



**Audit Committee
Special Meeting**

Wednesday, December 28, 2016 at 9:00 a.m.

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

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
 - A. None
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
 - None
7. NEW BUSINESS
 - A. External Audit Firm Interviews
 - B. Next Steps: External Audit Firm Selection Process and Board Report
8. REPORTS
 - A. None
9. LOOK AHEAD
 - Next Audit Committee Meeting
 - January 13, 2017 at 3 pm – Special Meeting
 - January 20, 2017 at 8 am - Regular Meeting
10. INFORMATION
 - A. None
11. OTHER MATTERS
12. ADJOURNMENT



**Audit Committee
External Auditor Interviews**

Wednesday, December 28, 2016 at 9:00 a.m.

5th Floor Board Room, Water Board Building
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1) Interview Agenda



GLWA-CS-132 External Auditing Services (Oral Interviews)

Wednesday, December 28, 2016 @ 9:00 A.M.

5th Floor Board Room
Water Board Building
735 Randolph Street, Detroit, Michigan 48226

Agenda

8:45 a.m. – 9:00 a.m.

Preparation for discussion with firms – areas of concern, topics to discuss with firms (*optional*)

The following timelines will be allotted for each interview:

- Welcome, introductions, sign in sheet and meeting guidelines – 10 minutes (*Joan Byrne, Procurement*)
- Overview of proposing firm – 10 minutes (*Proposing firm*)
- Questions and clarifications – 25 minutes (*Evaluators and Proposing firm*)

9:00 a.m. – 9:45 a.m.

CLARK SCHAEFER HACKETT – Kerry Roe, Shareholder, Larry Weeks, Shareholder
Conference Call (Dial-In) – None

9:45 a.m. – 10:00 a.m.

Break

10:00 a.m. – 10:45 a.m.

KPMG –Joe Kowalski
Conference Call (Dial-In) – Shawn Warren / Chris Ray / Jack Mason

10:45 a.m. – 11:00 a.m.

Break

11:00 a.m. – 11:45 a.m.

REHMAN-ROBSON - Mark Kettner, Principal, Ken Melvin, Audit Supervisor, Mark Tschirhart
Conference Call (Dial-In) – Stephen Blann, Principal

11:45 a.m. – 12:00 p.m.

Procurement wrap up

Evaluator instruction for Oral Interviews

1. Evaluators are not to imply or comment on other firm's proposals or the scores of other proposer's firms.
2. Evaluators are not to imply or comment on scores or ranking of the firm being interviewed.
3. Should Evaluators deem that additional information is beyond what is contained in the proposal and what is learned in the Oral interview, Evaluators are welcome to request it and Procurement will distribute it upon receipt of the requested information.

**2A) Pre-Proposal Procurement Process:
Request for Proposal (RFP) for Audit Services issued November 21, 2016**

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.

Additional Documents:

Attachment 1	Contract with Insurance Requirements
Attachment 2	Fee Proposal Form

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

Late Proposals Will Not Be Accepted

Instructions to Proposers

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, 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.
- 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

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/.

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.

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

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

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

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

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 startup 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

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.

Additional Background

The GLWA website provides additional background, source documents, and financial information at 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

- 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

- 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.

Project Phase / Milestone	Task Duration / Milestone Date
YEAR 1	
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.	
YEARS 2 and 3	
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: _____

Print Name: _____

Title: _____

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 C
TERMS AND CONDITIONS/EXCEPTIONS CHECKLIST

RFQ/PO/Contract No. _____

It is expected that all proposers will execute the form of contract attached to this RFP. However, should a proposer wish to take exception to a particular term or condition of the contract ("Exception(s)"), the proposer 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 proposer 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 C.

GLWA reserves the right, in its sole discretion, to disqualify any proposer and reject any proposal 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.

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

Proposer Firm Name: _____

Signature of Authorized Representative: _____

Print Name: _____

Title: _____

Date: _____

#	Title	Explanation of Exception

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 E

STAFFING PLAN SHEET

Summary of proposer's involvement with other GLWA and non-GLWA projects.

Part 1	Contract NO.	Client Name	Involvement Time	Contract Title	Type of Involvement
Involvement Time in this Project					
Other Projects (GLWA and Non-GLWA projects)					
Part 2 Explain how the commitments listed under part 1 will impact contract performance on this project:					
Part 3 Explain how the project manager's allocated percentage of time to this contract will be utilized:					

APPENDIX F

STAFF EXPERIENCE MATRIX

[illegible]

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: _____

**2B) - Pre-Proposal Procurement Process:
RFP Bulletin 1 – Bidders Conference Location**

Great Lakes Water Authority
RFP-GLWA-CS-132 Request for Proposals
External Auditing Services

Bulletin #1
Dated 11-28-2016

This Bulletin #1 is hereby made part of the above referenced Request for Proposals and shall be taken into consideration by any and all respondents to this request for proposals.

PRE-PROPOSAL MEETING

The location of the Pre-Proposal meeting for the subject contract has been changed from the 5th Floor to the 16th Floor Conference Room @ 735 Randolph, Detroit, MI.

Public parking is available near the building.

For space planning purposes, firms planning to attend are asked to RSVP to Joan Byrne @ joan.byrne@glwater.org by November 29, 2016 12:00 p.m. EST.

The RSVP must include the names and titles of the individuals that will attend as a requirement of our Security Department.

We look forward to seeing you at the meeting!

**2C) Pre-Proposal Procurement Process:
RFP Bulletin 2 – Pre-Proposal Meeting Notes**



BULLETIN #2

GLWA-CS-132 External Auditing Services

Pre-Proposal Meeting Notes

This Bulletin #2 is hereby made part of the above referenced Request for Proposals and shall be taken into consideration by any and all respondents to this request for proposals.

Below are the notes from the Pre-Proposal meeting that took place at 735 Randolph Street, Detroit, Michigan on Wednesday November 30, 2016 for proposed contract GLWA-CS-132, External Auditing Services. The meeting was facilitated by Great Lakes Water Authority (GLWA) Procurement Management Professional Joan Byrne. GLWA participants included the GLWA Chief Financial Officer/Treasurer Nicolette Bateson and GLWA Internal Auditor Dana Casinelli.

1. Welcome to GLWA
 - a. Introductions
 - b. Thank you for your interest in providing services to GLWA
 - a. We understand the time, effort and resources that go into providing a proposal/bid and want to provide proposing firms with ample information to result in quality proposals.
2. GLWA staff also invests a great deal of time and effort in preparing, managing and sourcing this project to protect the integrity of the procurement process. Please note the critical aspects of the procurement process.
 - a. Integrity of the Procurement Process – The GLWA procurement processes is based upon the GLWA Board approved Procurement Policy available on the GLWA website and referenced in the Request for Proposal. Please do NOT compromise the integrity of the GLWA Procurement Process in any way by contacting GLWA staff, agents or Board Members directly or indirectly in regards to this project. The only acceptable contact is to be with the Procurement Staff, specifically Ms. Joan Byrne, assigned to this project and identified in the RFP.
 - b. It is possible and even probable that during the normal course of business you will encounter one of the GLWA staff members directly or indirectly involved in this project. It is expected that your firm will continue to communicate with GLWA staff members on current projects as business dictates. However, it is critical to the integrity of this process that this open procurement not discussed at all.

- c. Consequences of discussion or attempted discussion on this project outside of the designated Procurement Staff will result in your firm's disqualification from the proposing/bid process and may even result in GLWA cancelling the project in its entirety.
- 3. GLWA-CS-132, External Auditing Services Request for Proposal (RFP)
 - a. The RFP contains a detailed description of the proposed project, minimum requirements, evaluation criteria, procurement and project schedule. The RFP (along with all bulletins issued), can be found on MITN and www.glwater.org. To provide a complete and quality proposal, please review the RFP and all bulletins. Respondents are responsible for registering with MITN and reviewing the MITN website for any communications related to this RFP.
 - b. Proposal submission – Proposing firms must submit proposals by the due date stated in the RFP (or subsequent bulletins) via MITN. NO OTHER method of submission of proposals will be accepted (mail, fax, email, thumb drive, CD, etc.). Proposing firms are encouraged to allow adequate time to upload proposals to MITN. GLWA will not make any allowances for failure to submit proposals by the due date and time caused by technical difficulties encountered with MITN.
 - c. Format and content – Proposals must be organized in the order described in the RFP using the format and content required in the RFP. GLWA reserves the right to reject any proposal that is not in the format and/or contain the required information.
- 4. Evaluations
 - a. We use a structured qualifications based selection process. This basis of this evaluation method is to identify the most qualified and capable vendor for completing the work described in the RFP.
 - b. While fees are considered prior to contract award, fee proposals are not scored. Following technical proposal evaluations and ranking of the firms, cost proposals will be reviewed for competitiveness against benchmark information.
- 5. Award
 - a. Once a firm has been selected and the formal contract award has been made, the award information will be posted on MITN.
 - b. Until award notification is posted, the proposals remain in the evaluation stage of the sourcing selection process.
 - c. Vendors are asked to check on MITN for award notifications.

Project:

A verbal summary of the Request for Proposal was provided at the pre-proposal meeting noting the following.

GLWA is unique “start-up” entity operating a large water utility with a long operating and financial history. Total system revenues of nearly \$800 million combined with current year bond proceed of \$257 million, result in an entity with approximately \$1 billion in cash inflows in ~~our~~the first year. While GLWA has been in existence since November 2014, there ~~has were~~ no financial activities until GLWA became operating the regional water system on January 1, 2016. The effective date of opening balances is January 1, 2016.

The selected auditors will face three different scenarios for each of the three years of the audit engagement. The first year of the audit for the year ended June 30, 2016 is a start-up entity with phased-in implementation of new financial systems. The second year of the audit for the year ended June 30, 2017 will have more stability with completion of the financial systems implementations and improvements in business processes and internal controls. The third year ended June 30, 2018 will be a steady state.

The system has been in a mode of driving organizational optimization and professionalism of its financial team. While GLWA is a local government as a regional authority, its core mission is a utility with three key facets of our operations.

- 1. A wastewater treatment facility, which is considered to be the is the largest facility in North America, that is has operational similarities to a processing facility;
- 2. Five water treatment plants with current excess capacity; and
- 3. Significant planning, design, and construction activity with a current capital improvement plan that averages \$250 million per year with several multiple year projects.

The GLWA issued water and sewer bonds in October 2016. All three credit rating agencies (Fitch Ratings, Moody's Investors Service, and Standard & Poor's) have taken positive ratings actions since GLWA's operational effective date of January 1, 2016. The bond Official Statements for the water and sewer systems provide additional information about GLWA, its operations, credit ratings, and financial information which are available on the Investor Relations page of the website.

Questions from the Vendors/Answers by GLWA:

1. Question: Are questions 2 and 3 under the Minimum Requirements of the Request for Proposal the same?
Answer: Yes, questions #2 and #3 are duplicates.
2. Question: Must all minimum requirements be met?
Answer: Yes all minimum requirements must be met in order for proposals to be evaluated and considered for sourcing.
3. Question: What will be a distinguishing factor for a firm to stand out since all firms will have to follow the same accounting guidance?
Answer: The GLWA audit is unique because this is the first year in operation. The approach that the firm takes for this first year can distinguish it from others. The Authority will also be looking for guidance on what is needed to be prepared for the audit approach.
4. Question: What are some of the areas where judgement was required to create the start-up? Will records be available at GLWA or will it mean there will be coordination required with the City of Detroit?
Answer: The leases have been clear on the transfer of assets. A team of attorneys and accountants were involved in the drafting of the leases that govern the regional authority to provide alignment between legal and accounting treatment. Key organizational documents are available on our website and the accounting treatment is described in the RFP. The GLWA management team is involved in assisting the City of Detroit with the closing and audit preparation of the predecessor entity, the Detroit Water & Sewerage Department (DWSD) through December 31, 2015 in addition to the final reporting for the City's year ended June 30, 2016 audit. Given that the GLWA was borne out of collaboration among the City of Detroit, Counties of Macomb, Oakland, and Wayne, and the State of Michigan, it is assumed that there will be a high level of coordination with the City of Detroit and the DWSD management. The auditors will have full access to all pertinent records and the work will all be done in the Water Board Building at 735 Randolph.
5. Question: Why was there a change in the year end?
Answer: There was no change in year-end. The year end is June 30th. However, financial and operational activities began on January 1, 2016. The first six months of the fiscal year, July 1, 2015 through December 31, 2015, did not have any financial activity.
6. Question: Will there be statements issued by the City of Detroit for 12/31/15 for DWSD?
Answer: The City of Detroit did not engage their auditors to complete statements for 12/31/15. There will, however, be separate statements issued for the year ended June 30, 2016 for the City of Detroit Water Fund and Sewer Fund. This could change if requirements to do so become necessary for the startup of GLWA.
7. Question: What is the timing for the completion of the audit:
Answer: It is anticipated that the financial statements and independent audit opinions would be completed and issued within 30 days after the issuance of the City of Detroit's audited financial statements for the year ended June 30, 2016. The rationale is to accommodate final City of Detroit December 31, 2015 schedules that could have an impact on GLWA. We would want to be able to be amend reports and provide

the auditors sufficient time to respond to anything that could change the beginning balances of the financial statements.

8. Question: Is there a pension audit or agreement that could impact the GLWA audit?

Answer: The GLWA's employee benefit program provides for a defined contribution pension plan administered by ICMA-RC. Accordingly, there is no GLWA pension system to audit. GLWA does, however, carry forward a pro-rata liability for the City of Detroit's legacy pension system. There is an agreement between the City of Detroit, the City of Detroit General Retirement System (DGRS), and the GLWA related to additional reporting requirements by the DGRS related to the liability allocated to GLWA. That agreement is available online. The City of Detroit and the GLWA are preparing a Memorandum of Understanding that further defines the pension obligation liability allocation and the pool of employees that are split between DWSD and GLWA.

9. Question: Is there an OPEB plan?

Answer: There is not a GLWA OPEB. The GLWA retiree healthcare benefit design is based on a fixed dollar contribution per pay period. The GLWA does pay an allocable share of the City of Detroit's B/C Notes issued during bankruptcy to address the City-wide unfunded OPEB liability by replacing it with a VEBA with initial funding from those notes.

10. Question: When will the audit start?

Answer: Proposals are due December 20, 2016. The Audit Committee will present their top three recommendations to the Board. The Board then has 30 days to make the final decision. It is a tight deadline but we expect the contract decision to be made before February 1, 2017. It is expected that most audit schedules will be ready at that time. It should also be noted that firms are allowed to work together and to use other audit firms as needed for the completion of the audit. These arrangements should be described in the proposal.

