



## Request for Proposal

GLWA-CS-132

### 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 “Single Audit” of its Federal and State Grants, a separate audited financial statement for the Water Fund and a separate audited financial statement for the Sewage Disposal Fund.

#### Anticipated Project Schedule:

Contract Term: Three (3) Years	Start Work Date: February 1, 2017
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#### Minimum Requirements:

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 five (5) 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 \$500 million and more than 500 employees
3. A minimum of two (2) audit engagements within the last five (5) 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 \$500 million and more than 500 employees.
4. 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.
5. A 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.
6. The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.
7. The firm must have undergone a peer review in the last three (3) years and did not receive a peer review rating of a fail during the last peer review. 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.
8. 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.



FINANCIAL SERVICES GROUP-PROCUREMENT  
735 RANDOLPH, SUITE 1508  
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[GLWATER.ORG](http://GLWATER.ORG)

**Additional Documents:**

Attachment 1	Contract with Insurance Requirements
Attachment 2	Fee Proposal Form

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<b>Advertisement Date:</b>	Tuesday, November 22, 2016
<b>Pre-Proposal Meeting:</b> Optional	Date: Wednesday, November 30, 2016 Time: 11:00 a.m. (Eastern Time Zone) Location: 735 Randolph Street, (5 <sup>th</sup> Floor Board Room) Detroit, Michigan 48226
<b>Questions and Inquiries:</b>	All questions and inquires must be directed by email to Joan Byrne at <a href="mailto:Joan.Byrne@glwater.org">Joan.Byrne@glwater.org</a> .  Due Date: Monday, December 5, 2016 Time: 12:00 p.m. (Eastern Time Zone)
<b>Proposal Due:</b>	Date: Tuesday, December 20, 2016 Time: 12:00 p.m. (Eastern Time Zone)

**Late Proposals Will Not Be Accepted**

## **Instructions to Proposers**

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### **Section I Advertisement**

- A. Proposers interested in submitting a response to this RFP are required to be registered with the Michigan Intergovernmental Trade Network (MITN) at <http://www.mitn.info/> (found under the Great Lakes Water Authority name). Only registered vendors can obtain proposal documents and submit a response. Registration is FREE. This RFP will also be made available on the GLWA website, [www.glwater.org](http://www.glwater.org), however, GLWA only accepts proposals submitted through MITN.
- B. By responding to this RFP, proposers are agreeing to comply with GLWA's Procurement Policy made available on the GLWA website, [www.glwater.org](http://www.glwater.org).
- C. All communications pertaining to this project are to be directed ONLY to the GLWA Procurement Professional listed on the advertisement. Proposers are prohibited from contact or discussion with any GLWA staff member, Agent, Board Member, or Committee Member in relation to this project. Violation of this requirement may result in proposal disqualification.

### **Section II Bulletins, Questions, and Inquiries**

- A. It is the responsibility of the proposer to check for any bulletins and/or notices posted on MITN and the GLWA website and to make inquiry as to the changes or notices issued. Only written notices or bulletins duly issued by GLWA shall constitute revisions to this RFP. Proposers are advised that no oral interpretation, information or instruction by any officer or employee of the GLWA shall be binding upon GLWA.
- B. Each interpretation or correction, as well as any additional RFP provision that GLWA may decide to include, will be made only as a bulletin, which will be available on MITN.
- C. Should proposers be in doubt as to the true meaning of any portion of this RFP, find any ambiguity, inconsistency, or omission herein, or intend to take exception to any requirement of the RFP, the proposer must make a written request for an official interpretation or correction by the questions and inquiries date established in the advertisement.
- D. Any bulletin issued by GLWA shall become part of this RFP and shall be taken into account by each proposer in preparation of its proposal. Proposers shall submit the latest revision of any form(s) or attachment(s) issued by a bulletin.

### **Section III Preparation and Submission of Proposal**

- A. GLWA does not assume any responsibility and will not reimburse any proposer for any costs incurred, however caused, in preparing and submitting its proposal, withdrawing its proposal, in objecting to the award or to being disqualified for the award.
- B. Proposers are cautioned that the Scope of Work ("Scope" or "Work") is intended to define the minimum standard of quality. The Scope of Work represents a sample of GLWA's desires and vision for the project, and is furnished to proposers as a guideline for developing the scope of their proposals. Although the completed Work must function as intended by the scope, and must meet the standards and capacity specified, project delivery, design innovation, and creativity are encouraged.
- C. By submitting a proposal in response to this RFP, the proposer affirms that it accepts responsibility for the Work, and except for assumptions and exceptions explicitly stated in the proposal, the proposer considers the proposing documents accurate and sufficient to complete the Work. The proposer will meet all of GLWA's needs and objectives stated in the RFP and commits that the Work will be consistent with best modern practices.

