director**

- National Sr. Director of Diversity and Government Affairs
- 12 years with RSM
  - Former FAS Federal Government Industry
  - Leader of Financial Services Institutions Sector
- Registered lobbyist and Congressional rep for RSM
- Leader, RSM Supplier Diversity Program
- Member, Association of Government Accountants,
- Chair Urban League Board of Directors



# Experience with Water and Wastewater Treatment Utilities

- Recognized national leader in providing services to water and sewer utilities
- Sample list of water/sewer audit clients
  - Metropolitan Water Reclamation District of Greater Chicago
  - Des Moines Water Works, Iowa
  - Metropolitan Utilities District (Omaha), Nebraska
  - Lincoln Water and Wastewater, Nebraska
  - San Antonio Water System (SAWS)
  - Tulsa Metropolitan Utility Authority
  - Parker Water and Sanitation District, Colorado
  - Brazos River Authority, Texas
  - East Medina County Special Utility District, Texas
  - Edwards Aquifer Authority, Texas
  - Lavaca-Navidad River Authority, Texas
  - Nueces River Authority, Texas

# Industry insights – The RSM Advantage

## Relevant RSM experience

- Internal audit services – Develop risk assessment for plant and operations. Rank risks such as aging infrastructure, capital planning, procurement operations, federal permit compliance, rate setting and IT projects.
- Security assessments
  - Physical – facilities and infrastructure
  - IT assessments – Corporate and SCADA networks

*We will leverage the experience and perspectives of RSM professionals who serve utility clients to meet the needs of GLWA.*

# Issues Impacting GLWA

- Consumer confidence – maintaining safe, reliable water
- Aging infrastructure
- Debt service coverage
- Rate structure
- Declining water usage
- Excess capacity
- Revenue stability
- Controlled spending
- Sewer system focus on regional efficiencies



# RSM Audit Methodology

We differentiate ourselves through:

- High level of partner involvement
- Motivation to learn all the facets of your organization
- Governmental industry specialization
- Regular communication with management throughout the year
- Commitment to minimizing disruption for your personnel

## Key steps in the RSM audit process



# RSM's Audit Technology

Technology can play an effective role in helping to provide quality service and facilitating communication between our two organizations



# IT Audit Methodology Overview

We utilize expert IT auditors to assist in the Information Technology General Controls (ITGC) review

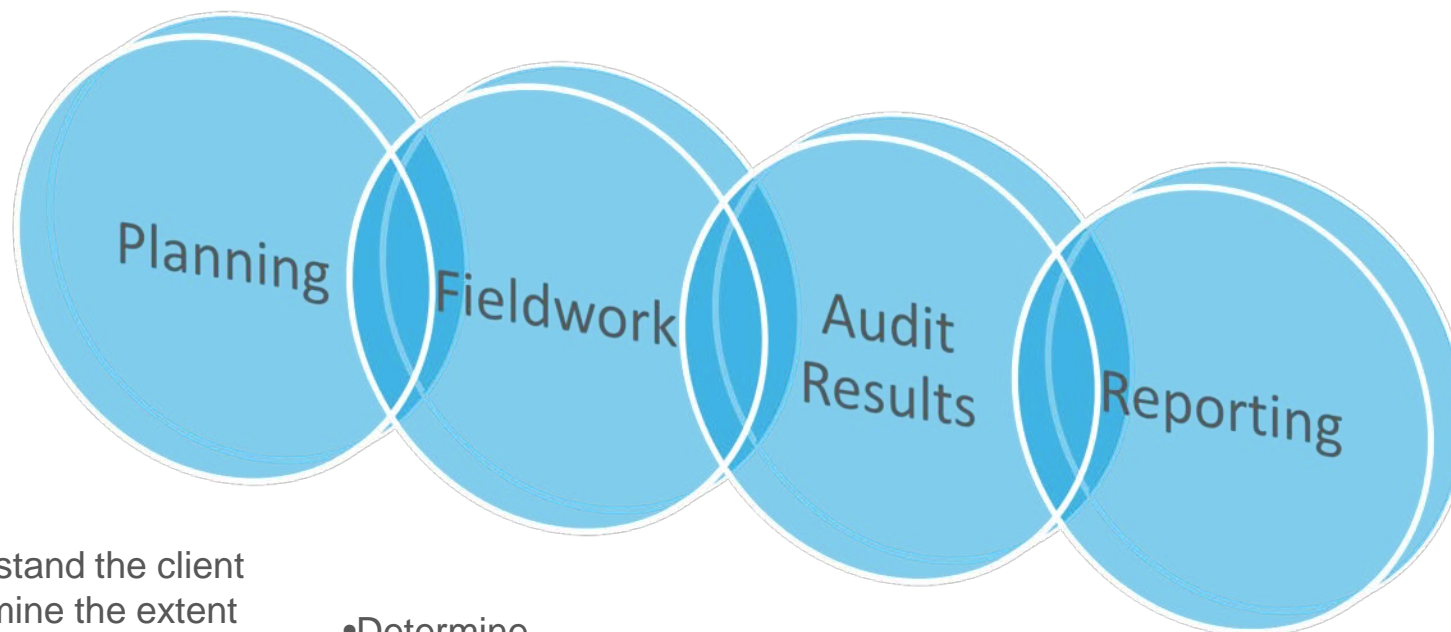
Our ITGC framework covers the following IT risk/controls/domains