11. Question: How many major programs are there for the Single Audit?

Answer: There is only one major program which is the State of Michigan revolving loan program with federal funding. It is a material dollar amount with a very low number of transactions. The State is the pass-thru agent. In addition, DWSD is a sub-recipient of GLWA effective January 1, 2016. The Authority staff has excellent communications with the State to be sure that there is in compliance with all requirements. The GLWA grants management staff has many years of experience working on these programs with no findings for the year ended June 30, 2014.

12. Question: Will you share the amount you estimate that is audit fees?

Answer: Given that this is a multiple year operating expense engagement, and it is expected that the audit plan will be different each of the three years, a fixed budget has not been established for this project. The Authority seeks your suggestions for making sure requirements are met but also how to control fees.

13. Question: What is Duff & Phelps doing and where do they stand?

Answer: Duff & Phelps is performing a full physical count of assets with an acquisition value greater than \$10,000 at December 31, 2015. They are also determining the valuation adjustment for accounting purposes in accordance with GASB 69 as described in the RFP. The draft report is due in December 2015 with a final report due in January 2016. A copy of Duff & Phelps scope of work can be found below these questions.

14. Question: Will Duff & Phelps be looking at spare parts inventory?

Answer: They are only valuing those items that are \$10,000 and more. This typically doesn't include spare parts inventory. GLWA has had an initiative to minimize inventory.

15. Question: Was there an inventory count performed at December 31, 2015? What about other balance sheet accounts?

Answer: For bifurcation purposes there was a count performed at December 31, 2015. There was a second count performed at June 30, 2016. The changes to the inventory through June 30th were then a result of changes to the perpetual records. Inventory is not material to the Statement of Net Assets unlike debt and cash and investments.

16. **Question:** Has the effort to cleanse the data during the stand-up resulted in a lot of reclass entries?

Answer: There are accounts for which we have been reviewing the activities in them to be sure that they are properly classified. Previously, we could not easily obtain reports to perform this level of analysis. Yes there have been reclass entries as a result. We expect this effort to be completed by December 31, 2016.

17. **Question:** There appears to be a lot going on to set up the entity. What else can be provided to see progress?

Answer: After four months of existence, the effort to prepare GLWA's first official statements was initiated with a successful refunding transaction in October 2016. Again, we would refer to those official statements to better understand GLWA.

18. **Question:** You mentioned the process you are going through to clean up activity and record reclass entries. When will this be done?

Answer: This process is about 60% complete. Some of these activities have also involved realigning the allocation of costs when it is necessary to do so. We are developing processes to be more efficient.

19. **Question:** Will the remaining 40% be completed before February 2017?

Answer: It will be completed before December 31, 2016. There are efforts underway now to complete this soon. The completion of this leads into the budget process. The reclass entries need to be completed so the budget can make use of the recorded activity.

20. **Question:** What procedures and controls are documented?

Answer: We have had a devoted effort in place to document procedures that existed at June 30, 2016 and updates made to the processes since then. We are now updating these documents with the controls in place that include compliance and key financial controls. We have many CPAs in the organization that have been working on the financial statements and the processes.

21. **Question:** Do you expect any audit adjustments to June 30, 2016 after February 1, 2017?

Answer: The pension liability allocation may not yet need to be finalized due to the timing of supplemental DGRS actuarial analysis. In addition, due to the changes to the systems and staffing at the City of Detroit, there may be some long lead time, like compensated absences balances, that may still be an open item.

22. **Question:** When a partial payment comes in from a customer that is both for water and sewer is it allocated at the customer level?

Answer: Yes it is allocated at the customer level. A graphical representation of the Master Bond Ordinance flow of funds is posted on the Investor Relations page at glwater.org in addition to the Master Bond Ordinance. This is a good reference source to better understand the process. The cash receipts process and related Trustee relationship is well defined because it provides protection to the bond holders.

Questions from the Vendors/Answers by GLWA:

23. **Question:** We are reviewing the RFP requirements and noted that one of the requirements indicates that the partner and managers must be licensed in the State of Michigan. We are looking at our resources and have identified a partner in Chicago with the qualifications to serve on this audit. He is licensed in Illinois but has reciprocity in Michigan. Would this meet the requirements that are contained in the RFP?

Answer: The minimum requirement states that all assigned partners and managers must be licensed to practice public accounting in the State of Michigan.

If the partners and managers are not specifically licensed in the State of Michigan, an explanation and evidence should be provided to show that the firm would still meet all necessary requirements to serve as GLWA's external public accounting firm.

If this requirement will be fulfilled through the Uniform Accountancy Act, evidence must be provided to show:

- The State that the partner uses as the principal state of business.
- The license is an active unrestricted CPA license from the State. A certificate or registered certificate holder would not suffice.
- The firm is registered in the State of Michigan to perform engagements in accordance with Statements on Accounting Standards.

24. Question: For #2 under minimum requirements, please confirm that the \$500 million revenue and 500 employees requirement refers to the client itself and is not specific to the size of the utility within the client. Any alternative reading would dramatically limit the pool of potential respondents.

Answer: The \$500 million revenue and 500 employees requirement refers to the client itself and not specific to the size of the utility within the client.

25. Question: For #3 under minimum requirements, please confirm that this should be deleted as repetitive of requirement #2.

Answer: Requirement #3 is repetitive and should be deleted since it is duplicative of the requirement in #2.

26. Question: For #4 under minimum requirements, would GLWA consider experience with consent letters on official statements for GO Bond issues greater than \$100 million as satisfying the minimum requirement instead of the more limited reading of "revenue bonds"? Alternatively, would GLWA consider experience on consent statements on revenue bonds that are less than \$100 million. Without this clarification, this minimum requirement would significantly reduce the pool of available respondents and may not provide any additional benefit to GLWA.

Answer: GLWA would consider experience with consent letters on official statements of GO Bonds issues greater than \$100 million as satisfying the minimum requirement rather than the more limited reading of "revenue bonds".

27. Question: I did not see a requirement for an affirmative statement of independence of the firm, pursuant to applicable accounting standards. Should such a statement be included within the Mandatory items under Conflict of Interest [Section II(I)], or should this be added to Minimum Requirements?

Answer: Within the Mandatory items under Conflict of Interest [Section II(I)], a statement must be provided on the proposer's letterhead that attests to the avoidance of conflicts of interest. In order to provide services as the independent public accounting firm, independence rules are required to be met.

As validation to Section II, Mandatory Items, I. Statement of Conflict of Interest, please provide a statement on the proposer's letterhead that attests to the independence of the firm in accordance with the AICPA Code of Professional Conduct and with generally accepted government auditing standards (GAGAS).

28. Question: With the initial implementation of the Authority's new ERP system to be used for financial reporting, are there any unresolved issues, system shortfalls or report queries that would impact the ability for an auditor to obtain detailed information for audit purposes?

Answer: As a result of the system implementation, there are no noted system unresolved issues, system shortfalls, or report queries that will limit the detailed information available for audit purposes.

29. Question: How large is the Authority's IT Department?

Answer: There are approximately 50 full time employees in the IT Department.

30. Question: Please describe the daily interaction between the Authority and the City of Detroit as it relates to operations.

Answer: 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. There is also a high level of coordination through the completion of the City's FY2016 CAFR to assure a smooth transition. In addition, the theme of the lease is to foster ongoing intergovernmental services and collaboration with the City, DWSD, and GLWA.

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. In this capacity GLWA performs monitoring of all related activities for the use of these funds.

The Shared Services Agreement is available at <http://www.glwater.org/board/organizational-documents/>

31. Question: Who else has been invited to bid?

Answer: Every firm registered under the appropriate NIGP codes has access to bid utilizing MITN.

32. Question: Aside from the disclosures in the RFP regarding the valuation engagement that is in process, are there other items that will be included in the valuation?

Answer: See question and answer that references the Duff & Phelps scope and contract.

33. Question: Please confirm that the Authority is planning to prepare the Schedule of Expenditures of Federal Awards.

Answer: GLWA is preparing the Schedule of Expenditures of Federal Awards (SEFA).

34. Question: What was the total amount federal awards expended in 2016?

Answer: The federal awards expended in 2016 are approximately \$50 million.

The State Revolving Loans provide capital project financing. There were no findings for the major program for the most recent audit year ended June 30, 2015 for DWSD.

35. Question: What assistance does the Authority expect they will need from the auditors for implementation of new GASB statements?

Answer: Specific assistance has not been identified in relation to new GASB statements. The application of GASB 69 has been determined by management. GLWA will provide further details of the application of GASB 69 with the selected public accounting firm. GLWA will be looking for the public accounting firm's professional guidance in meeting all requirements as a new entity.

36. **Question:** Who is the third-party administrator the Authority's workmen's' compensation and liability insurance self-insurance plans?

Answer: These details will be provided to the public accounting firm that is selected from this process.

37. **Question:** Does the Authority anticipate having any new bond issues for 2016?

Answer: The Authority did issue new water bonds as well as water and sewer refunding bonds in October 2016. The next bond issue is expected in 2018.

38. **Question:** Approximately how many cash and investment accounts are maintained?

Answer: GLWA had 61 accounts open at June 30, 2016, 4 accounts were closed during the year, with 4 financial institutions. Of the 61 accounts, 3 are DDA accounts as follows: Payroll (imprest); Customer Refunds (manual checking for retail customer refunds below \$1,000 with low activity); and AP (approximately 2,000 checks written in the period from when account opened in March 2016 to June 2016). GLWA held 58 fixed income investments as of June 30, 2016.

Many accounts are related to the flow of funds with regular monthly transfers. Interested firms can see the following link for the flow of funds:

<http://www.glwater.org/wp-content/uploads/2015/11/Master-Bond-Ordinance-Flow-of-Funds-Graphic-version10-10-16.pdf>

39. **Question:** Are all cash and investment accounts reconciled on a monthly basis with investments adjusted to fair values?

Answer: Yes, with some exceptions due to opening balance sheet updates. These details will be provided to the public accounting firm that is selected from this process.

40. **Question:** How many cash collection points are there?

Answer: These details will be provided to the public accounting firm that is selected from this process.

Attachments:

- A. Duff & Phelps Contract
- B. Pre-proposal meeting Sign In Sheet

2D) Pre-Proposal Procurement Process:
Pre-Proposal Sign-In Sheet

November 30, 2016

Contract No. GLWA-CS-132

"EXTERNAL AUDIT SERVICES"

Pre-Proposal Meeting

Sign-In Sheet

NAME	AFFILIATION	TELEPHONE	EMAIL
1. Jean Byrne	GLWA		Jean.BYRNE@glwa.org
2. Dana Goin-Camacho	GLWA		mbeck@thy-us.com
3. MARLENE BEACH	UHY	313-964-1040	mbeck@thy-us.com
4. JOHN REHMAN	UHY	313-984-4410	j.rehman@thy-us.com
5. MARK TSHIKHART	Rehmann	248 952 5000	mtschikhart@rehmann.com
6. Daniel Clark	Clark Schaefer Hachelt	419 327 7670	dclark@schco.com
7. Joe Kowalski	KPMG	586-909-4439	jakowalski@kpmg.com
8. MICHAEL BAYESAU	GLWA		
9. _____			
10. _____			

3A) Proposal Response: Clark Schaefer Hackett



Technical Proposal for Financial Audit Services for:

Great Lakes Water Authority
Great Lakes Water Authority Water Fund
Great Lakes Water Authority Sewage Disposal Fund

December 20, 2016

Firm Contact:

Clark Schaefer Hackett
Daniel Clark, CPA

dclark@cshco.com
P.O. Box 370
Lambertville, Michigan 48144
419-243-0218

December 20, 2016

Ms. Joan Byrne
Procurement Management Professional
Great Lakes Water Authority
735 Randolph, Suite 1508
Detroit, MI 48226

Dear Ms. Byrne:

Clark Schaefer Hackett is pleased to present the following proposal to provide annual audit services for the Great Lakes Water Authority (the "GLWA") and a single audit of its Federal and State Grants, a separate audited financial statement for the Water Fund (the "Water Fund") and a separate audited financial statement for the Sewage Disposal Fund (the "Sewage Fund"). We strongly believe after reviewing our credentials, you will find Clark Schaefer Hackett (CSH or the "firm") is the best fit for the GLWA, the Water Fund and the Sewage Fund. Our industry expertise and value-driven pricing structure makes the firm uniquely qualified to serve as independent public accountants for the GLWA, the Water Fund and the Sewage Fund.

The core competency of CSH is to provide best-in-class technical expertise to State and local governmental entities. For over 75 years, our accountants have served as primary trusted business advisors to the governments and organizations that form the backbone of the region's economy. Furthermore, we align our services by industry to better serve the needs of our clients. This specialization permits us a deeper knowledge of our clients and to anticipate their needs based upon our understanding of industry trends. We are pleased to bring this specialization to the GLWA, the Water Fund and the Sewage Fund.

The project team serving your engagement is Principal Daniel Clark, Shareholder Kerry Roe and Shareholder Larry Weeks. CSH acknowledges receipt of bulletins one and two. The required bid hold period is six months. CSH affirms we can begin work the week of January 30, 2017.

We have crafted this proposal thoughtfully and thoroughly in order to fully address the questions in your Request for Proposals. Your requested information is labeled throughout followed by direct responses to your questions. We trust, that after evaluating the following proposal, and commitments we have made to value-added services, you will agree that CSH is the best choice to serve the needs of the GLWA, the Water Fund and the Sewage Fund.

We appreciate the opportunity to submit our proposal to the GLWA, the Water Fund and the Sewage Fund.

Sincerely,



Daniel B. Clark, CPA
Principal
P.O. Box 370
Lambertville, MI 48144
419-243-0218

Experience and Qualifications

We are delighted to present the following proposal highlighting some of the reasons why we feel we are the ideal match for the GLWA, the Water Fund and the Sewage Fund. It is our belief that the GLWA, the Water Fund and the Sewage Fund will benefit greatly from CSH demonstrated commitment to our clients. The professionals at CSH offer much more than technical financial consulting and standard reporting. We are knowledgeable business advisors who can provide proactive guidance designed to address even the most complex issues.

We offer the best of both worlds – the depth of a national firm with the collaborative, service-oriented approach you'd expect from a regional firm. For decades, our advisement has resulted in leaner, more effective operations, optimized revenue, managed risk, and greater transparency.

We believe that our track record of excellence and sharp focus on the unique needs of government clients makes CSH uniquely qualified to serve as independent public accountants for the GLWA, the Water Fund and the Sewage Fund.

