



**City of Franklin, Wisconsin**

**Request for Proposal - Audit Services**

**July 14, 2021**

**Contact Person:  
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**Proposals due: August 6, 2021**

## **City of Franklin Request for Audit Proposals**

### **General Information**

The City of Franklin is requesting proposals from qualified public accounting firms to audit its financial statements and provide accounting advice for the years 2021 through 2023, with the possibility of extending the auditing services to 2024 and 2025.

To be considered, five (5) copies of the proposal must be received at Franklin City Hall, 9229 W. Loomis Road, Franklin, WI 53132 City Clerk's office, by 3:00 p.m. on Friday, August 6, 2021. Clearly mark proposals "Audit Proposal 2021-2023" on the lower left hand corner of the envelope.

To meet the requirements of this request for proposal, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, in conformance with the statements issued by the Government Accounting Standards Board (GASB), the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (1988), the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments, the State Single Audit Guidelines issued by the Wisconsin Department of Administration and Wisconsin Administrative Rule-Tax 16. These audit guides as amended or totally revised from time to time by the respective state, federal or governing agency.

The City of Franklin reserves the right to reject any or all proposals submitted. Proposals submitted will be screened by the Director of Finance & Treasurer. Finalists may be requested to make a presentation to the Finance Committee at their August 24, 2021 meeting. The Finance Committee plans to make a recommendation to a September, 2021 Common Council meeting.

During the evaluation process, the City of Franklin reserves the right, where it may serve the City of Franklin's interest, to request additional information or clarifications from those submitting proposals, or to allow corrections of errors or omissions.

The City of Franklin reserves the right to retain all proposals submitted and to use any ideas in a proposal or presentation regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this Request for Proposal, unless clearly and specifically noted in the proposal submitted and confirmed in the letter of engagement or contract between the City of Franklin and the firm selected.

It is anticipated after the selection of a firm is completed and following selection that a contract, if necessary, will be executed between the parties.

There is no express or implied obligation for the City of Franklin to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

If a firm submitting a proposal intends to subcontract any portion of the audit then the name of the proposed subcontracting firm must be identified in the proposal.

Any inquires concerning this proposal should be emailed to Paul Rotzenberg, Director of Finance & Treasurer, City of Franklin.

### **Description of the City Government**

The City of Franklin serves approximately 36,000 citizens and is located in the southwestern portion of Milwaukee County. The City is governed by an elected Mayor and a Common Council consisting of six alderpersons. Administrative matters are supervised by an appointed Director of Administration. Financial operations of the City are overseen by an appointed Director of Finance & Treasurer.

The City's 2020 General Fund revenue was \$25.7 million, debt service fund revenue was \$1.1 million, TIF districts revenue was \$4.3 million and non major governmental funds were \$10.4 million. 2020 revenue for the Water Utility was \$6.1 million and revenue for the Sanitary Sewer Fund was \$3.9 million. Total investment in capital assets at December 31, 2020 for the Water Utility was \$73.8 million and for the Sanitary Sewer Fund was \$94.0 million. General Obligation Debt outstanding at December 31, 2020 was \$67.5 million (including Business-Type debt). The City has an Aa2 rating by Moody's Investor Services. General obligation debt issued in 2020 (\$12.6 million refunding bonds) and is anticipated every other year.

The Franklin Water Utility provides water services to Franklin residents. The utility currently purchases water from the Oak Creek Water Utility for distribution to residents. The Water Utility is governed by a five member Board of Water Commissioners appointed by the City. A separate report on the Water Utility financial statements is not required. The preparation of the PSC report is done by the audit firm.

The TIF Districts Fund consists of six TIF Districts. The Districts have a capital projects and debt service fund. District 3 & 4 will likely close in 2022 or 2023. Both had expenditure period closure audits in 2020. TID5 has had it's 30% TID audit. TID6 requires a 30% audit in 2021. TID7, formed in 2019, includes a \$15 million Municipal Revenue Obligation and will not require a 30% audit for a few years. TID8 was formed in 2020 and is still in the development stages. Additional TID's are anticipated as Franklin continues to develop.

A Community Development Authority (CDA), governed by a citizen commission appointed by the Common Council, is included within the scope of the City's reporting entity. The CDA was formed to manage the development of the Franklin Business Park, that was located in the City's Tax Incremental Financing District

No. 2, closed in 2012. Current active TIF Districts are the responsibility of the Common Council.