- **Security**
  - Review of user types, key parameters, user access/disablement, powerful user access rights to various t-codes/objects - using queries or our automated assessment tool
  - Review of assignments for appropriate segregation of duties
- **Change management**
  - Review of transports to confirm same user who created didn't approve, ensure production is locked, ensure company codes which are active have been sent to production
- **IT operations**
  - Test the process for program failure identification and remediation, test the back-up and restoration process

# Single Audit

- Extensive experience performing over 600 single audits annually
- Familiar with Federal Audit Clearinghouse Filings
- Numerous clients with federal awards exceeding \$10 million
- Experience with the same programs as GLWA
  - EPA Capitalization Grants for Clear Water
  - EPA Capitalization Grants for Drinking Water

# Single Audit Approach



- Understand the client
- Determine the extent of Federal Awards
- Communication with Cognizant Agency
- Major Program Determination
- Develop overall strategy

- Determine compliance requirements
- Identify and test controls over compliance
- Compliance testing

- Ongoing communication of noncompliance
- Summarize findings noted
- Discussion
- Obtain management's response

- Obtain representation letter
- Draft reports
- Data Collection Form

# New standards

- *GASB 83 Certain Asset Retirement Obligations:*
  - Effective FY2019
  - Requires measurement of an ARO based on the best estimate of the current value of outlays to be incurred
  - Offset with a deferred outflow of resources
  - After both external and internal obligating events occur
  - An external obligating event can include the approval of a law or regulation, creation of a contract, or issuance of a court judgment.
- *GASB 84 Fiduciary Activities:*
  - Effective FY2020
  - Contains clarifications for enterprise funds and BT Activities
  - Identifies criteria for reporting fiduciary activities
- *GASB 87 Leases:*
  - Effective FY2021
  - Guidance for lessors and lessees
  - Addresses leases with multiple components and contract combinations
  - Significant guidance on the lease term
- All require restatement of all periods presented

# RSM Transition Plan and Timing

Audit services	Timing
Year-end planning	June 15, 2019
Prior audit firm workpaper review	July 1, 2019
Preliminary fieldwork	August 15, 2019
Fieldwork begins: GLWA audit schedules provided	October 9, 2019
Audit Committee meeting-update report	October 18, 2019
CAFR drafted and fieldwork completed	November 15, 2019
Audit Committee meeting-update report	November 15, 2019
CAFR completed	November 29, 2019
Board of directors-present final draft	December 11, 2019
File final CAFR and single audit report	December 16, 2019

# Support Services Throughout the Year

- We encourage ongoing discussion throughout the year
- Firm sponsored industry specific webcasts
- Assistance with GFOA submissions
- Direct access to the AICPA Expert Panel
- AICPA audit guidance on bonds and other issues
- Annual onsite professional education for your staff



# Why RSM

## **People and Team**

- Senior partners and experienced team
- Independent of GLWA, customers and the City of Detroit

## **Clients**

- Strong national Government practices
- We will stay in the public sector business
- Serve numerous governmental utilities

## **Quality**

- Excellent quality record
- We will advise on GASB implementations and GFOA
- RSM Partner on the AICPA Governmental Expert Panel

# Why RSM

## Reputation

- Nationally recognized by capital markets
- Leader in the Industry
- 5<sup>th</sup> largest CPA firm

## Commitment

- Committed to serve you
- Commitment to the City of Detroit
- Commitment to CDI
- Annual training for your staff