Here are a few strengths we believe make CSH the right advisor for the GLWA, the Water Fund and the Sewage Fund:

- **We have a strong commitment to the Government Industry.** Government engagements are a priority to our team, not busy-work. Members of the Government Services Group spend 100% of their time providing accounting and auditing services to governmental entities. This means that individuals assigned to your engagement will know the intricate details of governmental accounting.
- **Our shareholders are accessible** and regular visits to our clients are the rule and not the exception. The resources available to the GLWA, the Water Fund and the Sewage Fund do not end with the engagement team.
- **We are relevant advisors.** We understand the challenges you face and are committed to helping you improve. We care as deeply about the health of your finances as you care about your strategic goals. We will take a fresh look at the GLWA, the Water Fund and the Sewage Fund needs, then develop and deliver tailored methodologies to address them.
- **We bring the right people to the job.** Our people make the critical difference in our service quality. Our steadfast focus on serving local governments has attracted a positive influx of talent to CSH and helps us to keep our firmwide turnover rate well below the industry average.
- **We meet your deadlines.** While compliance with governmental authorities is driven by regulatory deadlines, we work to meet your expectations and needs. Unlike other firms who perform government work in their “off season,” we do the work on your timetable.
- **Relationships Matter.** We believe that doing the work and serving the client is not necessarily the same thing. One is about numbers; the other is about relationships. At CSH, relationships matter, and we believe that creating supportive, helpful, working relationship is perhaps the most valuable talent we can offer.

Client References

For the past three decades, CSH has served hundreds of local governments including cities, counties, school districts and other special entities. Of unique interest to the GLWA, the Water Fund and the Sewage Fund would be our significant area of practice in the governmental sector. Within the governmental sector, we have established a Government Services Group in which professionals focus the entirety of their practice to governmental clients exclusively. In the last two years, 20 professionals were directly involved in a significant portion of the audit of a water and sewer fund. The Government Services Group derived almost \$3M in revenue in our last fiscal year.

Engagements Demonstrating Experience over Municipal Enterprise Accounting

City of Cleveland – this large municipality operates numerous enterprise activities including a division of water which provides services to approximately 420,000 accounts with operating revenues in excess of \$300 million and assets greater than \$2.2 billion. We have served as the City's independent auditors since 2010 and perform both a financial statement audit and an audit in conformance with the Uniform Guidance.

City of Cincinnati – this large municipality operates numerous enterprise activities including the Cincinnati Water Works which provides services to approximately 225,000 accounts with operating revenues in excess of \$140 million and assets greater than \$1.4 billion. We served as the City's independent auditors from 2004 until 2013 when we were required to rotate due to Ohio law. We performed both a financial statement audit and an audit in conformance with the Uniform Guidance.

City of Toledo – this large municipality operates numerous enterprise activities including both water and sewer to approximately 130,000 accounts with operating revenues in excess of \$140 million and assets greater than \$1.2 billion. We have served as the City's independent auditor since 2009 and perform both a financial statement audit and an audit in conformance with the Uniform Guidance.

Audit Engagements with Revenue Bonds Issuances Greater than \$100 million

City of Cleveland – the City issued approximately \$130 million of enterprise revenue bonds during 2015 and has over \$2 billion in total debt outstanding for enterprise activities. As noted above, we have served as the City's independent auditors since 2010 and perform both a financial statement audit and an audit in conformance with the Uniform Guidance.

Ohio Water Development Authority – the Authority routinely issues revenue bonds in amounts greater than \$100 million and has nearly \$3 billion in total debt outstanding. We served as their auditors from 2005 to 2014 until required rotation but have recently been hired to perform their next 5 annual audits.

Comparable Single Audits

City of Cleveland – the City typically has federal expenditures ranging from \$50 - \$100 million and participate in similar federal programs. As noted above, we have served as the City's independent auditors since 2010 and perform both a financial statement audit and an audit in conformance with the Uniform Guidance.

City of Toledo – the City typically has federal expenditures ranging from \$25 - \$75 million and participate in similar federal programs. As noted above, we have served as the City's independent auditors since 2009 and perform both a financial statement audit and an audit in conformance with the Uniform Guidance.

City of Cincinnati – the City typically has federal expenditures ranging from \$50-\$100 million. We served as the City's independent auditors from 2004 until 2013 when we were required to rotate due to Ohio law. We performed both a financial statement audit and an audit in conformance with the Uniform Guidance.

In particular, the following list of current clients demonstrates the experience and technical ability of the proposed Engagement Shareholder to manage this particular engagement. These large municipal audits give us tremendous perspective on complex operations and difficult technical accounting issues. With this in mind, the proposed audit team would be proficient and possess recent, relevant experience with entities similar to the GLWA, the Water Fund and the Sewage Fund. A complete listing of CSH clients similar to the GLWA, the Water Fund and the Sewage Fund is provided later in this proposal.

City of Toledo

George Sarantou, Director of Finance
419-245-1602

Financial statement audit/single audit

Lucas County

Amy Petrus, Chief Internal Auditor
419-213-4343

Financial statement audit/single audit

City of Cleveland

Sharon Dumas, Director of Finance
216-664-2536

Financial statement audit/single audit

External Quality Control Review/Peer Review

CSH affirms it has undergone twelve successful external peer reviews, including the most recent in the autumn of 2014, which were conducted in accordance with generally accepted governmental auditing standards. The 2014 peer review was unqualified. Please see a copy of our 2014 System Review (peer review) dated October 30, 2014 at the end of this proposal.

CSH is a corporation in the State of Ohio authorized to engage in practice as Certified Public Accountants pursuant to Section 4701.10, Revised Code. CSH has successfully passed all federal and state desk reviews performed in the last three years. Also, CSH has never had any disciplinary action against the firm, nor is there any pending disciplinary action from regulatory bodies or professional organizations.

Similar Engagements with Other Government Entities

We currently serve, or have recently served, as the auditor for the cities including their water and sewer funds of Cleveland, Cincinnati, Columbus, Dayton and Toledo which are the five largest cities in the State of Ohio. We have previously served as the auditor for many other cities including their water and sewer funds, so we have deep understanding of reporting requirements for water and sewer funds.

In particular, the five large municipal clients give us a large variety of both operational and accounting experience which will benefit the GLWA, the Water Fund and the Sewage Fund.

We have performed audits recently for the following:

- City of Oxford (CAFR)
- City of Harrison (CAFR)
- City of Moraine (CAFR)
- City of Kettering (CAFR)

- City of Springfield
- City of Cincinnati (CAFR)
- City of Bellbrook
- City of Piqua (CAFR)
- City of Sidney (CAFR)
- City of Union
- City of Cleveland (CAFR)
- City of Mason (CAFR)
- City of Hamilton (CAFR)
- City of Middletown (CAFR)
- City of Blue Ash (CAFR)
- City of Wyoming (CAFR)
- City of Indian Hill
- City of Madeira (CAFR)
- City of Fairfield (CAFR)
- City of Columbus (CAFR)
- City of Toledo (CAFR)
- City of Dayton (CAFR)
- City of Hilliard (CAFR)
- City of Covington

We have also served hundreds of other local government clients including school districts, counties, townships, villages and special purpose entities such as various authorities.

CSH is building a presence in local government auditing in the Michigan marketplace. This includes the assignment of an **Audit Principal with expertise in governmental accounting and auditing who resides and works in Michigan. We also have an Audit Senior within our firm that has considerable experience auditing Michigan cities at a prior firm who can serve as an additional resource to our audit team. She currently works in our Affordable Housing Industry Group and conflicts in her schedule will not permit her to work on the engagement full-time, but she is available to assist with planning and with any Michigan-specific requirements. She previously was the senior on the audits of Kalamazoo, Ann Arbor, Mason, DeWitt, and Springfield.**

About the Firm

One of the largest accounting firms in the Midwest, CSH is a leader in providing services to governments in Ohio and surrounding states. As a "Top 100" accounting firm in the United States, we offer immediate access to over 37 shareholders and approximately 400 service professionals to provide comprehensive assistance in the accounting, consulting and information technology areas.

Your engagement will be served out of our Toledo office but you will have access to all our professionals firmwide as needed. Kerry Roe, Shareholder, and Daniel Clark, Principal, will serve as the full time professional staff in this engagement. Daniel also works and lives in the State of Michigan. We currently have 20 professionals that currently serve our governmental clients.

Being in business for over 75 years, CSH has seen the changes in our profession and the ever-changing needs of our clients. We are a recognized leader in the profession and are known for our quality and customer service. We provide a full range of services to meet the unique needs of you, our client. These services include but are not limited to: areas of accounting, auditing and financial reporting; organization systems and structure; grant writing and administration; Certified Fraud Examiners to provide guidance in internal control evaluation and testing; financing; assistance in strategic planning and many other services. The majority of services for the GLWA, the Water Fund and the Sewage Fund will be provided by resources based in our Toledo Office.

Affirmations

Independence

We are independent of the GLWA, the Water Fund and the Sewage Fund as defined by the U.S. General Accounting Office's Governmental Auditing Standards. We have not provided any non-audit services to the GLWA, Fund and the Disposal Fund as defined by Governmental Auditing Standards, Amendment No. 3.

During the term of this proposed contract period, we will not provide any non-audit services to the GLWA, the Water Fund and the Sewage Fund that would require us to perform management functions or make management decisions for the GLWA, the Water Fund and the Sewage Fund.

License to Practice in the State of Michigan

We are registered as a certified public accounting firm to perform services in the State of Michigan. Beyond the borders of Michigan, we are also positioned as the firm of choice for countless organizations in Ohio, Kentucky and Indiana.

External Impairments

CSH affirms it, as well as all proposed professional personnel to plan and conduct this engagement, have no professional relationships involving the GLWA, the Water Fund and the Sewage Fund or any of its boards, commissions, agencies or component units.

If for any reason we become aware of any professional relationship entered into or discovered during the period of the audit contract that affects or could affect our appearance of impartiality towards the GLWA, the Water Fund and the Sewage Fund, we will immediately provide written notification to the GLWA, the Water Fund and the Sewage Fund describing any such relationship and the affect it may have on our engagement.

AICPA Audit Quality Centers

CSH affirms we are a member of the AICPA Government Audit Quality Center and the AICPA Center for Audit Quality.

Staff Experience and Staff Plan

Partner, Supervisory and Staff Qualifications and Experience

Top Talent

Perhaps the most important factor to consider in selecting a public accounting firm is the people with whom you will work. Your engagement will be staffed with a consistent team of professionals with a long-term dedication to CSH and the government services group. Detailed biographies are located in the following pages.

Leadership Roles

Your CSH team will:

- identify your expectations for the engagement,
- tailor a plan based on those expectations,
- communicate with you frequently regarding progress,
- ask you for feedback on our work, and
- continuously strive for improvement.

Thorough Training

We invest heavily in training our staff to ensure that they have the skill set to exceed your expectations. Through a combination of training, real-time mentoring and feedback, we foster professional growth. We offer our professionals technical training through industry-specific seminars and education classes. Our internal program, CSH Max, encourages our associates to pursue ongoing professional development.

Every member of our firm participates in our coaching or mentoring process; either as a protégé, coach, and/or mentor.

Our training programs employ a four-fold approach toward creating a consummate professional. Areas of focus include:

- Technical skills
- Team building
- Industry specialization
- Leadership development

CSH combines the depth of a national firm with the collaborative, service-oriented approach of a local firm. Because we serve clients with industry teams equipped with deep knowledge of particular sectors, your team leadership will be knowledgeable about the GLWA, the Water Fund and the Sewage Fund. You will receive integrated services from seasoned professionals. All decisions are made locally, so we don't have to "go up the chain of command" on technical issues. We are no more than a phone call away and will respond to client questions within 24 hours.

The engagement principal, **Daniel Clark**, will be the primary contact with the GLWA, the Water Fund and the Sewage Fund and will be responsible for ensuring the audit is conducted as planned. Daniel also works, is licensed, and lives in Michigan. Additional responsibilities for the principal include approval of audit programs developed, resolution of any audit issues, review of work papers, and technical review of financial statements and any audit comments. The engagement principal will also work closely with staff accountants on the engagement, supervise the performance of all fieldwork, review audit reports and provide direction during the audit. Staff members are responsible for control documentation and testing, substantive testing and preparation of audit documentation as deemed necessary. Staff will be assigned as appropriate. The engagement shareholder, **Kerry Roe**, will have overall responsibility for all services provided to the GLWA, the Water Fund and the Sewage Fund including approval of the audit plan, review of significant audit areas, approval of audit reports and the final decision on critical technical issues. The consulting shareholder, **Larry Weeks**, will ensure the audit plan and affirm that the audit programs and segment testing are properly designed and followed.

Daniel B. Clark, CPA

Principal

**Assurance Services
Government Services Group****Practice Summary:**

Daniel Clark supervises the annual audits and single audits of various governmental municipalities, with annual revenues ranging from five million to approximately five-hundred million dollars. Daniel is an experienced auditor of cities, counties, school districts, and special purpose governmental entities.

Recent Government Experience

Selected audits in which Daniel has served as the Principal in the recent years include:

City of Toledo	Henry County
Lucas County	City of Covington
City of Sylvania	Lakota Local Schools
City of Bellevue	Sycamore Community Schools
Toledo Lucas County CVB	North Baltimore Local Schools
Lucas County EDC	City of Massillon
OMEGA Joint Ventures	City of Springdale
Rossford Ex. Village Schools	

Professional Affiliations:

American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Ohio Society of Certified Public Accountants
Institute of Management Accountants

Recent and Relevant Continuing Professional Education:

Pertinent continuing professional education attained within the past five years include:

Course	Sponsor	Date	Hours
National Government A&A Update	AICPA	9/30/2015	17.0
Combined IPA Conference	OSCPA	8/21/2015	8.0
Professional Issues Update	OSCPA	8/20/2015	2.0
Non-Profit Audit Update	CSH	7/11/2013	4.0
Members Summit	OSCPA	6/18/2013	4.0
Government Services Group Update	CSH	9/11/2012	3.0
Advanced Governmental Accounting	GFOA	8/10/2012	20.0
Preparing a CAFR	GFOA	8/7/2012	8.0
Not-for-Profit Update	CSH	7/12/2012	3.5
Government Services Group Update	CSH	8/31/2011	5.0
National Government A&A Update	AICPA	8/23/2011	12.5
Combined IPA Conference	Ohio AOS	8/11/2011	8.0

Kerry W. Roe, CPA

Shareholder

Executive Vice President
Firm Executive Committee
Assurance Services
Chair, Government Services Group

**Practice Summary:**

Kerry Roe fully devotes his time to providing accounting, auditing, consulting and tax services to governmental and not-for-profit organizations. Kerry has worked with organizations of many types and sizes, including social service agencies, private schools, trade organizations, churches, and membership organizations.