Baker Tilly US LLP has performed the audit of the City's financial statements from 2016 through 2020.

### **Accounting Function**

All accounting functions of the City, including the Water Utility and the CDA, are performed by the Finance Department. (Water and Sanitary Sewer Utility billing is supervised by the Engineering department.) The Finance Department is made up of the Director of Finance & Treasurer, an Accounting Supervisor and part time payroll and accounts payable clerks and a Deputy Treasurer with several part time cashiers. The City intends to hire a Finance Director in training in the fall of 2021.

The City has earned the GFOA Certificate of Achievement for its CAFR since 1992, and plans to submit the 2021 CAFR to the GFOA for consideration. Future CAFR's are also expected to be submitted for consideration by GFOA.

### **Scope of Services Required**

#### **Base Audit Quote**

A quote for Audit of the City's government wide financial statements, fund financial statements, notes and supplemental information, included in the City's CAFR for each of the years ending December 31, 2021 through 2025 in accordance with generally accepted auditing standards and Government Audit Standards as required.

The audit covers all funds of the City; the general fund, the debt service fund, TIF district funds, non-major governmental funds (eight special revenue funds and six capital projects funds), water utility fund, sanitary sewer fund, internal service fund (self funded group health and dental), agency funds and a post employment benefits trust.

A management letter addressing reportable conditions, if needed, and any recommendations regarding improvement of internal controls, cost control or revenue enhancement suggestions, or identification of other financial management issues should be provided.

The accounting firm is expected to be available for occasional consultation on accounting, budget, or other related financial issues throughout the year. The cost of such consultation should be included in the base proposal.

#### **Alternate Audit Quote**

Same as above, however, the City would provide a Governmental Trial balance, and the audit firm would prepare the Annual Financial Report.

No changes to the PSC or TID audit provisions.

### **Additional Audit Services**

A report is needed on the City's State Financial Report Form C in relation to the general purpose financial statements in accordance with the Wisconsin Administrative Code Rule Tax 16. The City drafts the report for your review. The cost of that review should be included in your quote.

The Franklin Water Utility under the direction of the Franklin Board of Water Commissioners is required to file an annual report with the Public Service Commission by April 1 of each year. The City will provide financial account groupings for the report. The cost of preparing the PSC report should be shown as an additional audit services quote.

A single audit of federal and state financial assistance is expected to be required for the years ending December 31, 2020 through 2025, with the receipt of the American Rescue Funds. The City currently receives Community Development Block Grant funds passed through Milwaukee County and health department grants from the State of Wisconsin. In 2020 the City required an audit of the federal and state awards related to CARES ACT funding and a report of compliance and internal controls.

The City may on occasion require consultation on special issues (e.g., PSC rate application). Compensation for such services would be in addition to audit fees and the quote at the time of request should be consistent with the rates quoted in this proposal. The City expects to request a full rate case with the PSC in 2024 upon completion of a water tower construction project.

The City periodically prepares official statements in connection with the sale of debt securities that will contain the general purpose financial statements and the auditor's report thereon. The auditor shall, if requested, by the fiscal advisor and/or underwriter, provide consent to reproduce their report on the general purpose financial statements in the financing document.

The City maintains three employee retirement plans. Beginning in 2019, all new City employees participate in WRS. The City also maintains a defined benefit plan for Public Works and Utility employees, which is fully funded. The City also maintains a defined contribution plan for general government employees electing to remain in the legacy plan prior to 2019.

The City also maintains an Other Post Employment Benefit Trust for retiree health insurance coverage. This Trust is substantially funded. The contracts for a biennial Actuarial Report on this plan.

### **Audit Timing Considerations**

A planning meeting is held in early November, to discuss the timing of the audit, staffing, the hours budgeted by audit areas and any current accounting issues expected to affect the audit.

Interim work should be scheduled in mid-December, to avoid conflicts with property tax collection and holidays. Final audit fieldwork to begin in March, with fieldwork expected to be completed within two weeks.

Preliminary draft financial statements with auditor comments and suggested changes, management letter and single audit report, if applicable, are to be reviewed with the Director of Finance & Treasurer.

Presentations are to be made to the Finance Committee and the Common Council. The CAFR, the management letter and a single audit report, if required, are to be presented to the Finance Committee at their April meeting (generally the last Tuesday of the month) and to the Common Council by the first May Council meeting (generally first Tuesday of the month).