## We are Ready to Start

- Have started risk assessment, engagement planning, plan to meet deadlines
- Experienced staff completing other engagements and ready to start
- Scheduling already started

# QUESTIONS AND ANSWERS?



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# Great Lakes Water Authority

## **External audit services**

May 29, 2019



# Agenda

**01** Introductions

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**02** Industry specialization

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**03** Specialized audit capabilities

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**04** Commitment to GLWA

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**05** Discussion

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INTRODUCTIONS

# Your engagement team



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## INTRODUCTIONS

## Firm facts



One of the 15 largest accounting  
and advisory firms in the U.S.  
according to *Accounting Today*



3,600 employees  
353 partners / 1,000+ CPAs



60+ U.S. offices including Detroit,  
Chicago, Milwaukee, Madison,  
Minneapolis, Pittsburgh, Houston,  
New York and Washington D.C.



Members of the world's  
10<sup>th</sup> largest network of accounting  
and business advisory firms





# Industry specialization



## INDUSTRY SPECIALIZATION

# Industry specialization matters



Energy and utilities:  
**experience that matters**

**600+**

energy and utility clients

**Nearly 50 years**

industry experience

**Nationally recognized**

industry trainers and thought leaders

 States/provinces where Baker Tilly has served energy and utility clients

## INDUSTRY SPECIALIZATION

# Industry specialization matters (cont.)



*1,000+ public sector  
clients nationwide*



*420+ specialized  
public sector  
professionals,  
including 60  
dedicated to utilities*



*100+ utility audits  
and 500+ single  
audits annually*



*Public utility clients  
in 40+ states  
including major  
water and  
wastewater utilities*



#### INDUSTRY SPECIALIZATION

## Experience with similar water utility clients

- Detroit Water & Sewerage Department
- Lansing Board of Water & Light
- Metropolitan Water Reclamation District of Greater Chicago
- Milwaukee Metropolitan Sewerage District
- San Antonio Water System
- Colorado Springs Utilities
- Middlesex Water Company
- Connecticut Water Service

### Our clients tell it best

“Baker Tilly provided a strong transition team and hit the ground running, gaining a quick overall knowledge of our business and financial transactions...Baker Tilly has been very professional and extremely easy to work with, putting the customer first — response time and attention to understanding our internal processes has proved invaluable...”

— **Energy Northwest**



# Specialized audit capabilities



## SPECIALIZED AUDIT CAPABILITIES

# Single audit expertise

## Deep understanding

- Perform 500+ single audits annually – a Top 3 U.S. CPA firm
- Serve on AICPA committees studying financial and single audit issues
- National speakers and active participants in industry events
- AICPA, OMB and U.S. HUD seek our feedback on single audit documents prior to issuance



## SPECIALIZED AUDIT CAPABILITIES

# Audit approach

Ongoing project management, communication and collaboration



### I LISTEN AND DEFINE ENGAGEMENT OBJECTIVES

- Introduce team members
- Co-develop service expectations
- Define shared timetable
- Outline your client service plan



### II DEVELOP AUDIT PLAN BASED ON YOUR UNIQUE NEEDS

- Intimately understand your business
- Perform industry comparison
- Identify risk areas
- Develop customized audit plan



### III PERFORM AUDIT

- Perform preliminary audit procedures
- Perform substantive tests of details
- Perform final audit procedures



### IV CONCLUDE AND REPORT

- Conclude the audit
- Issue final report
- Present audit findings and insight
- Revisit your Client Service Plan
- Assess Baker Tilly's performance

## KEY BENEFITS TO YOU

- Builds trust
- Reduces burden on your staff
- Establishes a shared vision
- Saves time later
- Audit focus coincides with level of risk — adding efficiencies and effectiveness
- Mitigates potential audit issues early on
- Takes a personalized approach
- Focuses testing on unique risk areas
- Paperless audit supports real-time communication
- Builds your file for future years
- Meets deadlines on time or ahead of schedule
- Results in accurate deliverables and audit opinions from a firm with an impeccable reputation for quality
- Increases your client satisfaction and loyalty

## Tools and resources

- Secure cloud-based collaboration
  - Huddle
- Data conversion and compilation
  - IDEA
- Visualization tools
  - Tableau
- Dynamic Audit Solution
  - Global Focus US
- Robotic process automation