Kerry has performed many audits of not-for-profit organizations under the requirements of the Uniform Grants Guidance, audits of states, local governments, and not-for-profit organizations, as well as specific funder requirements such as state or local requirements. Finally, he has an understanding of IRS reporting issues for not-for-profits and can assist organizations with identifying unrelated business income tax issues and other issues that could potentially threaten their tax-exempt status. Kerry has also worked with several NFP and Governmental agencies in investigating fraud.

Kerry began his career as an auditor with the State of Ohio and is currently a member of the AICPA and Ohio AICPA.

Relevant Recent Experience:

Audits in which Kerry has served as the Engagement Shareholder within the past two years include:

Northwest City School District – CAFR
 Lucas County – CAFR
 City of Cleveland – CAFR
 City of Fairfield – CAFR
 City of Hamilton – CAFR

Sycamore Community School District – CAFR
 Fairfield City School District - CAFR
 City of Cincinnati– CAFR
 City of Cincinnati– CAFR
 City of Toledo – CAFR

Recent and Relevant Continuing Professional Education:

Pertinent continuing professional education attained within the past three years include:

Course	Sponsor	Date	Hours
Government Audit Quality Center - Annual Update	AICPA	4/28/2015	2.0
Frequently Missed Issues for A-133 Audits	CSH	11/18/2014	8.0
National Governmental & NFP Training Program	AICPA	10/20/2014	24.0
National Governmental A&A Update	AICPA	9/16/2013	18.5
National Governmental & NFP Training Program	AICPA	10/24/2012	15.0
Auditing Head Start Program as Part of Single Audit	AICPA	10/11/2012	2.0
Gov't A&A Update	CSH	9/11/2012	3.0

Larry J. Weeks, CPA
Shareholder



Assurance Services
Government Services Group

Practice Summary:

Larry Weeks' sole area of practice is providing accounting and auditing services to units of state and local governments and is a member of the firm's Government Industry Group. Prior to joining CSH in 2000, he was employed by the Auditor of State's Office for approximately nine years. Spanning over 20 years, Larry's professional experience has been spent in the specialized area of governmental accounting. He has provided various accounting and auditing services to all types of state and local governments; including state agencies, colleges, counties, municipalities and school districts.

Larry is a member of the AICPA, Ohio ACIPA, GFOA and Ohio GFOA. He has presented many topics at the Ohio GFOA annual conference and is an active reviewer for the Comprehensive Annual Financial Report (CAFR) Program through GFOA.

Relevant Experience:

Some of the audits in which Larry has served as the Engagement Shareholder include:

Central Ohio Transit Authority - CAFR	City of Tipp City – CAFR
City of Dayton – CAFR	City of Vandalia – CAFR
City of Dublin – CAFR	Clark County - CAFR
City of Piqua– CAFR	Dayton City Schools - CAFR
City of Moraine - CAFR	Central Ohio Transit Authority (COTA) - CAFR
City of Sidney – CAFR	Greene County - CAFR
City of Clayton - CAFR	

Recent and Relevant Continuing Professional Education:

Pertinent continuing professional education attained within the past three years include:

Course	Sponsor	Date	Hours
2015 Combined IPA Conference	AOS	8/21/2015	8.0
2015 OMB Compliance Supplement Guide for Single Audits	Thompson	8/5/2015	1.5
GASB Pensions: Are you ready for Audit Implementaion	AICPA	3/4/2015	2.0
Frequently Missed Issues for OMB A-133 Audits	Self-Study	10/20/2014	8.0
2014 National Gov'tal A&A Update	AICPA	10/20/2014	24.0
2013 National Gov'tal A&A Update	AICPA	9/16/2013	18.5
Ohio GFOA Annual Conference	OH GFOA	9/11/2013	15.0
Yellow Book Update - Independence	Self-Study	12/12/2012	8.0
National Gov't A&A Update	AICPA	9/20/2012	17.5
Ohio GFOA Annual Conference	OH GFOA	9/14/2012	16.5
Gov't A&A Update	CSH	9/11/2012	3.0

Continuity of Staff

Continuity of staff is a high priority for CSH. We invest heavily in our staff; both through continued technical accounting education as well as professional development and leadership training. Our professionals have a career focus in the Government industry, so our turnover in this group is very low and we are able to serve the GLWA, the Water Fund and the Sewage Fund with consistent personnel year after year.

We believe success can only be achieved through an engaged workforce. That is why our staff is specially trained to create helpful, working relationships with clients. It's a simple concept, but one that requires an ongoing commitment to professional development as well as a keen focus on staff retention.

CSH is proud of its accomplishments in this area and considers the training and development of our people a worthwhile investment. Others are beginning to notice. Our employee development program was recently recognized as a model for the industry by *Accounting Today*, the *Public Accounting Report* and *The Ohio Society of CPAs*. Our carefully tailored program empowers staff to take control of their career progression and provides a clear line of sight for employee development. The process utilizes a combination of training, real time mentoring and upward feedback. We find that this system cultivates engaged employees who take great pride in stellar service.

Work Plan and Organization

For the Audit of the Financial Statements of the GLWA, the Water Fund and the Sewage Fund for the Contract Period for the years ending June 30, 2016 through June 30, 2018. Our timetable is adjustable based on the needs of the GLWA. However, we also would prefer to accelerate completion of the audit based on the GLWA's ability to provide information to complete a draft of its financial statements.

Note: Multi-year contracts will follow similar dates, to be assumed to fall within seven (7) days of the schedule below:

- | | |
|--|-----------------|
| 1. CSH Shareholder and Principal and representatives of the GLWA hold entrance conference | Feb Y1/Aug Y2,3 |
| 2. CSH Principal provides detailed audit plan and list of schedules to be prepared by the GLWA | Feb Y1/Aug Y2,3 |
| 3. CSH Staff, Senior, and Principal completes interim fieldwork | Feb Y1/Aug Y2,3 |
| 4. CSH Principal and representatives of the GLWA hold progress conference | As Needed |
| 5. CSH Staff, Senior, and Principal begins fieldwork at the GLWA | Feb Y1/Sep Y2,3 |
| 6. GLWA finalizes accounting | Feb Y1/Sep Y2,3 |
| 7. CSH Staff, Senior, and Principal completes fieldwork | Apr Y1/Oct Y2,3 |
| 8. CSH Principal provides all recommendations, revisions and suggestions for improvement to the GLWA | Apr Y1/Oct Y2,3 |
| 9. CSH Principal provides drafts of audit reports and recommendations to the GLWA for review | Apr Y1/Oct Y2,3 |
| 10. CSH Shareholder and Principal and the GLWA hold exit conference and revised reports are provided for review and approval | Apr Y1/Oct Y2,3 |
| 11. CSH Principal delivers final report to the GLWA | Apr Y1/Oct Y2,3 |

GLWA Audit Plan and Approach

Identification of Anticipated Potential Audit Problems

Audit issues anticipated to be significant during the contract period include:

- Assist the entity with implementation of other GASB standards which have already been released as well as potential new standards.
- Determine the proper use of restricted resources held by the GLWA in various funds.
- Potential changes in the Single Audit process, including compliance requirements and modifications to the Data Collection Form, if applicable.

Specific Audit Approach

The audit approach CSH will employ on this engagement will be firmly established after determining the audit risks. While some auditing procedures are required to be performed by standards, our assessment of the audit risks associated with the financial statements, compliance with material laws and regulations, as well as compliance with requirements that could have a direct and material effect on each major program will dictate what approach is utilized.

Audit risks will be evaluated based on our understanding of the internal controls structure, policies and procedures, level of automation and oversight by management at the GLWA. Once an understanding is developed, we will document and test to the extent necessary, that our understanding of these risk factors is accurate. Outside factors influencing audit risk will also be evaluated during this process. Outside factors could include but are not limited to funding policies, local economy, regulatory environment and/or changes in financial reporting requirements.

Once audit risks, and controls established at the GLWA to mitigate these risks, have been identified, documented and assessed by senior management, audit programs will be uniquely tailored for each work segment of the audit. Shareholder involvement early in the planning process provides the insight and vision needed to assess audit risks.

Our Principals are on-site and actually manage the entire audit process to ensure appropriate issues are identified, investigated and resolved promptly. The Shareholder will be on-site to review and discuss the audit with staff, as well as the GLWA, while audit procedures are being conducted, not just at the pre-audit and/or post-audit conferences. The GLWA benefits by having our most experienced personnel actively involved throughout the entire audit process.

Audit Planning

The audit planning process includes the following:

- Update our understanding of the environment in which the GLWA operates including any changes in method(s) of funding, regulatory requirements, compliance requirements and/or changes in reporting standards and how those changes affect the GLWA.
- Consult with management of the GLWA to identify changes in goals, policies and/or operations from those of prior periods.
- Establish an understanding of the GLWA's concerns regarding financial reporting and compliance issues, including major federal programs. Inquiries of appropriate management and staff members regarding possible fraud factors will be conducted.

- Based on preliminary financial information, we will establish planning materiality thresholds to be used during our risk assessment. Planning materiality will take into consideration the results from our preliminary analytical procedures performed on the financial data.
- Significant line items (material and those not material but deemed significant due to other risk factors) will be identified based on planning materiality. For significant transactional accounts, we will document the internal controls and perform walk-throughs based on that documentation to determine controls have been implemented. Our assessment of audit risks associated with each significant line item will determine the tests of internal control elements necessary to support our planned audit approach.
- In consultation with the GLWA, we will identify those laws and regulations (federal, state, local, self-adopted) which are deemed to be direct and material to the amounts presented in the financial statements.
- Once the risk assessment is complete, audit programs and specific work scope for each significant audit segment will be developed. Areas of higher audit risk will be assigned to the most experienced audit team members. Section of items for testing will be developed.
- Finalize our overall audit plan by communicating timing of tests to be performed, sample selections and required documentation to the GLWA, preparation and distribution of necessary audit confirmations and preparing our audit planning memo which notes audit goals among other matters.

Understanding and Documenting Internal Controls

The knowledge of control activities needed to plan the audit is necessary to identify types of potential misstatements, consider factors that affect the risk of material misstatement and design substantive tests. We will identify key balances, classes or assertions for which we believe an understanding of controls is necessary.

Generally Accepted Auditing Standards require us not only to document our understanding of the internal control components but also to substantiate key controls for significant transaction classes which have been put into operation. Documentation of control components will be achieved through flowcharts, questionnaires, decision tables or memorandums as we deem appropriate. We will perform walk-throughs of significant key control components to determine they have been put into operation and are working as intended.

Where the planned assessment of internal control risk warrants, we will test an appropriate number of transactions within the appropriate class to determine if the identified key controls are working as intended. The number of control transactions tested will be determined by procedures prescribed in the *AICPA Audit Sampling Guide* based on our planned level of reliance on controls for those segments.

The *Uniform Grants Guidance* requires planned control risk over compliance with requirements that could be applicable to a major federal program to be assessed at low risk, if applicable. As such, we will perform the same procedures noted above related to controls over compliance with federal program requirements and test an adequate number of transactions to determine controls are in place and operating as intended to support the low risk assessment, if applicable.

Based on our assessment of the GLWA's operations, we would anticipate applying test of controls over the following transaction classes: payroll related disbursements, non-payroll related disbursements, utility billing and receipts and compliance with certain requirements that could have a direct and material effect on each major federal program.

Sampling

When we apply auditing procedures to less than 100 percent of the transaction class, account balance or population, audit sampling is involved. We may use sampling in four distinct types of audit tests:

- Substantive tests of details of balance sheet account balances
- Substantive tests of details of transactions
- Tests of controls
- Tests of compliance with laws and regulations

For all audit samples, we will clearly define the population, document our determination of the number of transactions/items necessary for the sample to support our test objects, select transactions/items that are representative of the population and project our sample results to the population and consider sampling risk. Typically, we utilize non-statistical sampling.

Analytical Procedures

Analytical procedures are utilized in various forms in each of our auditing segments. Planning analytics assist in identifying significant audit areas as well as providing risk information to determine the nature, timing and extent of substantive procedures for a specific line item. In the individual audit segments, changes in key financial and operational data are analyzed as a means to assessing the outcomes reported in the financial statements. Final analytics provide the final opportunity to evaluate the results of our auditing procedures in comparison with the amounts and disclosures presented in the final basic financial statements presented.

CSH has obtained and trained its personnel to use IDEA, a data analysis software program which permits historical financial data to be obtained in virtually any format (txt, PDF, excel, etc.) into the software and be manipulated quickly into the format necessary to permit effective analytical procedures to be performed. An additional benefit IDEA provides is the ability to search very large populations of data (check numbers, payees, social security numbers, etc.) to determine if any abnormalities exist within the population.

Information Technology (IT)

The GLWA's IT environment will be analyzed in two separate components: 1) the general computer control environment and 2) specific applications which affect amounts or disclosures within the basic financial statements.

General computer controls include the network security settings, ability to gain access to the network, procedures used to add or remove network access permissions and disaster recovery plans. We will interview the appropriate personnel to document the items noted above as well as perform a walk through if necessary to determine appropriate controls have been implemented to address the risks associated with these general computer controls.

Engagement Software

We have utilized Pro Systems fx Engagement for many years as the firm's paperless audit work paper system for all engagements. The documents can be provided electronically, filed within the system, and the majority of the testing procedures are set up in advance, which provides a significant time-saving benefit to our clients.

Single Audit Testing (if applicable)

In accordance with the *Uniform Grants Guidance*, we will perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support low assessed level of control risk for the assertions relevant to the compliance requirements of each major program. Furthermore, we will test the internal controls over major programs to ensure a low control risk assessment can be supported.

We will also determine if the GLWA has complied with laws, regulations and the provisions of contracts and grant agreements that may have a direct and material effect on each of the GLWA's major programs. We will utilize the OMB *Compliance Supplement* and include tests of transactions and other auditing procedures sufficient to support our opinion on compliance for the major federal programs.

Using our risk assessment of the federal programs, we will select major programs.

Once the audit is completed, we will compose the schedule of findings and questioned costs, which will be included in the financial statement package, as well as OMB Form SF-SAC, the Data Collection Form. The Data Collection Form is completed electronically; we will enter the auditor's portion of the form and the form will need electronic approval by us as the auditors and by the GLWA. We will work closely with the GLWA to ensure this form is completed and submitted in accordance with OMB regulations.

