



Legislation Details (With Text)

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Title: Contract GLWA-CS-132, Change Order No. 3
Proposed Audit Fee Change Order for the FY 2018 Audit and Other Technical Services
Sponsors: Nicolette Bateson
Indexes: Finance
Code sections:
Attachments:

Date	Ver.	Action By	Action	Result
2/13/2019	1	Board of Directors Workshop Meeting	Approved	Pass

Contract GLWA-CS-132, Change Order No. 3 Proposed Audit Fee Change Order for the FY 2018 Audit and Other Technical Services

Agenda of: February 13, 2019
Item No.: **2019-033**
Amount: \$62,500.00
TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: February 13, 2019

**RE: Contract GLWA-CS-132, Change Order No. 3
Proposed Audit Fee Change Order for the FY 2018 Audit and Other Technical Services**

MOTION

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves Change Order No. 3 for audit services Contract GLWA-CS-132 with Rehmann Robson in the amount of \$12,500 for the FY 2018 audit and \$50,000 for other technical professional services as needed;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The firm of Rehmann Robson was selected as auditors for the Great Lakes Water Authority (GLWA) in January 2017. The contract executed provided for the base fees only which were directly related to the audit for FY 2016, FY 2017, and FY 2018.

JUSTIFICATION

The audit for FY 2018 was started in October 2018 and completed with the issuance of the Comprehensive Annual Financial Report (CAFR) on December 14, 2018 prior to the State of Michigan's submission due date. The audit went smoothly, and there were no extraordinary challenges for FY 2018 as there was with the first two audits (such as accounting for the bifurcation and implementing Governmental Accounting Standards Board Statement No. 69, Government Combinations and Disposals of Government Operations, for FY 2016 followed by other technical matters and delays to work through to a Memorandum of Understanding for FY 2017). Nevertheless, in completing the CAFR this year, there was a substantial level of rework requested of Rehmann Robson by GLWA in revising and re-revising the various sections and items throughout the report. These changes to the CAFR were in response to investor and rating analyst feedback during the 2018 bond refunding transaction - largely driven by the complexity of the Master Bond Ordinance as well as the combination of DWSD and GLWA financial reports (DWSD was also completing their audit at the same time). These final changes then needed to be reflected in the two separate fund reports which are required for reporting the water and sewer system as separate credits. The Rehmann team incurred an additional 72 hours from December 2, 2018 through December 14, 2018 as a result of these requests. This equals approximately \$15,000 in fees for which a discount has been provided for a request of \$12,500 for additional audit fees for FY 2018 (the original fee for FY 2018 audit is \$203,908). The effective hourly rate is competitive - especially since this impacted the highest level of audit team members.

It should be noted that the GLWA Articles require that the Audit Committee recommend three audit firms to the Board every three years. Staff is presently drafting an auditing services request for proposal for the Audit Committee's review. While the current contract with Rehmann extends to January 2020, there was no provision for additional services or consultation. With upcoming lease accounting rule changes, member partner contract matters, potential regulatory matters, and other unknown needs, staff is also requesting an allowance of \$50,000 for technical consulting services be added to bridge the gap until a new audit contract through the RFP process is completed. These additional services were originally discussed when Rehmann was selected in 2017, but the conversation focused on the budgeted funds being available (which they were) but were inadvertently not reflected in the executed contract.

BUDGET IMPACT

This auditing services account is budgeted at \$450,000 (GL# 5910-884111.000-611200-WS7900). This line item does include other contracted audit services as well as the annual external audit fee and the provision for technical assistance from GLWA's auditors. No budget amendment is required to include the proposed contract amendment.

COMMITTEE REVIEW

This matter was reviewed by the Audit Committee at its meeting on January 18, 2019. The Audit Committee unanimously recommended that the Board of Directors of the Great Lakes Water Authority approve a change order for audit services contract with Rehmann Robson in the amount of \$12,500 for the FY 2018 audit and \$50,000 for other technical

professional services as needed.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.