#### SPECIALIZED AUDIT CAPABILITIES

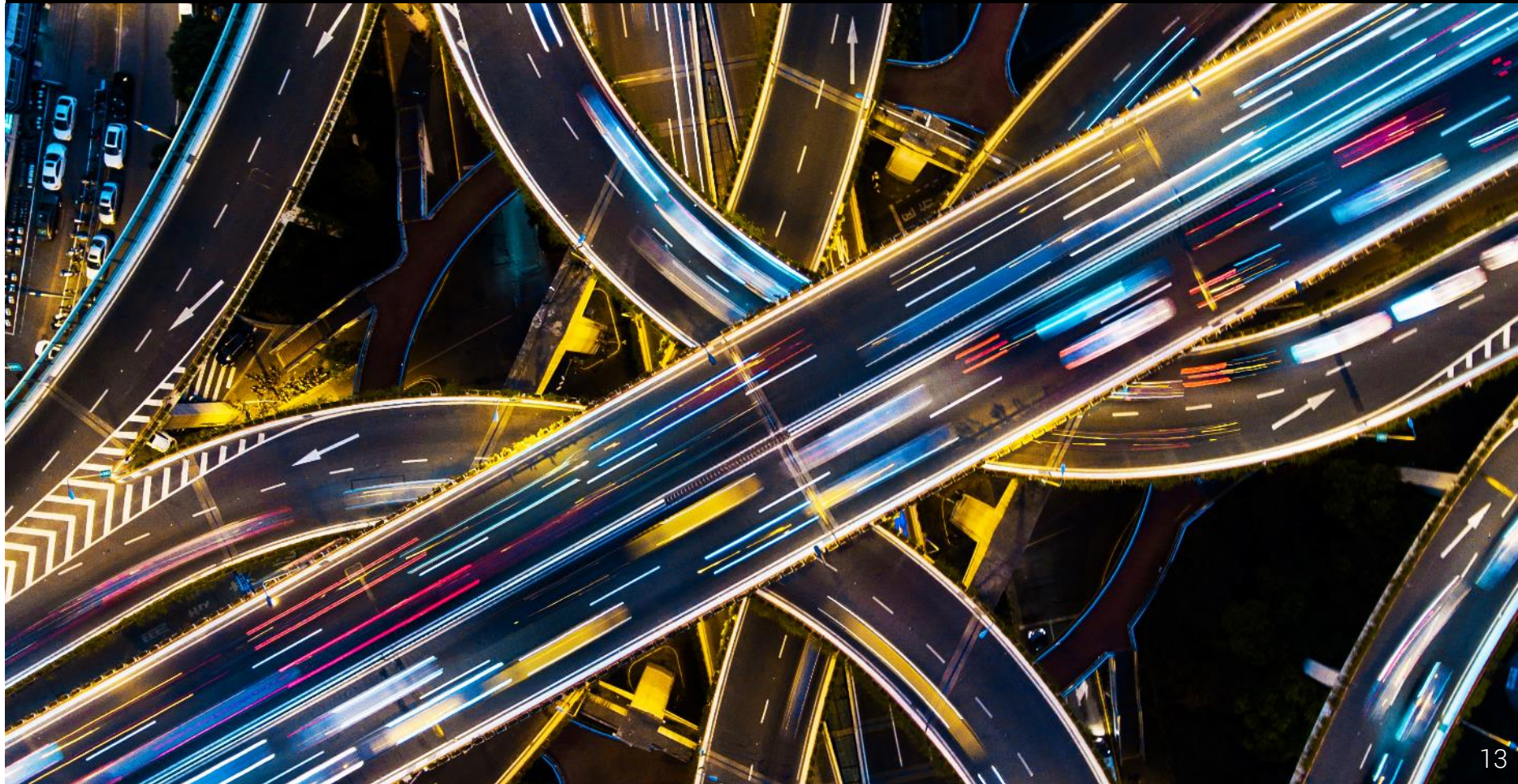
## GFOA CAFR

### **Exemplary record**

- 70+ audits annually and assisted many clients in achieving the Government Finance Officers (GFOA) Certificate of Achievement for Excellence in Financial Reporting for their Comprehensive Annual Financial Report (CAFR)
- Currently 16 Baker Tilly team members volunteer as CAFR reviewers — more than any other accounting firm in the country
- Jodi Dobson, your proposed engagement partner, is one of our firm's CAFR reviewers