Financial Reporting

In two separate reviews of the financial statements performed by Shareholders, CSH will assess the process used to prepare those financial statements for completeness (agree to trial balance and other GLWA reports), accuracy (foot and cross-foot, tie amounts to trial balances, cross-reference to statement amounts and other documentation), as well as assessing the adequacy of the disclosures included (financial statement disclosure checklist). Any implementation of new accounting standards will be evaluated for proper presentation, disclosure and, if necessary, adjustment of prior amounts.

CSH is always available to our clients to discuss in advance, the implementation of new accounting standards into the financial statements.

Conflict of Interest

CSH affirms it and all professional personnel proposed to conduct this engagement currently are in compliance and will maintain compliance with laws and rules regarding conflicts of interest. Firm policies and procedures are in place to ensure employees are continuously aware of potential, actual or perceived conflicts of interest matters.

Peer Review Report



System Review Report

October 30, 2014

To the Shareholders of
Clark, Schaefer, Hackett & Co.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Clark, Schaefer, Hackett & Co. (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014. 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 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.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans and examinations of service organizations [Service Organizations Control (SOC)I engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Clark, Schaefer, Hackett & Co. applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014 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*. Clark, Schaefer, Hackett & Co. has received a peer review rating of *pass*.

Dixon Hughes Goodman LLP

DIXON HUGHES GOODMAN LLP

11 Brendan Way, Suite 200, Greenville, SC 29615 | T 864.288.5544 | F 864.458.8519 | dhgllp.com



CLARK SCHAEFER HACKETT
CPAs & BUSINESS CONSULTANTS

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

RFQ/PO/Contract No. GLWA-CS-132

I, being a duly authorized representative of the Clark Schaefer Hackett, ("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: Clark Schaefer Hackett
(Type or Print Legibly)

Contractor Address: Lamberville, MI, 48144
(City) (State) (Zip)

Contractor Phone/E-mail: 419-243-0218, Dclark@cshco.com
(Phone) (E-mail)

Printed Name & Title of Authorized Representative: Daniel Clark, Principal

Signature of Authorized Representative: [Signature]

Date: 12-16-16

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

Signature of Notary: Mary A. St. John

Printed Name of Seal of Notary: Mary A. St. John

Notary Public, State of Ohio
My Commission Expires 08-04-2020 /



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 Michigan

Contract/Requisition No. GLWA-CS-132

County of Wayne

I state that I am the (Title) Principal of (Name of Firm) Clark Schaefer Hackett 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) Clark Schaefer Hackett 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: [Signature]
Title: Principal

Print Name: Daniel Clark
Date: 12-16-16

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

The foregoing affidavit was acknowledged before me by DANIEL CLARK, CPA 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 16 day of DECEMBER, 2016.

[Signature]
Notary Public

My Commission Expires: Mary A. St. John
Notary Public, State of Ohio
My Commission Expires 08-04-2020

APPENDIX C
TERMS AND CONDITIONS/EXCEPTIONS CHECKLIST

RFQ/PO/Contract No. GLWA-CS-132

It is expected that all proposers will execute the form of contract attached to this RFP. However, should a proposer wish to take exception to a particular term or condition of the contract ("Exception(s)"), the proposer 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 proposer 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 C.

GLWA reserves the right, in its sole discretion, to disqualify any proposer and reject any proposal 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.

- ☒ Proposer has NO EXCEPTIONS
☐ Proposer has the Exceptions noted below

Proposer Firm Name:

Clark Schaefer Hackett

Signature of Authorized Representative:

[Signature]

Print Name:

Daniel Clark

Title:

Principal

Date:

12-16-16

#	Title	Explanation of Exception

APPENDIX D EXPERIENCE AND QUALIFICATIONS

(Complete one (1) form for each project referenced.)

PROJECT NAME:		City of Toledo Financial Statement Audit/Single Audit 2015	
CLIENT NAME (PROJECT OWNER):		City of Toledo	
CONTACT PERSON:	George Sarantou	TELEPHONE NUMBER:	419-245-1602
FAX NO.		EMAIL:	George.Sarantou@toledo.oh.gov
<p>DESCRIPTION:</p> <p>We completed the financial statement (CAFR) audit including the enterprise water, sewer and utility administrative services funds with total primary government assets approximating \$2 billion and revenue approximating \$481 million. We also completed a single audit over federal expenditures approximating \$64 million.</p>			
FOR THE PROJECT CITED, INDICATE WHETHER YOUR FIRM WAS THE PRIME CONSULTANT OR A SUBCONSULTANT:			Prime Consultant
START WORK DATE:	January 2016		
ORIGINAL PROJECT BUDGET:	\$178,500	(%) PERCENTAGE OF ORIGINAL PROJECT BUDGET:	100%
FINAL PROJECT BUDGET:	\$178,500	(%) PERCENTAGE OF FINAL PROJECT BUDGET:	100%
ORIGINAL COMPLETION DATE:	June 2016	FINAL COMPLETION DATE:	June 2016
<p>IF PROJECT BUDGET OR TIME WAS INCREASED, PLEASE EXPLAIN:</p> <p>N/A</p>			

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

PROJECT NAME:		Lucas County Financial Statement Audit/Single Audit 2015	
CLIENT NAME (PROJECT OWNER):		Lucas County	
CONTACT PERSON:	Amy Petrus	TELEPHONE NUMBER:	419-213-4343
FAX NO.		EMAIL:	Apetrus@co.lucas.oh.us
<p>DESCRIPTION:</p> <p>We completed the financial statement (CAFR) audit including the enterprise water supply system, wastewater treatment and sewer system funds with total primary government assets approximating \$847 million and revenue approximating \$484 million. We also completed a single audit over federal expenditures \$63 million.</p>			
FOR THE PROJECT CITED, INDICATE WHETHER YOUR FIRM WAS THE PRIME CONSULTANT OR A SUBCONSULTANT:			Prime Consultant
START WORK DATE:	January 2016		
ORIGINAL PROJECT BUDGET:	\$136,000	(%) PERCENTAGE OF ORIGINAL PROJECT BUDGET:	100%
FINAL PROJECT BUDGET:	\$136,000	(%) PERCENTAGE OF FINAL PROJECT BUDGET:	100%
ORIGINAL COMPLETION DATE:	May 2016	FINAL COMPLETION DATE:	May 2016
<p>IF PROJECT BUDGET OR TIME WAS INCREASED, PLEASE EXPLAIN:</p> <p>N/A</p>			

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

PROJECT NAME:		City of Cleveland Financial Statement Audit/Single Audit 2015	
CLIENT NAME (PROJECT OWNER):		City of Cleveland	
CONTACT PERSON:	Sharon Dumas	TELEPHONE NUMBER:	216-664-2536
FAX NO.		EMAIL:	Sdumas@city.cleveland.oh.us
<p>DESCRIPTION:</p> <p>We completed the financial statement (CAFR) audit including the enterprise division of water fund with total primary government assets approximating \$1.4 billion. We also completed a single audit over federal expenditures approximating \$49 million.</p>			
FOR THE PROJECT CITED, INDICATE WHETHER YOUR FIRM WAS THE PRIME CONSULTANT OR A SUBCONSULTANT:			Prime Consultant
START WORK DATE:	January 2016		
ORIGINAL PROJECT BUDGET:	\$444,000	(%) PERCENTAGE OF ORIGINAL PROJECT BUDGET:	100%
FINAL PROJECT BUDGET:	\$444,000	(%) PERCENTAGE OF FINAL PROJECT BUDGET:	100%
ORIGINAL COMPLETION DATE:	June 2016	FINAL COMPLETION DATE:	June 2016
<p>IF PROJECT BUDGET OR TIME WAS INCREASED, PLEASE EXPLAIN:</p> <p>N/A</p>			

**APPENDIX E STAFFING
PLAN SHEET**

Summary of proposer's involvement with other GLWA and non-GLWA projects.

Part 1	Contract NO.	Client Name	Involvement Time	Contract Title	Type of Involvement
Involvement Time in this Project	GLWA CS-132	GLWA	750 hours	External audit services	Prime Consultant
Other Projects (GLWA and Non-GLWA projects)		Toledo	1,100 hours	FS Audit/Single Audit	Prime Consultant
		Lucas	850 hours	FS Audit/Single Audit	Prime Consultant
		Cleveland	2,750 hours	FS Audit/Single Audit	Prime Consultant
Part 2					
<p>Explain how the commitments listed under part 1 will impact contract performance on this project:</p> <p>As the year-end for Toledo, Lucas and Cleveland is December 31, a significant portion of time is performed during preliminary fieldwork in December and January of each year with final fieldwork performed primarily in May and June of each year. Therefore, the timeline of February through April in year 1 and September through October in years 2 and 3 proposed by GLWA would not be affected by these engagements.</p>					
Part 3					
<p>Explain how the project manager's allocated percentage of time to this contract will be utilized:</p> <p>The principal will be the primary contact with GLWA and be on site a majority of the time during fieldwork to resolve any audit issues, review staff work, and technical review of financial statements and any audit comments.</p>					

APPENDIX F

STAFF EXPERIENCE MATRIX

[illegible]

3B) Proposal Response: KPMG LLP

See separate file named "3B Proposal Response from KPMG LLP"

3C) Proposal Response: Rehmann Robson

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 ; (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 ; (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 ; (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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 Email: mark.kettner@rehmann.com

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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 Email: nathan.baldermann@rehmann.com

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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 Email: mark.tschirhart@rehmann.com

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">• Preliminary fieldwork (if requested)• Availability of reasonably adjusted trial balance• Primary fieldwork• Interim audit status meetings (for larger engagements)• Draft reports/exit conference• Final reports• Presentation to board(s)/committee(s), as requested <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">• Requested downloads• Client-provided workpapers (content, format, timing, etc.)• Communication methods (phone vs. e-mail, etc.) and direction (all requests through the primary contact vs. inquiring directly of the employee responsible)
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"> • Send bank confirmation forms (completed by management) to respective financial institutions, compare confirmed balances to bank statements, and investigate discrepancies. • Consider allowability of investments in accordance with State statute and the government's investment policy. • Agree book balances to a trial balance account (or group of accounts for pooled cash systems). • 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. • Consider the appropriateness of accrued interest on certificates of deposit and investments. • Calculate Federal Depository Insurance Coverage (FDIC). • Prepare financial statement disclosures such as those concerning interest rate risk, credit risk, and concentration of credit risk.
Receivables	<ul style="list-style-type: none"> • 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. • 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. • Send confirmations for utilities receivable, pledges receivable, etc. • 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. • 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 result to the amount of the current receivable.
Inventory	<ul style="list-style-type: none"> • Compare detailed listings of items, individual cost, and extended cost to the general ledger control accounts. • 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. • Inquire about obsolete inventory.
Prepays	<ul style="list-style-type: none"> • Determine the nature of prepaid items in each general ledger account. • Recalculate prepaid balance using invoices and check vouchers and determine whether the amount was paid prior to year-end.
Capital assets	<ul style="list-style-type: none"> • Obtain rollforwards of capital asset activity. Agree beginning balances to prior year audited amounts and ending balances to general ledger control accounts. • Obtain a detailed listing of additions and agree to the rollforward. Test individually significant items by tracing to approved invoices. • Compare capital outlay expenditures to capital asset additions for reasonableness. If considered necessary, perform a search for unrecorded capital assets to audit completeness. • Agree approved capital items from board minutes to additions listing. • 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. • Obtain depreciation schedules and test the accuracy of calculation based on the selected depreciation method and useful life. • Test the accounting for and disclosure of amounts acquired through capital leases or installment purchase agreements. • Test the allocation of depreciation expense by function. • Inquire about timing of physical inventory observations, the existence of idle assets, and whether remaining useful lives are still appropriate. • Inquire about the existence of intangible assets such as usage or access rights.

	<ul style="list-style-type: none"> Consider whether amounts remain on construction contracts related to construction in progress for disclosure in the notes to the financial statements.
Payables	<ul style="list-style-type: none"> Obtain a detailed listing of the composition of general ledger control accounts and compare to year-end account balances. 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. Trace fiduciary liabilities to subsequent disbursements or detailed subledgers of amounts held by individual/entity. 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.
Accrued liabilities	<ul style="list-style-type: none"> 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. Recalculate the accrual for the employer's share of FICA taxes payable based on known rate of 7.65%. Consider the reasonableness of other fringe benefit accruals such as health insurance, retirement, and workers' compensation. 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.
Long-term debt	<ul style="list-style-type: none"> Obtain a rollforward of long-term debt activity. Compare the beginning balances to the prior year audit. Obtain amortization schedules for bonds and notes payable. Consider whether any debt covenants exist and test accordingly. Trace principal payments to the debt rollforward and the amortization schedules. Agree the current portion of long-term debt and future minimum payments of principal and interest to the amortization schedules. Determine whether new debt was approved by the governing body and issued in accordance with State statute. Determine whether there were premiums and/or discounts associated with the issuance of the debt by obtaining the

	<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"> 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.
Compensated absences	<ul style="list-style-type: none"> Obtain a detailed listing of compensated absences (accrued sick and vacation time) by employee and agree to general ledger control accounts. Obtain an understanding of compensated absences policies, such as vesting, payment rates, and maximum payouts. 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. Determine whether FICA taxes are being accrued on the year-end balance. 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. Consider the appropriateness of the expense allocation for the change in compensated absences of governmental activities. 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. Inquire about the existence of any severance agreements or termination benefits. Obtain supporting documentation and test accordingly.
Equity	<ul style="list-style-type: none"> Compare beginning equity by fund to the prior year audit, and investigate any differences. Review fund balance classifications based on the nature of the funds and board resolutions/policies (if applicable). Review net asset classifications for accuracy. Recalculate net assets invested in capital assets net of related debt.

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">• 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.• Extract the system download into a usable Excel file using Monarch or other data extraction software.• 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.• 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.
Linking	<ul style="list-style-type: none">• Use Excel PivotTables to summarize the data in the trial balance based on the assigned captions.• Use Excel's "VLookup" and "Match" functions to link the PivotTables to the actual financial statements.• 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.• Tables for the Management's Discussion and Analysis are linked to the financial statements.
Footnotes	<ul style="list-style-type: none">• Draft notes to financial statements using a current disclosure checklist to ensure completeness.• 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.