#### **Available Documents**

Available documents are provided for the proposer's information and convenience only and do not relieve the successful proposer from its responsibility and obligation to develop its own comprehensive

## Instructions to Proposers

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project-specific information, obtain any additional examinations, explorations and conducting all other necessary activities that are reasonably necessary to prepare correct and complete contract deliverables as specified in this RFP.

Proposers requiring any additional information beyond what is contained in this RFP 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 proposers. Reference GLWA's website: [www.glwater.org/procurement/policy-procedures/](http://www.glwater.org/procurement/policy-procedures/).

### Subcontractors

If GLWA objects to any subcontractor nominated by a proposer, before awarding the contract, GLWA may request their removal or replacement. In such event, the proposer under consideration for award shall promptly nominate a qualified substitute, or self-perform work involved, if qualified to do so. If the proposer declines, GLWA may in its sole discretion, elect not to recommend proposer for the award.

Proposer's shall not replace or add a subcontractor, at any time, unless proposer gives written notice to GLWA with all required documentation in sufficient time to allow GLWA to conduct an evaluation of the new subcontractor. This provision is not to be construed to create or impose on GLWA any duty or liability under any legal theory to exercise such authority for the benefit of any proposer, subcontractor or any other party.

- D. Costing Proposals must be uploaded to MITN in a separate file by or before the proposal date and time. Technical proposals that contain or reference cost/fee information are subject to immediate rejection.
- E. Proposals submitted remain valid for six (6) months after the advertisement opening date and time.

### Section IV Proposal Withdrawal and Modification

After the time for receiving proposals has expired, no modification, alteration or revision to any proposer's proposal form or proposal form attachment(s) will be accepted, nor will a proposer 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.

### Section V Proposal Evaluation

GLWA uses a structured qualifications 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 proposal evaluation and oral interviews (if applicable) cost proposals will be reviewed. GLWA will enter into negotiations with a qualified proposer with the objective of reaching an agreement to enter into a contract for the Work.

- A. In reviewing technical proposals, GLWA reserves the right to request from any proposer written proposal 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.
- B. Negotiations will be memorialized in a written Work statement which will define the contract scope of Work and be included in the contract document.
- C. Should GLWA determine, in its sole judgment, that contract negotiations are unproductive, GLWA reserves the right to cease negotiations with proposer and initiate negotiations with another proposer.

## **Instructions to Proposers**

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### **Section VI Contract Award**

Upon successful completion of negotiations, GLWA will provide the proposer with a contract for its review and execution. No later than fifteen (15) days after receipt, the proposer shall sign and return the contract, and provide any other documents required for the completion of an executed contract including, without limitations, insurance, executed performance bond, and any payment bond, each in the full amount of the contract price, and accompanied by a certified power of attorney.

### **Section V Post Award**

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

**END OF INSTRUCTIONS TO PROPOSER**

## **Proposal Format, Proposal Evaluation Criteria and Cost Proposal Submittal**

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### **Section I Proposal Format**

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

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

- A. Proposals must be limited to fifteen (15) pages.
- B. All pages must be numbered.

### **Section II Mandatory Items**

The following mandatory items will not be scored, however, the proposer's failure to meet or provide any of the mandatory items, may result in elimination of the proposal from further consideration in GLWA's sole discretion:

- A. **Letter of Transmittal** – Provide a letter, two (2) pages maximum, signed by an authorized agent of the proposer who has the authority to bind the proposer to the proposal price, and all term and conditions of the RFP, including the terms and conditions of the sample contract. The letter must define the proposer's project team, acknowledge the receipt of any bulletins, state the required bid hold period, and state the proposer can start work.
- B. **Minimum Qualifications** - Provide information to substantiate that the proposer's team meets the minimum qualifications stated in the advertisement. Other requirements as follows:
- C. **Statement of Financial Capability** – The proposing firm is to provide a D & B (Dun & Bradstreet) number. If not a member of D & B, the proposing firm may provide a signed letter of financial capability.
- D. **Covenant of Equal Opportunity (see appendix A)** – Submit signed and notarized.
- E. **Non-Collusion Affidavit (see appendix B)** – Submit signed and notarized.
- F. **Contract Terms and Conditions Compliance Checklist (see appendix C)** – Submit signed.
- G. **References** - Provide the name, email address, and telephone number of at least three (3) persons representing clients from the lists of engagements cited in proposing firm's experience who may be contacted as references. Preferably, these references should include entities similar to GLWA, an explanation of why they are considered to be similar to GLWA, and must include recent projects cited above.
- H. **Disclosures** - State whether any past contract of proposer has been terminated for default or convenience, the circumstances surrounding the termination, and the name and telephone number of your client's representative for any such contract. Describe any legal proceeding, lawsuit, or claim that has been filed on any contract within the past five (5) years by or against any firm on the proposing team or any of the firm'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 proposer or principal sub-contractor paid a part or all of a claim or change order brought by a client or third party.
- I. **Statement of No Conflict of Interest** - Provide a statement of avoidance of conflicts of interest on the proposer's letterhead.