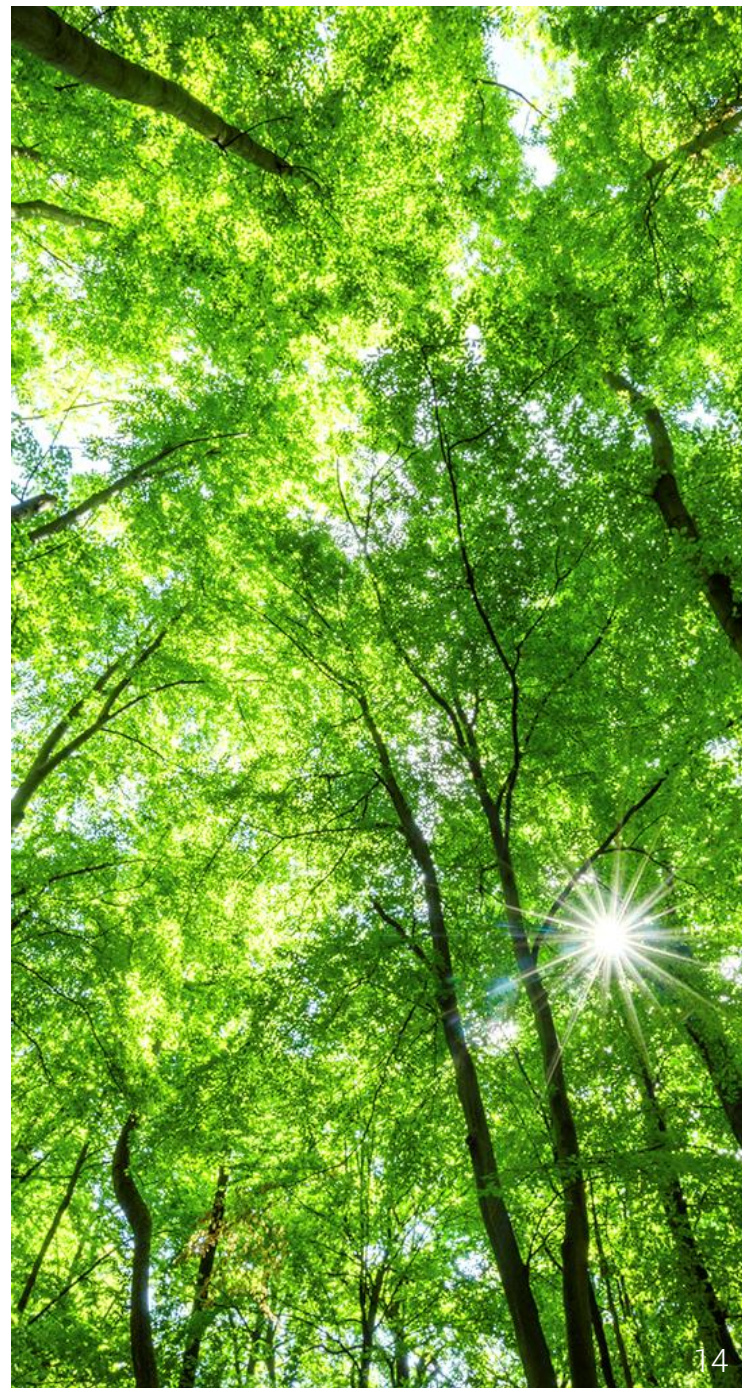
# The Baker Tilly difference





# Fresh perspective and more

- Change can reveal opportunities to improve operational efficiencies and internal controls
- We make transitions easy on our clients by doing all the work in that regard and not burdening your team
- As leading auditors of water/wastewater utilities across the country, training our team is not necessary
- Hands-on partner and manager involvement in the field
- Complete access to all team members — partners included