SAS 114 letter	<ul style="list-style-type: none"> • Through the audit process, the engagement team will keep a list of potential audit issues and/or internal control or efficiency recommendations. • Near completion of fieldwork, the potential items are reviewed and discussed amongst the audit team. • 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.
Other reports	<ul style="list-style-type: none"> • 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.
Detail check	<ul style="list-style-type: none"> • 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. • The audit opinion (and Yellow Book report and/or single audit report, as applicable) are compared to current professional standards for completeness and accuracy. • Any management letter comments are reviewed for clarity and appropriateness. • The preparer of these documents is then provided feedback from the independent review and follows up on questions/comments accordingly.
Technical standards review	<ul style="list-style-type: none"> • 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. • Additional technical standards reviews are conducted after fieldwork by a principal not associated with the engagement (i.e., a “cold review” of the statements).
Exit conference	<ul style="list-style-type: none"> • 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. • 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.

	<ul style="list-style-type: none"> • A working draft of the management's discussion and analysis (with information related to the audited financial statement completed already) is provided. • Any open items are summarized in written format and reviewed with the client. • The timeline for engagement completion and issuance (initially agreed-upon as part of the planning meeting) is reviewed for 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.

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

RFQ/PO/Contract No. GLWA-CS-132

I, being a duly authorized representative of the REHMANN ROBSON LLC, ("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: REHMANN ROBSON LLC
(Type or Print Legibly)

Contractor Address: 675 ROBINSON RD, JACKSON, MI, 49203
(City) (State) (Zip)

Contractor Phone/E-mail:
517-841-4889 / mark.kettner@rehmann.com
(Phone) (E-mail)

Printed Name & Title of Authorized Representative: MARK T. KETTNER, PRINCIPAL

Signature of Authorized Representative: *Mark Kettner*

Date: 12-20-16

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

Signature of Notary: *Jennifer A. Carl*

Printed Name of Seal of Notary: Jennifer A. Carl

My Commission Expires: 6 / 9 / 18

JENNIFER A. CARL
Notary Public, Jackson County, Michigan
My Commission Expires June 9, 2018

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 MICHIGAN

Contract/Requisition No. GLWA-CS-132

County of JACKSON

I state that I am the (Title) PRINCIPAL of (Name of Firm) REHMANN ROBSON LLC 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) REHMANN ROBSON LLC 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: Mark T. Kettner

Title: PRINCIPAL

Print Name: MARK T. KETTNER

Date: 12-20-16

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

The foregoing affidavit was acknowledged before me by Mark T. Kettner 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 20th day of December, 20 16.

Jennifer A. Carl
Notary Public

My Commission Expires: 6 / 9 / 18

JENNIFER A. CARL
Notary Public, Jackson County, Michigan
My Commission Expires June 9, 2018

APPENDIX C
TERMS AND CONDITIONS/EXCEPTIONS CHECKLIST

RFQ/PO/Contract No. GLWA-CS-132

It is expected that all proposers will execute the form of contract attached to this RFP. However, should a proposer wish to take exception to a particular term or condition of the contract ("Exception(s)"), the proposer 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 proposer 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 C.

GLWA reserves the right, in its sole discretion, to disqualify any proposer and reject any proposal 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.

- ☒ Proposer has NO EXCEPTIONS
☐ Proposer has the Exceptions noted below

Proposer Firm Name: REHMANN ROBSON LLC

Signature of Authorized Representative: _____

Print Name: MARK T. KETTNER

Title: PRINCIPAL

Date: 12-20-16

#	Title	Explanation of Exception

December 20, 2016

Great Lakes Water Authority
Financial Services Group – Procurement
735 Randolph, Suite 1508
Detroit, Michigan 48226

Re: Statement of No Conflict of Interest

Rehmann Robson LLC and its employees and owners do not have conflicts of interest relative to the Great Lakes Water Authority and will avoid any actual or perceived conflicts of interest in the future during the proposal holding period and through the term of any audit contract (and extensions thereof).

Respectfully submitted,

Rehmann Robson LLC



Mark T. Kettner, CPA, CGFM
Principal

**4A) Fee and Hours Summary:
Pre-Interview Detailed Hours Review**

GLWA-CS-132 Detailed Hours Breakdown

	Year 1		
	CSH	Rehmann	KPMG *
Planning hours	235	88	1,015
Fieldwork	365	1,256	2,055
Single audit fieldwork	75	24	*
Partner review	75	156	80
Grand total hours	750	1,524	3,150

	Year 2		
	CSH	Rehmann	KPMG *
Planning hours	120	20	550
Fieldwork	365	904	1,178
Single audit fieldwork	75	16	*
Partner review	75	60	65
Grand total hours	635	1,000	1,793

	Year 3		
	CSH	Rehmann	KPMG *
Planning hours	120	20	527
Fieldwork	365	904	1,171
Single audit fieldwork	75	16	*
Partner review	75	60	5
Grand total hours	635	1,000	1,703

Notes:

* KPMG broke hours out differently than the other 2 firms including:

Substantive work is noted but there is no mention of single audit fieldwork where tests of compliance should be conducted.
The fieldwork hours includes approximately 400-550 hours of time that is referenced as completion time where findings are accumulated.

Note 1: The following staff levels will be performing the fieldwork at each firm:

CSH noted Partner, Senior and Staff time, only. Partner time is minimal or non-existent for fieldwork. Partner review includes up to 3 partners/shareholders.
Rehmann noted Partner, Senior Manager, Manager, Senior, and Staff time. Senior Manager and Manager time includes 550-560 hours of fieldwork. Partner review includes 2 partners.

KPMG noted Partner, Manager, Senior and Staff time. There is 80 hours of Manager time included in fieldwork and another 60-80 hours of Manager time included in fieldwork for completion of findings. Partner review includes 5 partners, 3 partners, and then 2 partners reviewing for year 1, 2, and 3 respectively.

**4B) Fee and Hours Summary:
Post-Interview Detailed Hours and Fees Review**

GLWA-CS-132 Detailed Cost Breakdown

	Year 1			
	CSH	Rehmann	KPMG *	
Planning hours	235	88		1,015
Planning cost	\$ 52,000.00	\$ 30,800.00	\$ 212,225.00	
Planning average rate	\$ 221.28	\$ 350.00	\$ 209.09	
Fieldwork	365	1,256	2,055	
Fieldwork cost	\$ 46,500.00	\$ 239,800.00	\$ 394,050.00	
Fieldwork average rate	\$ 127.40	\$ 190.92	\$ 191.75	
Single audit fieldwork	75	24	*	
Single audit cost	\$ 9,500.00	\$ 8,400.00	\$ -	
Single audit average rate	\$ 126.67	\$ 350.00	\$ -	
Partner review	75	156	80	
Partner review cost	\$ 17,000.00	\$ 54,600.00	\$ 24,000.00	
Partner review average rate	\$ 226.67	\$ 350.00	\$ 300.00	
Grand total hours	750	1,524	3,150	
Grand total cost	\$ 125,000.00	\$ 333,600.00	\$ 630,275.00	
Grand total average rate	\$ 166.67	\$ 218.90	\$ 200.09	

	Year 2			
	CSH	Rehmann	KPMG *	
Planning hours	120	20	550	
Planning cost	\$ 27,000.00	\$ 7,000.00	\$ 113,950.00	
Planning average rate	\$ 225.00	\$ 350.00	\$ 207.18	
Fieldwork	365	904	1,178	
Fieldwork cost	\$ 46,500.00	\$ 164,900.00	\$ 220,645.00	
Fieldwork average rate	\$ 127.40	\$ 182.41	\$ 187.30	
Single audit fieldwork	75	16	*	
Single audit cost	\$ 9,500.00	\$ 5,600.00	\$ -	
Single audit average rate	\$ 126.67	\$ 350.00	\$ -	
Partner review	75	60	65	
Partner review cost	\$ 17,000.00	\$ 21,000.00	\$ 18,850.00	
Partner review average rate	\$ 226.67	\$ 350.00	\$ 290.00	
Grand total hours	635	1,000	1,793	
Grand total cost	\$ 100,000.00	\$ 198,500.00	\$ 353,445.00	
Grand total average rate	\$ 157.48	\$ 198.50	\$ 197.12	

	Year 3			
	CSH	Rehmann	KPMG *	
Planning hours	120	20	527	
Planning cost	\$ 27,000.00	\$ 7,200.00	\$ 107,095.00	
Planning average rate	\$ 225.00	\$ 360.00	\$ 203.22	
Fieldwork	365	904	1,171	
Fieldwork cost	\$ 46,500.00	\$ 169,420.00	\$ 218,675.00	
Fieldwork average rate	\$ 127.40	\$ 187.41	\$ 186.74	
Single audit fieldwork	75	16	*	
Single audit cost	\$ 9,500.00	\$ 5,760.00	\$ -	
Single audit average rate	\$ 126.67	\$ 360.00	\$ -	
Partner review	75	60	5	
Partner review cost	\$ 17,000.00	\$ 21,600.00	\$ 1,425.00	
Partner review average rate	\$ 226.67	\$ 360.00	\$ 285.00	
Grand total hours	635	1,000	1,703	
Grand total cost	\$ 100,000.00	\$ 203,980.00	\$ 327,195.00	
Grand total average rate	\$ 157.48	\$ 203.98	\$ 192.13	

Notes:

* **KPMG** broke hours out differently than the other 2 firms including:

Substantive work is noted but there is no mention of single audit fieldwork where tests of compliance should be conducted. The fieldwork hours includes approximately 400-550 hours of time that is referenced as completion time where findings are accumulated.

Note 1: The following staff levels will be performing the fieldwork at each firm:

CSH noted Partner, Senior and Staff time, only. Partner time is minimal or non-existent for fieldwork. Partner review includes up to 3 partners/shareholders.

Rehmann noted Partner, Senior Manager, Manager, Senior, and Staff time. Senior Manager and Manager time includes 550-560 hours of fieldwork. Partner review includes 2 partners.

KPMG noted Partner, Manager, Senior and Staff time. There is 80 hours of Manager time included in fieldwork and another 60-80 hours of Manager time included in fieldwork for completion of findings. Partner review includes 5 partners, 3 partners, and then 2 partners reviewing for year 1, 2, and 3 respectively.

**5A) Post Interview Documents Distributed – Follow-up Questions & Answers:
Clark Schaefer Hackett**

GLWA-CS-132 External Auditing Services
Audit Committee Interview – Follow-up questions for Clark, Schaefer, Hackett

Following the Oral Interviews on Wednesday, December 28, 2016, the Audit Committee has the following questions for your firm:

1. In reference to minimum requirements: “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, (a minimum of two (2) audit engagements).”, please provide details supporting this requirement and provide contact information for clients that fill this requirement.

We have performed annual independent audits for the City of Cleveland since 2010 with the most current year completed being year-ended December 31, 2015, which was due 6 months after their year-end. For 2015, we audited and issued our report dated June 28, 2016 over cash receipts for their water and water pollution control funds of \$301m and \$283m, including \$237m billed on behalf of others, respectively, totaling \$584m. For 2014, we audited and issued our report dated June 24, 2015 over cash receipts for their water and water pollution control funds of \$303m and \$261m, including \$238m billed on behalf of others, respectively, totaling \$564m. For years 2010 through 2013, similar cash receipts exceeding \$500m were audited and issued by the 6-month deadline. Please contact Sharon Dumas, Director of Finance for the City of Cleveland, at 216-664-2536 with any questions.

We have also performed annual independent audits for the City of Cincinnati for 10 years with the most current year completed being year-ended June 30, 2013, which was due 6 months after their year-end. Total annualized entity-wide revenue equaled \$791m which included \$142m of annualized utility revenue. Please contact Mark Ashworth, Superintendent of Accounts and Audits for the City of Cincinnati, at 513-352-2570 with any questions.

We have also performed annual independent audits for the City of Toledo since 2009 with the most current year completed being year-ended December 31, 2015, which was due 6 months after their year-end. Total entity-wide revenue equaled \$481m which included \$163m of utility revenue. Please contact George Sarantou, Director of Finance for the City of Toledo, at 419-245-1602 with any questions.

During the first 6 months of the 2011 calendar year for the fiscal year-ended December 31, 2010, we audited simultaneously the 5 largest cities in the state of Ohio including the City of Cleveland, the City of Cincinnati, the City of Columbus, the City of Dayton, and the City of Toledo. Due to the Ohio Auditor of State mandatory roll-off after 10-years, we no longer service the City of Columbus (5-year contract ended for FY11), the City of Cincinnati (10-year contract ended for FY13), or the City of Dayton (5-year contract ended for FY10).

2. In reference to minimum requirements: “The assigned partner must have at least ten (10) years of recent experience auditing similar engagements, including Single Audits.”, please describe details supporting Daniel Clark’s experience to meet this requirement.

Daniel Clark began his career in public accounting in January 2006 working on county, school district, state college, library and utility audits which included Single Audits as a staff/in-charge from 2006 until 2010. As a manager/principal, Daniel has supervised and managed county, school district, special purpose governmental entity, and city audits including their water and sewer utility departments and Single Audits from 2011 through the present with total utility and Single Audit experience of 11 years. While Daniel will manage the day-to-day operations of the audit, Kerry Roe is the assigned shareholder who has over 25+ years of public accounting experience working with governmental entities including county, school district, and city audits including their water and sewer utility departments and Single Audits.

3. Describe your firm’s experience in developing a Service Organization Control report to assist GLWA (as a separate engagement) in its agency relationship for billings and collections. Please limit to one page attaching resumes of staff that could be assigned.

Since 1938, we have been providing accounting, tax and technology services to the business community. During those years, the firm became one of the largest public accounting firms in the United States, delivering outstanding value-added services for a fair and reasonable price. Integrity, quality, respect, and innovation have all been values that our CPA firm provided to their client over those many years and continues today. Over the years, we became a founding member of AGN International which is an association of CPA firms throughout the United States and around the world. This membership gives us all the advantages of a national firm but with the more personal service approach of a regional firm. Out of this success, 2003 saw the founding of a separate organization, Clark Schaefer Consulting. Our affiliate was established with a focus on serving the largest and fastest growing companies in our marketplace. They were designed from our foundation to perform scalable, customized solutions in accounting, control and technology services to the business community. Over these years, our affiliate has become known for delivering outstanding value-added services for a fair and reasonable price. To provide guidance to our approach for consulting, they hold professional affiliations which include AIPCA, IIA, ISACA, ISC, and ISSA.

We will structure the Service Organization Control based on management’s assertions and developing and understanding the following:

- Overview of operations,
- Relevant aspects of the control environment,
- Risk assessment and monitoring,
- Financial application controls,
- Billing procedures,
- New account setup,
- Payments,
- Distributions,
- General EDP controls, and
- Complementary user entity controls

We will then perform assessments related to the following control objectives:

- IT governance,
- IT logical access,
- Operating system maintenance and change control,
- Application maintenance and change control,
- Computer operations,
- Backup,
- Physical security,
- Completeness of input,
- Transaction occurrence,
- Accuracy of input, and
- Customer remittance.