### **Section III Evaluation Criteria**

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

#### **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.
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.
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.
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.
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.
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.
7. Provide evidence of past performance and your ability to complete tasks on time and within budget.
8. Describe your knowledge of local conditions, GLWA requirements and procedures, and how the proposing firm's knowledge will benefit the engagement.
9. Describe additional industry experts or tools at your firm utilized in engagements.
10. Describe your level of expertise auditing public sector utilities and understanding of revenue charge setting methodologies.
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.
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.
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.

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.

**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.

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.

**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.
2. Indicate when your firm will be ready to start work on this contract, if awarded.
3. Explain the approach and activities your firm will engage to meet the timelines in the project schedule.
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.
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.
6. Describe how your team will communicate with GLWA. Describe how these communications will result in effectively executing the work.
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.

## **Proposal Format, Proposal Evaluation Criteria and Cost Proposal Submittal**

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

### **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.
  - 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.

### **Section IV Cost Proposal**

- A. Each proposer is required to submit its proposed cost structure as part of its response in a **separate file** from the technical proposal. The cost component will not be scored, however, cost may be considered in the final recommendation for award.
  1. *Complete form(s) **Appendix G** for the cost proposal and for any voluntary alternates.*
    - a. Clearly identify those forms which apply to any alternates. All blank spaces shall be properly and legibly printed in ink or typed as required in the RFP and in each of the forms.
    - b. Proposal Cost Breakdown By Contractor/Subcontractor- Identify the share of the contract price estimated for each subcontractor known at the time the proposal is submitted, or reserved for future agreements.
    - c. Provide a detailed breakdown of how the fee is calculated for attest and the non-attest services. The billable hourly rates and estimated hours for each classification of staff to be used in the engagement must be stated. The total extended price for all classifications must add up to the fixed fee.

**END OF PROPOSAL FORMAT, EVALUATION CRITERIA, AND  
COST PROPOSAL SUBMITTAL**

## Scope of Work

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### I. General Information

#### Project Overview

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 “Single Audit” of its Federal and State Grants, 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,
- 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.

The Authority intends to award a contract to a firm to perform the required services for the years ended June 30, 2016, 2017, and 2018.

GLWA intends to evaluate the auditor’s performance at various intervals during and at the end of the three (3) year contract. There is not an auditor rotation policy requirement at this time.

There will be no provision for reimbursable expenses for this contract. The proposed fee schedule must be inclusive of all administrative fees.

### II. Background

#### **Legal Structure and Governance**

On September 9, 2014, a Memorandum of Understanding (the “MOU”) was executed to establish the formation of the Great Lakes Water Authority (GLWA). The related Articles of Incorporation were subsequently adopted by the City of Detroit, Counties of Wayne, Oakland, and Macomb, and the State of Michigan (the “Incorporating Municipalities”). 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”), as of January 1, 2016, provides local retail water and sewer services within the City of Detroit. Subsequently, the parties executed key documents to carry out the terms of the MOU.

- Regional Sewage System Disposal Lease approved June 12, 2015
- Regional Water Supply System Lease approved June 12, 2015
- Water and Sewer Services Agreement approved June 12, 2015
- Shared Services Agreement approved December 9, 2015
- GLWA Master Bond Ordinance approved on October 7, 2015 and most recently amended on August 10, 2016

## Scope of Work

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GLWA leases the regional assets of the Detroit Water and Sewer Systems from the City for at least the next 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 of and interest on bonds issued to finance the cost of the regional system's common-to-all improvements to the leased facilities.

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).

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.