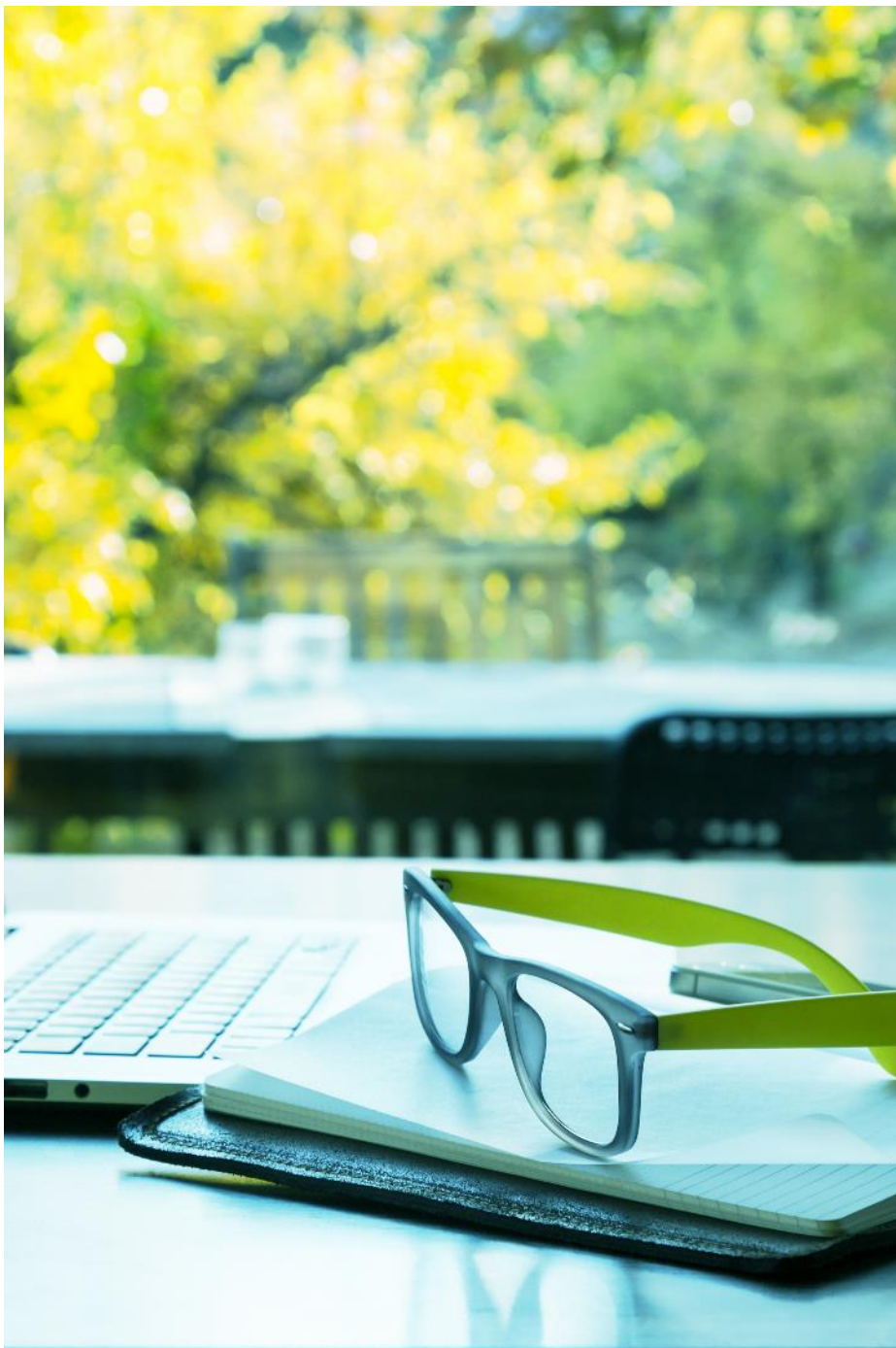
THE BAKER TILLY DIFFERENCE

# Exceptional Client Service

- Proactively identify and meet your needs
- Provide value beyond the audit
- Timely and responsive service
- An employer of choice who attracts and retains talented staff members who serve you year after year