Finally, we will issue an independent service auditor's report issued by us using resources from Clark Schaefer Consulting.

Sarah Ackerman serves as the technology service line Director at Clark Schaefer Consulting, Sarah provides them with extensive experience and knowledge regarding information security, IT audit, and other technology and control related services. Sarah applies a disciplined approach to managing their consultants on a wide variety of information security and controls projects in accordance with industry "best practice" standards. Providing technical expertise balanced with a risk-based approach, Sarah seeks to align business goals of clients with their technical strategic initiatives. Using teamwork and innovation, Sarah's work in security operations has resulted in a proven track record of success in identifying system control weaknesses, protecting information assets, and leading clients to successful organizational changes. She is well versed in internal controls and has successfully served in a variety of roles including consulting, risk management, and internal audit. Sarah is a Certified Information Systems Auditor and a member of the Cincinnati chapters of ISACA and the Institute of Internal Auditors.

Seth Rensberger serves as the Director of Governance, Risk & Control services and is responsible for the overall engagement quality and performance of the services they provide to GLWA. He oversees the progress and completion of projects, ensuring that client objectives are met at every step in the process. Seth has significant experience providing compliance, internal audit, risk management, IT audit, Sarbanes-Oxley and project management services for a wide range of clients within an extensive selection of industries. He is well versed in internal controls and has successfully served in a variety of roles including consulting, risk management, and internal audit. As a CPA, CISA and CISM, Seth applies a disciplined approach to managing projects in accordance with industry best practices, with an in-depth knowledge of a variety of frameworks, regulations, and standards. Providing technical expertise balanced with risk-based methodologies, Seth seeks to align business goals of clients with their technical strategic initiatives.

4. Please describe the scope of services in drafting and processing the financial statements and footnotes that is included in your proposal.

We will assist with the preparation of the financial statements by providing guidance and examples over note disclosures, new GASB pronouncements, and other guidance as deemed necessary. Our anticipation is that GLWA staff would prepare the financial statements and

footnotes in draft form which would be reviewed first in detail by the Principal to ensure clarity and accuracy of the report and then further by the Shareholder and the Concurring Shareholder in a two-level review process to provide further suggestions and comments prior to issuance of the report.

As time is of the essence for selecting a source for this project, please send your responses via email to Joan Byrne @ joan.byrne@glwater.org by the end of business on Tuesday, January 3, 2017.

Thank you in advance for your timely response!

5B) Post Interview Documents Distributed – Follow-up Questions & Answers:
KPMG LLP

GLWA-CS-132 External Auditing Services
Audit Committee Interview – Follow-up questions KPMG

Following the Oral Interviews on Wednesday, December 28, 2016, the Audit Committee has the following questions for your firm:

1. How will KPMG's knowledge and experience from being the predecessor auditor of the City of Detroit (which included DWSD) affect the time and effort necessary to perform the GLWA audit?
 - a. In accordance with professional standards, once we begin audit work, perform our planning procedures, and evaluate the "accounting playbook" and "G/L scrub" we will develop a detailed audit plan. The detailed audit plan will include our approach to testing all significant accounts and disclosures. Our past knowledge and experience will expedite the process to create the detailed audit plan because we already have an understanding of several of your key account streams. Examples of areas where our previous understanding will likely expedite the development of an audit plan include, capital assets, construction-in-progress, net asset restrictions/flow of funds, debt, pensions, and revenue/accounts receivable. In addition to expediting the development of a detailed audit plan, depending on the planned audit approach for each area, it is possible that we will be able to leverage our prior workpapers to provide some evidence over certain financial statement assertions and related audit objectives. An example where leveraging our prior work might be possible is the existence assertion for capital assets.
2. Which personnel from the previous City of Detroit (including DWSD) audit team including Managers, Seniors, and Staff are proposed team members for the GLWA audit?
 - a. Currently, Joe Kowalski, Jack Mason, and Shawn Warren were all members of the team that previously served the City of Detroit and are proposed to serve GLWA. In regards to seniors and staff, we have not specifically assigned seniors and staff to this opportunity yet. If we are awarded the engagement, we will begin the process to assign seniors and staff immediately upon award and will have the resource assignment process completed prior to the start of fieldwork. All of our seniors and staff will be appropriately trained and supervised.
3. Provide details of the hours per task per staff member that participated in the City of Detroit (DWSD) audit proposed to participate in the GLWA audit should KPMG be selected.
 - a. We previously included a breakdown of the hours per task per person in the detailed cost breakdown. Currently, the relevant proposed engagement team members include Joe Kowalski, Jack Mason, and Shawn Warren.
4. We understand that there were delays in issuing the audit reports for 2014 and 2015. Did KPMG increase fees for these two (2) audits?

- a. We agreed to fees at the start of each audit for 2014 and 2015 and did not increase fees during or after the audits.
- 5. Based on the subject matter experts and benchmark information, KPMG's hours are materially higher than expected for each year. This suggests that there is a duplication of efforts or contingencies included in KPMG's projected hours. Please comment.
 - a. KPMG has not included a duplication of efforts or contingencies in our estimates of hours for each year's audits. Year 1 includes performing audit procedures over the opening balance sheet, 6-month operating period, and ending balance sheet for two opinion units (i.e. water and sewer) along with an audit of the federal program. Our estimate is based on our experiences with other similar organizations around the Country and was not influenced by any prior difficulties in the DWSD audit. It is our experience that Year 1 audits typically require significant additional effort as compared to ongoing audits. The Year 1 estimate anticipates performing procedures over all significant accounts and disclosures, the accounting playbook and G/L scrub activities. The Year 1 estimate also anticipates performing procedures over the GLWA internal control environment and the internal control procedures including fraud related controls and information technology general controls. Year 1 will include creating audit documentation for all of these matters for the first time and it will be customized to GLWA's specific circumstances.
 - b. The estimate for Year 2 assumes there will still be two opinion units and a federal program audit. The hours were greatly reduced over the Year 1 estimate. Many efficiencies will be gained over Year 1 since we will have performed significant amounts of documentation that can be carried forward. Additionally, it will not be necessary to perform an opening balances audit. Considering the life cycle of GLWA, our Year 2 estimate assumes that certain processes and internal controls will have evolved since Year 1 and will require updating of the related audit documentation.
 - c. The estimate for Year 3 assumes there will still be two opinion units and a federal program audit. Considering the life cycle of GLWA, our estimate for Year 3 assumes certain processes and internal controls will have evolved since Year 1 and Year 2 and will require updating of the related audit documentation. Based on our current understanding of GLWA's life cycle and planned activities, we anticipate that Year 3 to Year 4 (Year 4 is not included in proposal) will be more of a steady state for GLWA in terms of accounting, financial reporting, technology, and internal controls.
- 6. Please comment on the proposed level of effort assigned to the wrap up stage (final evaluation of findings) since it appears to be material to the total number of project hours.
 - a. In our breakdown of hours for each phase, we included supervisory review of workpapers and the related editing of those workpapers by seniors and staff in the wrap up phase simply for categorization purposes. In fact, those review and editing activities occur throughout the duration of the audit at each phase but were accumulated into the evaluation phase for categorization purposes.

7. Please describe the scope of scope of services in drafting and processing the financial statements and footnotes.
 - a. Our proposal contemplates the scope of services as described in the RFP. We are anticipating that GLWA will provide a draft of the financial statements. At a point in the audit that is convenient and agreeable to both parties, we will be ready to conduct the processing and production of the financial statements as long as we follow applicable professional standards in the delivery of those services. We are anticipating using Microsoft Word and Excel for the financial statements and notes and will provide those files along with final files for the opinion and basic financial statements in Adobe pdf format. There are no additional fees for providing this service.
8. Describe your firm's experience in developing a Service Organization Control report to assist GLWA (as a separate engagement) in its agency relationship for billings and collections. Please limit to one page attaching resumes of staff that could be assigned.
 - a. Please see attached statement of qualifications and related resumes.
9. Please provide names and contact information (phone and email) for all references listed under "Experience and Qualifications" in your proposal.
 - a. Please see attached references document.

As time is of the essence for selecting a source for this project, please send your responses via email to Joan Byrne @ joan.byrne@glwater.org by the end of business Tuesday, January 3, 2017.

Thank you in advance for your timely response!

Control Identification and Testwork over Oracle Billing System to support Financial Statement Audit

We are the external auditors for the largest municipal power and utility organization in the US. The client has recently implemented Oracle Customer Care and Billing (CC&B) Solution for both water and power services. The solution is used across multiple collection centers of the organization. The solution is used to identify, raise, collect and account for utility billing of approximately 1.4 million customers of the organization, and hence plays an important role in revenue recognition of the organization.

As part of the external audit and single audit, KPMG team worked with the management to identify key risks in the billing process, and further controls, IT or manual to mitigate the risks. The controls were then tested for both design and operating effectiveness. Key activities involved in audit included:

- Identification of key IT controls within the CC&B system
- Testing of both IT application controls and the supporting IT general controls
 - Walkthroughs with various process owners to identify key automated controls and manual/IT dependent controls supporting the revenue cycle at LADWP
 - Identification of key risk points and the controls the Organization put in place to address the risks. Some of the risks identified focused on meter readings, interfaces, bill calculation, high/low billing flags, and access to key billing configurations and functions.

The following team members were involved in the audit of CC&B:

1. Dee Dee Owens – ITA Partner
2. Maribel Korona – ITA Director
3. Louie Barraza – ITA Associate



DEE DEE OWENS

Partner

KPMG LLP
550 S Hope Street, Suite 1500
Los Angeles, CA, 90071

Tel 213-955-8330
Fax 213-403-5607
Cell 678-777-7897
zowens@kpmg.com

Function and Specialization

Dee Dee is a Managing Director in KPMG's Los Angeles office. She specializes in providing risk management and technology services to healthcare and state and local government clients.

Representative Clients

- City of Los Angeles, Office of the Controller
- Los Angeles Department of Water and Power
- Metropolitan Water District
- MTA
- University of California
- City of Long Beach

Professional Associations

- AICPA
- Governing Board Member, Institute of Internal Auditors - Los Angeles Chapter
- Association of Healthcare Internal Auditors
- Local KPMG Los Angeles Representative, ISACA

Languages

- English

Education, Licenses & Certifications

- Bachelors, Accountancy
- Certified Public Accountant
- Certified Information Systems Auditor
- Six Sigma Green Belt

Background

Dee Dee is a Partner in KPMG's Los Angeles office with over 15 years of experience serving clients across the full spectrum of governance, risk and compliance (GRC), including internal audit (both IT and operational), risk assessments, system development governance and quality assurance, financial statement attestation support, third party reporting and privacy and security.

Professional and Industry Experience

Dee Dee started her career in finance and accounting operational roles, including general accounting and financial reporting, inventory control and accounts payable. She transitioned into information technology by leading ERP implementation teams, with a focus on finance and security and controls work streams, including business process redesign. Her experience in operational and technology roles allow her to discuss information technology risks with a focus on business impact. Dee Dee has substantial experience leading and coordinating large engagements and specializes in the healthcare and state and local government industries

Internal Audit and Sarbanes Oxley Services

- Provided outsourced IT internal audit services engagements
- Provided Internal Audit co-sourcing services for several public sector contracts and healthcare organizations
- Managed the risk assessment processes to assist in the development of the annual audit plan and led the development of a comprehensive IT audit universe tool used to assess risk across an organization to drive focus on higher risk areas.
- Performed a series of special projects focusing on emerging regulatory issues in the healthcare industry, including HIPAA, Meaningful Use, ICD-10, Medical Loss Ratio, etc.

IT External Audit Services

- Led the IT testing work stream for CC&B Billing System of the largest municipal utility company
- Led the IT testing work stream in support of integrated audits, GAGAS audits and the A-133

Pre and Post Implementation Reviews and Quality Assessment Services

- Led a series of project quality assessments and pre/post implementation reviews in a variety of industries and technologies
- Led the controls integration team on a large SAP implementation

Publications and Speaking Engagements

- Speaker, ISACA Spring Conferences, ISACA SOX Committee
- Speaker, IIA Chief Auditor Share Forum and Quarterly Meetings

Other Activities

- Governing Board Member, IIA Los Angeles



MARIBEL KORONA

Director

KPMG LLP
20 Pacifica
Irvine, CA 92618

Tel 213-955-8445
Fax 213-947-4809
Cell 626-274-5414
mtomenis@kpmg.com

Function and Specialization

Maribel is a Director in KPMG's Los Angeles Risk & Controls practice with over ten years of Sarbanes-Oxley 404 compliance audit experience. She has assisted various clients in the government, retail, healthcare, manufacturing, distribution, and banking industries in dealing with risk management challenges in information systems and technology.

Representative Clients

- LADWP
- American Honda Motor., Co.
- Reliance Steel & Aluminum Co.
- Clean Energy

Professional Associations

- ISACA

Education, Licenses & Certifications

- BA degree in Business Administration – Focus on Computer Information Systems
- CISA

Background

Prior to joining KPMG LLP, Maribel was an intern on the PeopleSoft Implementation project at California Polytechnic University in Pomona, CA. She received a Bachelor of Science degree, graduating with Magna Cum Laude from then California Polytechnic University Pomona, CA. She has also undertaken several training courses in SAS 70, BSC Base Methodology, and SAP Security and Controls Audit.

Professional and Industry Experience

Maribel has provided Information Technology (IT) internal and external audit services to clients in the utility, government, retail, healthcare, manufacturing, distribution, and banking industries. She has assisted clients in dealing with risk management challenges in information systems and technology.

IT Systems Implementation

- Led the testing of CC&B Billing system automated and general controls for the largest municipal utility organization.
- Planned and performed information security and control reviews relating to financial statement audits and audits of internal control over financial reporting.
- Performed database conversion review from a legacy HRS application to PeopleSoft v8.3. Analyzed and reviewed the data conversion process of the employee personal data to support the actuarial calculations for pension liability and routine payroll processing to determine if controls had been established and if those controls were operating effectively as management intended.

Project/Program Assessments

- Directed KPMG staff in reviewing risks and controls related to the implementation of new systems.

Internal Audit Support

- Performed GLBA and BCP reviews
- Performed security, regulatory compliance, and process controls assessment – Assessed the design of the planned target state online banking portal to leading practices related to the security and privacy of customer information, regulatory requirements, system availability (disaster recovery plans), and the controls within supporting business processes.
- Performed control rationalization to identify key IT controls
- Performed tests of design and tests of operating effectiveness
- Identified control gaps
- Reviewed and prepared Sarbanes-Oxley 404 IT general control and IT application control documentation.
- Directed KPMG staff who performed integrated audits
- Create and manage budgets
- Planned IT audit programs using the top-down, risk-based approach, considering impact of IT entity level controls, service organizations, work of others, and budgeting
- Reviewed test of IT general controls and IT application controls
- Evaluated SSAE 16 reports
- Evaluated deficiencies.