### **Operations**

GLWA provides water service to nearly 40% of the State of Michigan's population and wastewater service to nearly 30% of the State's population. The water system includes five water treatment plants. The sewage treatment plant is considered to be, by some measures, the largest in North America. Maintaining a regional system of this size, requires a significant, ongoing capital improvement plan. The capital improvement plan provides for \$260 million of capital investment in FY 2017 and approximately \$1.2 billion over the course of the five year plan.

The Authority receives revenues from charges to customers. GLWA engages its customers in financial, capital planning, and operational matters facilitated by a customer outreach program. Capital financing is largely derived from revenue bonds, revenue financed capital reserves, and State Revolving Loans passed through the State of Michigan as a sub-recipient of capitalization grants for Clean Water State Revolving Fund Loans. There were no findings for this program for the most recent audit year ended June 30, 2015 for DWSD.

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/General Counsel, Chief Security & Integrity Officer, Chief Operating Officer for Water Operations, 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 and regulatory progress initiatives and efforts achieved during the course of recent years.

### **Opening Statement of Fund Net Position**

The opening account balances for the Statement of Fund Net Position are derived from both bringing forward the DWSD December 31, 2015 balances and a restatement of certain acquired assets and liabilities at January 1, 2016 as defined by Governmental Accounting Standards Board (GASB) Statement No. 69, Government Combinations and Disposals of Government Operations. The application of this standard is the outcome of an in-depth analysis with internal and external CPAs based upon the 1) terms of the lease agreement for the leased facilities which we believe describes an acquisition under GASB 69 as an acquisition and 2) the terms of the lease agreement related to all the Local System revenues being sold irrevocably to the Authority along with the Authority's responsibility to provide water and sewer services (which are defined to include the provision of water and sewer treatment, but excludes the operation of the Local system).

Duff & Phelps, LLC has been engaged by the GLWA to 1) provide a certified valuation of the "acquisition value" as defined by GASB 69 and 2) a detailed fixed asset inventory of machinery & equipment at the plants and pumping/lift stations with an original cost larger than \$10,000, including a breakdown of the valuation by

## Scope of Work

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the asset. Both have an effective date of January 1, 2016. The fieldwork will be completed in late November/early December 2016.

The audit of the GLWA opening balances of January 1, 2016 are contingent upon the finalization of the audited DWSD balances as of December 31, 2015. This includes recording, by the GLWA, 100% of the outstanding bonded debt (approximately \$5.2 billion). Given the assumption of the outstanding bonds and related revenue stream, the staff and management of GLWA are the lead team in providing the accounting services and audit support to the City of Detroit for the DWSD's operations through December 31, 2015 and are committed to a high level of coordination through the completion of the City's FY 2016 CAFR to assure a smooth transition. The DWSD financial history through December 31, 2015 is attached to the outstanding indebtedness transferred to the GLWA. GLWA has no financial transactions through December 31, 2015.

### **Financial Systems**

As it relates to financial systems, GLWA utilized the City of Detroit Oracle DRMS for general ledger until the GLWA's BS&A was implemented in March 2016. All transactions retroactive to January 1, 2016 have been entered into BS&A allowing BS&A to be the system of record for GLWA since the operational effective date. Other modules launched March 2016 include purchase order and accounts payable. The BS&A wholesale billing and cash receipts systems were launched with the stand-up of the GLWA in January 2016. The capital asset module is being launched in late November/early December 2016. To support organizational asset management objectives, purchase requisitions begin in WAM. Inventory is also managed in Oracle WAM with an export to general ledger.

The payroll and human resource system, including time and attendance, Dayforce, is a cloud based solution. Implementation and certain managed services are provided by Ceridian. Ceridian and Dayforce were in place for the first payroll in January 2016.

### **Business Process Documentation, Risk Control Matrix, and Personnel**

Resources have been engaged to document business process flow and the risk control matrix which have been somewhat fluid given the rapid stand-up of the new entity and new financial systems. The pace of change is significant and will continue at that pace through the end of FY 2017 when we expect to achieve a steady state to focus on improving, rather than establishing, processes and technology.

The Financial Services Group (FSG) has steadily improved the professionalism, transparency, and staff capacity during the course of the past three years. At the point of bifurcating the operations, staff resources were divided among the Local and Regional systems' financial services teams. This provided the opportunity for the GLWA to hire a number of talented and experienced individuals, many with CPA credentials, to achieve the significant task of transitioning from legacy systems and processes. The areas within FSG include: Chief Financial Officer, Financial Reporting & Accounting, Capital Management, Financial Planning & Analysis, Treasury, Public Finance, Transformation, Data Analytics, and Procurement (which includes Materials & Logistics, Construction & Contract Services, Owner's Representative, and Supply Chain Operations).