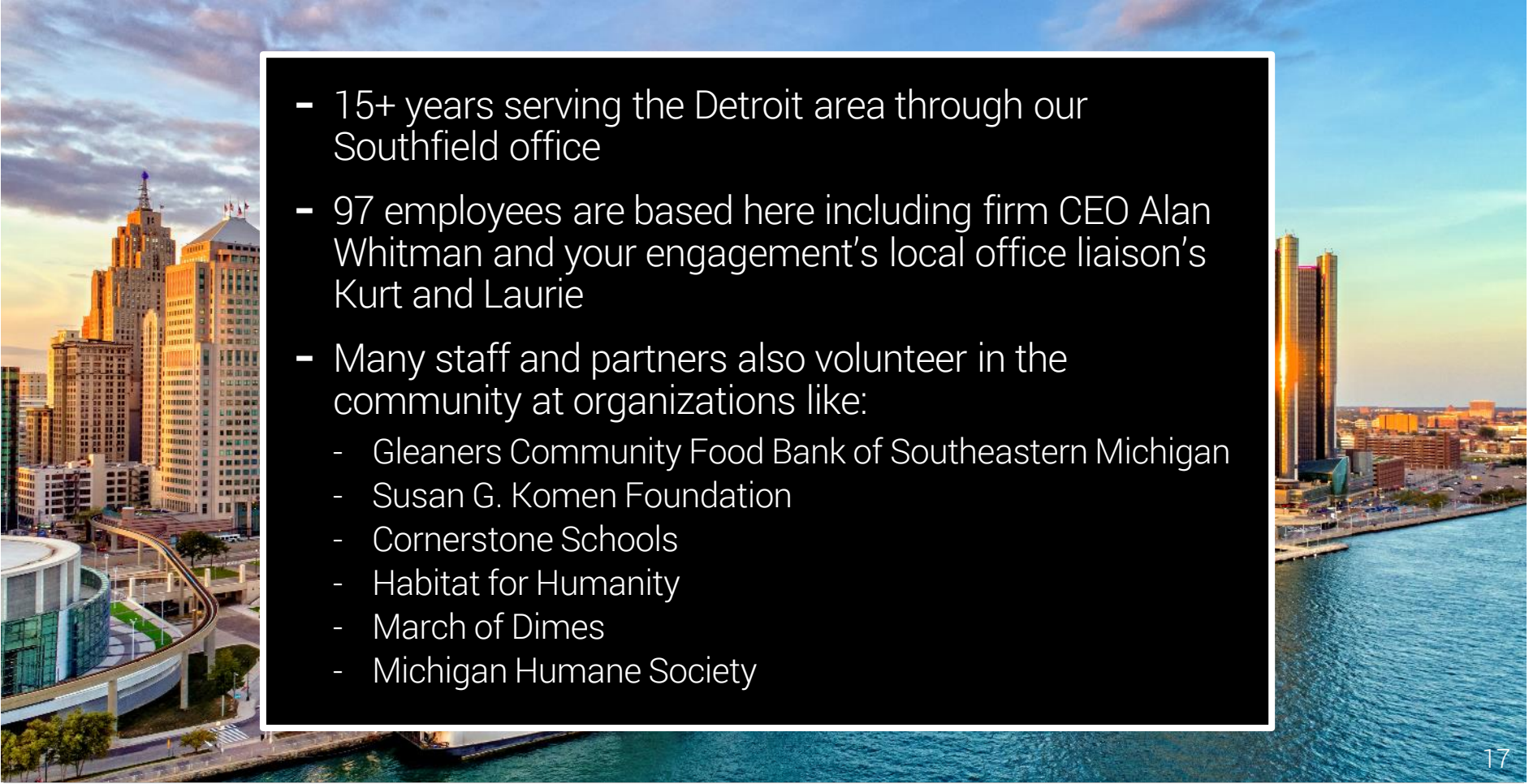
THE BAKER TILLY DIFFERENCE

## Staying informed

### **Industry and regulatory matters**

- Consultations with your team on new accounting standards
- Implementation guides, tools and guidance on new standards
- Breaking news, industry whitepapers and thought leadership e-books and articles shared via email alerts, newsletters and [bakertilly.com](https://www.bakertilly.com)
- Complimentary, CPE-eligible training webinars

# Local commitment

- 
- 15+ years serving the Detroit area through our Southfield office
  - 97 employees are based here including firm CEO Alan Whitman and your engagement's local office liaison's Kurt and Laurie
  - Many staff and partners also volunteer in the community at organizations like:
    - Gleaners Community Food Bank of Southeastern Michigan
    - Susan G. Komen Foundation
    - Cornerstone Schools
    - Habitat for Humanity
    - March of Dimes
    - Michigan Humane Society

THE BAKER TILLY DIFFERENCE

# Commitment to stewardship

## Investing today to make tomorrow better

- **Annual firmwide Stewardship Day:** Team members dedicate a workday to serving not-for-profit organizations
- **H.E.R.O. (Helping Enrich Relationships through Outreach) time:** Staff receive eight hours of paid time to support causes *they* care about and make a difference
- **Baker Tilly Wishes:** Staff nominate charities they are passionate about to receive a \$10,000 donation from the firm

**8,900 hours volunteer hours in 2018**







# Discussion



Thank you

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