Technical Skills

- Applications: Microsoft Office Suite® – Word®, Project, Visio, Excel®, Access®, PowerPoint®, PeopleSoft®, Oracle®, SAP™, JD Edwards®, eSTELplan, and Great Plains Operating Systems: Familiar with OS/390, AS400, UNIX, SQL, RACF, VMS, and Windows NT/2000

Other Activities

- Active Member of KPMG's Family for Literacy program

- Active Member of KPMG's KPMG Network of Women (KNOW)

EXPERIENCE AND QUALIFICATIONS

(Complete one (1) form for each project referenced.)

PROJECT NAME	Financial Statement Audit				
CLIENT NAME (PROJECT OWNER)	Jobsohio				
CONTACT PERSON:	Kevin Giangola, CFO	TELEPHONE NUMBER	614-300-1369		
FAX NO.		EMAIL:	giangola@jobs-ohio.com		
DESCRIPTION:					

PROJECT NAME	Financial Statement Audit				
CLIENT NAME (PROJECT OWNER)	Minnesota Municipal Power Authority				
CONTACT PERSON:	David Niles, CFO	TELEPHONE NUMBER	612-252-6531		
FAX NO.		EMAIL:	David.niles@avantenergy.com		
DESCRIPTION:					

PROJECT NAME	Financial Statement and Single Audit				
CLIENT NAME (PROJECT OWNER)	Metropolitan Water District of Southern California				
CONTACT PERSON:	Gerald Riss, General Auditor	TELEPHONE NUMBER	213-217-6358		
FAX NO.		EMAIL:	griss@mwdh2o.com		
DESCRIPTION:					
PROJECT NAME	Financial Statement and Single Audit				
CLIENT NAME (PROJECT OWNER)	City of Detroit, Michigan				
CONTACT PERSON:	Mark Lockridge, Auditor General	TELEPHONE NUMBER	313-224-4558		
FAX NO.		EMAIL:	markl@detroitmi.gov		
DESCRIPTION:					

**5C) Post Interview Documents Distributed – Follow-up Questions & Answers:
Rehmann Robson**



Following are our answers to the Authority's interview follow-up questions:

1. Describe your firm's experience in developing a Service Organization Control report to assist GLWA (as a separate engagement) in its agency relationship for billings and collections. Please limit to one page attaching resumes of staff that could be assigned.

Rehmann has a subgroup that specializes in providing internal control services, including Service Organization Controls (SOC) reports (and related assistance such as readiness assessments). These SOC report services include the service organization perspective of testing and reporting on the controls of the service organization or from the perspective of a user of a service organization. Under AICPA standards, these reports (and the underlying procedures necessary to prepare those reports) on the controls of service organizations are categorized as SOC 1, SOC 2 and SOC 3 (with two types of engagement, 1 and 2, under SOC 1 and SOC 2).

One or more of the SOC team members (being Kirk Balcom, Magdalena Marriott or Brian Kennedy), along with Mark Kettner, can discuss your specific needs and tailor the correct engagement or assistance needed in the circumstances, as opposed to guessing exactly what you may need/want in this description. We can, however, confirm to you that we are experienced with each type of SOC report and, more so, have great depth of expertise with internal control auditing and systems design, including in a regulated utilities environment that has billings and collections as a key area.

It is normal for a SOC (or other) controls engagement to include an information technology (IT) component, as we all know that computers are integral to virtually all enterprise systems. Accordingly, along with the resumes for the SOC specialists, we have included the resume for our IT audit principal (Jessica Dore) and one of her staff.

Following our appointment as the Authority's auditors, we can set a date/time for our SOC team to meet with you to lay out the parameters of an engagement that will specifically meet your needs. We would expect that meeting to be at your convenience (whether you want to start right away or a later date).

We can provide references for our SOC experience, at your request.

2. Please describe your scope of services in drafting and processing the financial statements and footnotes that is included in your proposal.

We believe that we are far more efficient at preparing CAFRs (and other separate financial statements) than our clients, who only do it once a year. Inasmuch as preparing financial statements is specifically cited in the Yellow Book as a permitted nonaudit service that does not necessarily impair independence, we propose that we prepare the CAFR (and the separate reports) using our proprietary approach with Microsoft Excel, which provides much of our efficiency. The Authority will still need to prepare the transmittal letter, MD&A and statistical section (although we will provide templates populated with current balances), along with portions of the footnotes such as capital asset schedules, cash and investment disclosures, and the like which are basically tied directly to the audit work papers the Authority will already be preparing. Also, the Authority will need to print however many paper copies of the CAFR it wishes to have (although we recommend going entirely with PDFs); we will provide paper copies of the separate reports.

An overview of our process is as follows

- a. Obtain a download of the trial balance (TB).
- b. Input “coding” or “mapping” to indicate which accounts are to be grouped together.
- c. Prepare a set of PivotTables that is the link between the TB and financial statements (FS).
- d. Take a similar audit report file (that has the linking formulas to the PivotTables) and customize it for the Authority (both the CAFR and separate reports). For this purpose, one Microsoft Excel file will be used to produce all of the reports, from cover to cover.
- e. The same TB coding and PivotTables will be used to generate the lead sheets that we use for the audit procedures.
- f. Adjustments will be posted to the TB as they occur (whether auditor or client prepared) and sections of the notes are completed as the corresponding audit area is finished (such as cash, capital assets, debt, etc.).
- g. The reports are finished following the conclusion of the fieldwork and then the review and approval process is completed.

Often, we provide the template to the client, along with instructions, to aid with its review and approval process, as well as to use for its own interim reporting. And, the great thing about being in Microsoft Excel, is that everyone has the software and knows how to use it (although we tend to bring our clients up to a new level of understanding and usage through our templates).

As stated in our proposal, we offer to prepare the CAFR and separate reports as described above at no additional cost. Why would we do this? We do it because we find that our overall time investment is actually somewhat lower when we prepare the financial statements and our client reviews them (as opposed to when the client prepares the financial statements and we review them) and we have a higher level of comfort knowing that we control the amounts and disclosures through the issuance process. The fact that this approach is a tremendous time-saver for client staff is an extra reward for both of us! Clients that experience this approach for the first time are almost amazed at the ease with which we can make changes upon request (often while they watch), and the efficiency of the process.

Kirk S. Balcom, CIA, CISA, CFE

Principal



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Areas of Service

- Service Organization Controls
- Sarbanes-Oxley Project Leadership
- Operational Auditing
- Information Systems Auditing
- Risk Assessment
- Quality Assessments of Internal Audit

Current Position

Kirk is a Principal of Rehmann's Service Organization Controls, Internal Audit and Internal Control Consulting services within Enterprise Risk Management. He is based in our Jackson office location.

Experience

Kirk's Internal Auditing career began in 1976 and has included leading internal control risk assessments for financial, operational, or compliance areas. His most recent client work includes Service Organization Controls (SOC), Sarbanes-Oxley compliance, risk assessment, internal controls consulting, contract compliance, internal audit, and external quality assessment work in the higher education, insurance, manufacturing, healthcare, and financial institution industries. Kirk is very experienced with using the Committee of Sponsoring Organizations (COSO) Internal Control-Integrated Framework to help Securities and Exchange Commission clients and other organizations assess and enhance their internal control systems. He is also very experienced with the Control Objectives for Information and related Technology (COBIT) Framework to help clients assess and enhance their information technology controls. Kirk's work focuses on key business risks and often results in cost savings and cash recovery opportunities for his clients. Prior to joining the firm in 2003, Kirk was a team leader for Sarbanes-Oxley Section 404 (internal controls over financial reporting) project deliverables at an \$18 billion dollar combination gas and electric utility company. He also performed operational, contract, financial, information systems, joint venture, and international auditing for the utility.

Education

Kirk is a graduate of Iowa State University with a Bachelor of Science in Accounting. He is a Certified Internal Auditor, a Certified Information Systems Auditor, a Certified Fraud Examiner, and has achieved Accreditation in Internal Quality Assessment Validation as established by The Institute of Internal Auditors.

Professional Organizations

- Institute of Internal Auditors – Detroit Chapter
- Information Systems Audit and Control Association – Detroit Chapter
- Association of Certified Fraud Examiners

Magdalena Marriott, CPA, MBA, CISA

Principal



Contact Information

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Email: magdalena.marriott@rehmann.com

Areas of Service

Financial Services

Internal Audit

Audit, Assurance, and SEC Services

Current Position

Magdalena is a Principal in Rehmann's Southeast Michigan region and is a member of the Firm's Financial Services practice, offering external audit, internal audit and internal controls services.

Experience

Magdalena joined Rehmann in 2014 and has over 20 years of experience in public accounting. Most recently, she served as SVP and Assistant Corporate Controller at Zions Bancorporation, a \$56 billion bank holding company operating in the Western United States. She was responsible for accounting policy and technical accounting research for complex transactions and financial instruments. She prepared earnings releases, 10-K/10-Q filings, and authored comment letters to the FASB regarding proposed accounting standards as well as responses to the SEC following their review of company reports. She also modernized corporate-wide mortgage accounting, through the implementation of a new origination and processing system, and the selection of a new sub-servicer.

Magdalena began her career at Deloitte, and was a Partner – Business Risk Services at Ernst & Young and a Partner – Internal Audit, Risk and Compliance Services at KPMG. Her Big 4 experience includes directing the delivery of external audit, internal audit, risk management, data-analysis, and process improvement services. Projects included re-engineering of financial statement close processes and the creation of accounting policy manuals for multinational SEC registrants. Her industry focus was on financial institutions and global manufacturers. Magdalena also designed new initiatives and led large projects related to purchase cost reduction, inventory reduction, accounts receivable optimization, and real estate records management.

Magdalena is fluent in Finnish, Polish and Swedish and proficient in German.

Education

Magdalena is a graduate of the University of Michigan with both a Bachelor of Business Administration in Accounting and a Master of Business Administration in Finance and Operations Management.

Professional Organizations

- American Institute of Certified Public Accountants
- ISACA -Information Systems Audit and Control Association

Brian C. Kennedy, CPA, CGMA, CISA, CRISC

Principal



Contact Information

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Areas of Service

- Service Organization Control Reports
- Closely Held Businesses
- Employee Benefit Plan Audits
- Not For Profit Organizations

Current Position

Brian is an Assurance Principal based in the Toledo, Ohio office who specializes in Internal Audit and Consulting services and heads up the firm's Service Organization Control Report practice.

Experience

Brian joined Rehmann in 2013 in conjunction with a business combination with Spilman, Hills & Heidebrink, Ltd., where he was an Audit Principal since 2008.

Brian began his career in 1996 and it includes comprehensive experience as an accounting and auditing professional. His considerable experience with computer systems has allowed him to advise clients on both system and financial internal controls. His recent client work includes internal control consulting on Service Organization Control (SOC) Reports and servicing manufacturing and nonprofit clients. He also focuses on employee benefit plan audits. His early experience includes work as both an auditor and firm network administrator. Brian currently serves as a Board member of the Rotary Club of Toledo and Black Swamp Conservancy and has served as a Board member and Chair of the Endowment Committee for the Toledo Opera Association.

Education

Brian is a graduate of the University of Cincinnati, with Bachelor of Business Administration in Accounting.

Professional Organizations

- American Institute of Certified Public Accountants; CPA, CGMA
- ISACA - Information Systems Audit and Control Association; CISA (Certified Information Systems Auditor) and CRISC (Certified in Risk and Information Systems Control)

Jessica R. Dore, CISA

Senior Manager
Technology Risk Management and SOX



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Areas of Service

- SOX 404 Compliance
- Information Systems & Technology
- Information Security Reviews
- Software Evaluation & Development
- Incident Response
- Strategic Planning & Policy Development

Current Position

Jessica is a Senior Manager of Technology Risk Management for Rehmann Consulting, a member of Rehmann. Jessica specializes in information technology consulting and security and SOX 404 compliance across a variety of segments. She is based in our Saginaw office.

Experience

Jessica has extensive experience in leading teams and performing IT Security Assessments with a wide variety of clients throughout Michigan and the Midwest. She has an in-depth knowledge of SOX 404 compliance and GLBA compliance and COBIT standards coupled with extensive knowledge of IT systems.

Prior to joining Rehmann in 2005, Jessica worked as an associate programmer at Auto-Owners Insurance Company in the Financial Systems Group, where she designed and developed information systems. Jessica also worked at Dow Corning Corporation in the e-commerce department for five years before joining Auto-Owners Insurance Company. Her computer language experience includes COBOL, Visual Basic, C++, C++.net and Visual Basic.net.

Education

Jessica graduated Salutatorian of her class from Northwood University in Midland, Michigan with a Bachelor of Business Administration degree in management information systems. She has also earned her Certified Information Systems Auditor (CISA) certification.

Professional Organizations

- Information Systems Audit and Control Association (ISACA)
- Institute of Internal Auditors (IIA)
- Michigan Bankers Association

David M. Kure, Security+, MCP

Analyst
Technology Risk Management



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Areas of Service

- Financial Institutions
- Risk Assessments
- Information Technology Audits
- Sarbanes-Oxley Compliance
- Social Engineering & Vulnerability Assessments

Current Position

David is a Senior staff in Technology Risk Management with Rehmann Consulting and is based in the Troy, Michigan office. He is responsible for information technology risk assessments, Sarbanes-Oxley compliance assessments and other IT consulting engagements. David is involved with detailed audits of information technology systems and infrastructures to verify systems are secure and support the related applications and business processes.

Experience

David joined Rehmann in 2013. Prior to joining Rehmann, he held positions as a Network Security Intern with AT&T and a Help Desk Analyst with CareTech Solutions. David also served as a Service Center Manager for 7 years with Anixter Inc. where he was responsible for managing both sales and operations staff, in addition to maintaining high levels of customer satisfaction with product and order quality for all Tier I automotive customers in the Midwest region.

Education

David holds both an Associate's degree in Computer Science - Computer Network Technology and a Bachelor of Information Technology Security degree, with a minor in Information Assurance, from Baker College. David's certifications include; Security+ from CompTIA, MCP/MCTS from Microsoft. He has passed the Certified Information Systems Auditor (CISA) exam from ISACA.

Professional Organizations

- Information Systems Audit and Control Association (ISACA)