### **Significant Activity**

A foundational premise for the Authority structure was to continue to ensure financial sustainability including reduced borrowing costs. On October 13, 2016, the GLWA held its inaugural bond issuance and refinancing transaction which included approximately \$1.1 billion in refunding of outstanding GLWA debt and \$251.8 million for new capital projects for the regional and Detroit local water systems. The favorable interest rates on the bonds will allow GLWA to realize a net cash flow savings of \$309.1 million over the life of the refinanced bonds. The official statements provide in-depth legal and financial information and are available online at <http://www.glwater.org/finances/investor-relations/>.

### **Single Audit Considerations**

Pursuant to the lease and services agreements, the State Revolving Loan Program proceeds are passed through to the Local System. The DWSD is therefore considered a sub-recipient. The GLWA and DWSD are working through a sub-recipient agreement.

## Scope of Work

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### Additional Background

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.

1. Finances Page at <http://www.glwater.org/finances/>
  - a. Investor Relations (including the October 2016 Sewer System and Water System Official Statements)
  - b. Audit Committee Documents (including monthly meeting binders, City auditor communications and audit reports)
  - c. Budget & Financial Plan
  - d. Archive of DWSD financial statements
  - e. Financial Policies
2. Capital Improvement Plan at <http://www.glwater.org/about-us/capital-improvement-planning-committee/>
3. Organizational Documents at <http://www.glwater.org/board/organizational-documents/>
  - a. Articles of Incorporation and By-Laws
  - b. Master Bond Ordinances
  - c. Shared Services Agreement
  - d. Lease Agreement
  - e. Water and Sewer Services Agreement
  - f. Agreement Re: Detroit General Retirement System Defined Benefit Plan
  - g. Lease Feasibility Forecasts
4. Monthly Chief Executive Officer Reports at <http://www.glwater.org/executive-management/ceo-reports/>
5. Board Meeting Documents at <http://www.glwater.org/board/board-documents/>
6. Doing Business with GLWA (vendor outreach) at <http://www.glwater.org/doing-business-with-glwa/>

### III. Scope of Work

Services required by the public accounting firm will include the following.

- A. 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, 2016, 2017, and 2018 including an "in relation to" opinion on supplementary information. The June 30, 2016 audit will include an audit of the opening balances at January 1, 2016 which includes bringing forward and/or revaluing certain DWSD December 31, 2015 balances.
- B. 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 Federal Expenditures (SEFA).
- C. A separate audited financial statement for the Water Fund (a direct opinion, not an "in relation to" opinion)
- D. A separate audited financial statement for the Sewage Fund (a direct opinion, not an "in relation to" opinion)
- E. GLWA will draft the financial statements. The auditor should indicate preferred approach for final report processing.
- F. Separate pricing shall be provided for non-attest services including assisting in preparing the financial statements, the schedule of expenditures of federal awards, 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.

## Scope of Work

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- G. Separate pricing shall be provided for non-attest services including assisting GLWA in meeting 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.
- H. 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.
- I. Communications with “Those Charged with Governance”.
- J. GLWA, from time to time, may prepare one or more official statements in connection with the sale of debt securities which will contain the basic financial statements and the independent auditor’s report, thereon. The firm will be required, if requested by the fiscal advisor and/or the underwriter, 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.
- K. 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. The working papers will be required to be made available if requested by GLWA.

### IV. Contract Deliverables

The completion dates of the Audits and the Single Audits for each June year end will be the following December 31 (6 months after year-end) with the exception of June 30, 2016. Due to the extraordinary circumstances with GLWA being a new legal entity, an extension will be requested to the State of Michigan for the completion of the June 30, 2016 Audits and Single Audit to 30 days after the City of Detroit files its annual audited financial statements given the need to coordinate audit procedures of opening balances. It is presently anticipated that the City may not file its audit until March 31, 2017. The pricing should account for this adjusted timing for the year ended June 30, 2016.

The reporting requirements of the audits shall consist of the following in both hard copy and digital format.

- A. The preliminary findings should be reviewed with the appropriate levels of Financial Services Group 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.
- B. 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.
- C. The firm shall be available for a minimum of four (4) Audit Committee meetings.
- D. 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.
- E. If the project schedule will not be met, the Chief Financial Officer shall be notified immediately in writing when this has been identified.
- F. 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.
- G. If any difficulties are encountered during the engagement, the Chief Financial Officer/Treasurer shall be notified immediately in writing.