Forty five (45) copies of the CAFR are required. In addition, fifteen (15) copies of the management letter, three (3) copies of the Tax Rule 16 report and five (5) copies of the single audit report, if necessary, are required.

Preparation of the CAFR and duplication of all financial statements and reports is the responsibility of the accounting firm. A searchable PDF of the CAFR is required for filing with EMMA.

A wrap up meeting will be held either at the end of fieldwork or at a later date to discuss potential internal control comments, to review how the audit went and to suggest improvements for the following year. A report of the comparison of the actual and budgeted hours by audit areas should be provided for each audit year within 60 days of the end of fieldwork.

The City's financial software can be made available to the auditors remotely, including supporting documentation for transactions. This has significantly reduced interaction between City staff and field work auditors.

### **Staff Assistance**

City staff is responsible for preparation of the draft CAFR and for the preparation of the State Financial Report Form C. The accounting firm will be expected to provide technical assistance with the CAFR, as needed.

The audit firm is responsible for the annual PSC report for the water utility.

City staff will prepare all necessary account reconciliation's and audit schedules as requested in advance. Finance department staff will also be available to prepare account analyses, obtain general ledger account inquiries, and assist in locating audit documentation. The City utilizes BS&A software (General Ledger, Cash Receipts, Accounts Payable, Miscellaneous Receivables, Utility Billing, Building Department, and Business Licensing) with electronic documentation for transactions attached. The City will make an inquiry only version of the software and data base available to the audit firm.

The number of audit-related journal entries in past years has been minimal, (all client-generated, with the sole exception of GASB 68 entries).

### **Review of City materials**

Interested firms may review City financial records and reports in the City Clerk's office at City Hall. Reports available for review include copies of the 2020 CAFR\*, management letter and management letter comments, PSC\* report, Form C\* report, 2020 DHFS grant report and 2021 budget document\*, the 2020 official statement\*. The Finance copy of last year's audit workpapers and the 2020 general ledger will also be available for review. Contact Lisa Huening at 414-427-7508 to make an appointment.

\* - available on the City of Franklin website

### **Proposal Requirements**

Proposals are to be formatted as outlined in Exhibit 1 - Proposal Criteria.

Pricing information is to be formatted as shown in Exhibit 2.

Five (5) copies of the proposal are due by 3:00 p.m. on Friday, August 6, 2021 at the Franklin City Hall, addressed as follows:

City of Franklin  
City Clerk  
9229 W. Loomis Road  
Franklin, WI 53132

Mark the lower left hand corner of the envelope "Audit proposal 2021 - 2023."

### **Evaluation**

Evaluation criteria will include the firm's ability to communicate the understanding of the needs of the City, local office municipal experience and references, the planned audit approach, technical experience and qualifications of staff and management personnel to be assigned to the engagement, answers to questions 10, 11 & 12 of exhibit 1 and price. Price is an important criteria but will not be the sole determining factor. Price will be evaluated based on 2021 price, five year total price and year to year price increases due to the existence of State of Wisconsin levy limits.

If it becomes necessary to revise any part of the request for proposal (RFP) or otherwise provide additional information, an addendum will be issued by the City and furnished to all firms that have emailed the Director of Finance & Treasurer indicating interest in submitting an RFP proposal.

The City of Franklin reserves the right to accept or reject any or all proposals and the City is not liable for any costs incurred by the prospective bidders in responding to the request for proposals. All proposals received become the property of the City.

### **Other Matters**

If additional information is necessary to assist the accounting firms in interpreting the RFP specifications, written questions may be emailed to the Director of Finance & Treasurer. Email answers to written questions applicable to all potential responders will be replied to all firms that have indicated an interest in submitting an RFP proposal.

The selected accounting firm must retain working papers for a period of at least four years after the date of final report delivery. The working papers must be available for examination by authorized representatives of the Federal government cognizant agency, the State of Wisconsin and its agencies, the City of Franklin and subsequent audit firms as applicable.

The City will retain the option to extend the contract of the firm on an annual basis for an additional two years.

City Hall business hours - 8:30 to 5:00 p.m., Monday - Friday.