## Scope of Work

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- H. If the Chief Financial Officer/Treasurer is not available, or if the auditors seek an alternative contact, the Chief Executive Officer shall be notified.

### V. Project Schedule

While GLWA's *targeted* milestones and *desired* durations for the various phases of this project are shown in the table below, the contractor is fully responsible for preparing its project approach, work plan, schedule and cost proposal based on its experience in executing this type of project and shall not use GLWA's targeted milestones and desired durations to limit its responsibility under the contract. The only exceptions being a task or tasks where GLWA has specified the number of hours to be provided by the consultant or where GLWA has included a specified allowance.

<b>Project Phase / Milestone</b>	<b>Task Duration / Milestone Date</b>
<b>YEAR 1</b>	
GLWA Schedules Provided	February 1, 2017
CAFR Completed	April 15, 2017*
Audit Opinions on Financial Statements	April 15, 2017*
Single Audit Reports	April 15, 2017*
*It is assumed there will be extensions filed with the State of Michigan.	
<b>YEARS 2 and 3</b>	
GLWA Schedules Provided	September 1
CAFR Completed	October 31
Audit Opinions on Financial Statements	October 31
Single Audit Reports	October 31

#### Proposer Resources

The successful proposer will have reasonable access as needed to GLWA facilities and staff to obtain documents and files, and to perform interviews to gain an understanding of the services to be provided.

**APPENDIX A**  
**COVENANT OF EQUAL OPPORTUNITY**  
(Application for Clearance – Terms Enforced after Contract is awarded)

RFQ/PO/Contract No. \_\_\_\_\_

I, being a duly authorized representative of the \_\_\_\_\_, (“Contractor”), 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 Contractor and GLWA, obligating the Contractor and all sub-contractors 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 Contractor to ensure that all potential sub-contractors on this contract are reported to the GLWA Procurement Department and that each such sub-contractor 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.

Printed Name of Contractor: \_\_\_\_\_  
(Type or Print Legibly)

Contractor Address: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
(City) (State) (Zip)

Contractor Phone/E-mail: \_\_\_\_\_ / \_\_\_\_\_  
(Phone) (E-mail)

Printed Name & Title of Authorized Representative: \_\_\_\_\_

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

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

\*\*\*\*\* This document MUST be notarized \*\*\*\*\*

Signature of Notary: \_\_\_\_\_

Printed Name of Seal of Notary: \_\_\_\_\_

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

**APPENDIX B**  
**NONCOLLUSION 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 bid proposal in compliance with these instructions may result in disqualification of the bid.

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**APPENDIX B  
NONCOLLUSION AFFIDAVIT**

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

Contract/Requisition No. \_\_\_\_\_

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 understand and acknowledge 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.

- (1) The price(s) and amount of this bid have been arrived at independently and without consultation, communication or agreement with any other contractor, 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: \_\_\_\_\_  
Title: \_\_\_\_\_

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

\*\*\*\*\* This document MUST be notarized \*\*\*\*\*

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

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



**APPENDIX D**  
**EXPERIENCE AND QUALIFICATIONS**  
 (Complete one (1) form for each project referenced.)

PROJECT NAME:			
CLIENT NAME (PROJECT OWNER):			
CONTACT PERSON:		TELEPHONE NUMBER:	
FAX NO.		EMAIL:	
DESCRIPTION:			
FOR THE PROJECT CITED, INDICATE WHETHER YOUR FIRM WAS THE PRIME CONSULTANT OR A SUBCONSULTANT:			
START WORK DATE:			
ORIGINAL PROJECT BUDGET:		(%) PERCENTAGE OF ORIGINAL PROJECT BUDGET:	
FINAL PROJECT BUDGET:		(%) PERCENTAGE OF FINAL PROJECT BUDGET:	
ORIGINAL COMPLETION DATE:		FINAL COMPLETION DATE:	
IF PROJECT BUDGET OR TIME WAS INCREASED, PLEASE EXPLAIN:			





**APPENDIX G**  
**COST INFORMATION SHEET**

The proposer's cost proposal 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, insurance, taxes, mobilization and close-out, overhead and profit and all connections, appurtenances 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 RFP and as otherwise required to fulfill the objectives of the project. The cost should be developed for a fixed price contract.

If more space is required, attach additional sheets as necessary but use the format established above. Services with a minimum charge also need to be noted as such.

PROPOSER'S FIRM NAME: \_\_\_\_\_