### **Information Requested from Applicants**

In order to simplify the evaluation process and obtain the maximum degree of comparison in evaluating proposals, the following requirements should be followed by prospective bidders in submitting their proposals:

1. The name of the firm, address, telephone number, and name of its authorized representative for the City to contact in case of questions about the proposal.
2. Brief statement of the firm's understanding of the scope of the work, including positive statements that the firm is independent with respect to the City and that it is committed to perform the work in accordance with professional standards within the requested time frame outlined in the request for proposal.
3. Brief overview of the firm's practice, including but not limited to: summary history data, size of firm, number of partners, managers, and staff dedicated to local government practice, professional society memberships, location of office from which the work on this engagement will be performed and involvement with public sector financial issues.
4. Description of Wisconsin local government and municipal utility experience. List separately comparable municipal engagements within the past two years. Please include length of engagement and reference contacts with phone numbers. Provide an overview of audit and other services provided to government and utility clients, including: TIF district experience; types of reports issued; contacts with state agencies; and experience with state reporting, such as PSC reports and annual financial reports for municipalities. Emphasis should be placed on municipalities who are similar in size and financial reporting complexity to the City of Franklin.
5. Describe experience and knowledge of municipal water utilities. Such description should demonstrate that the firm has understanding of financial requirements, billing/collection methods, work order procedures, service rules, legal or regulatory requirements, etc. for municipal utilities.
6. Describe planned audit approach, special concerns and needs. Outline how the audit will be conducted; for example, extent of computer assistance needed, sampling plan, staff space requirements, etc. Identify anticipated critical audit areas and give an example of your auditing approach. Outline your expected level of client assistance for both the interim and final audit work phases. Please identify any anticipated or potential audit problems from your review. Discuss the effects of current SAS's on audit timing, scope and cost.

7. Describe the firm's audit quality control procedures and how they will function to ensure that the City of Franklin receives quality services. Also include information regarding the firm's most recent peer or other quality control review, including its date and kind of opinion received.
8. Identify partner, manager and senior staff assigned to the engagement and provide resumes for each addressing the following qualifications:
  - a) Indicate engagement responsibilities and anticipated percentage of time that each will be engaged during the field work period.
  - b) Describe government/utility audit experience in terms of years and clients served.
  - c) Describe his/her educational background and indicate whether each is in compliance with continuing education requirements applicable to governmental auditing.
  - d) Describe specialized skills, government/utility experience, accomplishments and membership in professional organizations relevant to the performance of the services requested.
9. Present any additional information considered essential to the proposal.
10. Include a brief statement indicating why the City of Franklin should select your firm.
11. Evaluate and advise the City regarding the following issues. TID planning for expansion, reduction in size or closure.
12. Describe the legal arrangement that you anticipate between your accounting organization and the City of Franklin. Do you work on engagement letter or a contract basis? Please be advised that any engagement letter that resembles a written contract will be treated as a contract and subject to review by our City Attorney and will need any legal requirements that he believes necessary for the City of Franklin. That contract will need Common Council approval prior to any preliminary work can be completed.
13. The City is considering the formation of additional TIF Districts. Please include a separate quote for audit services that might be required.

**Audit Pricing Submission Format**

**Exhibit 2**

The following dollar proposal, including expenses, is for the audit of the City of Franklin for each of the years ending December 31. In addition, estimates of fees for the option years can be provided.

<u>Year</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Option Years</u>		
				<u>2024</u>	<u>2025</u>	
<b>Base Audit</b>						
<b>City</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
<b>Water</b>	_____	_____	_____	_____	_____	
<b>Sewer</b>	_____	_____	_____	_____	_____	
TIF Dist	_____	_____	_____	_____	_____	
Subtotal	_____	_____	_____	_____	_____	(a)
% Inc		_____%	_____%	_____%	_____%	

Additional Audit Services:

Form C	_____	_____	_____	_____	_____
PSC Rpt	_____	_____	_____	_____	_____
<b>Total</b>	_____	_____	_____	_____	_____
<b>DHFS Audit</b>	_____	_____	_____	_____	_____

TID  
 30% Audit  
 Exp Period Audit  
 Closure Audit

Indicate if the above amounts are a fixed price or not-to-exceed limits based on hourly rates. The accounting firm will contact the City for written approval of any additional charges before exceeding these limits.

The amounts for 2021 are based on the following calculations:

<u>Classification</u>	<u>Hourly Rate</u>	<u>Hours</u>	<u>Total</u>
Partner	_____	_____	\$ _____
Manager	_____	_____	_____
Senior	_____	_____	_____
Staff	_____	_____	_____
<b>Total professional fees - 2021</b>		_____	_____

Expenses (describe and state amounts) \_\_\_\_\_

Total 2021 not to exceed bid \$ \_\_\_\_\_ (a)  
 Percentage of standard rates \_\_\_\_\_%

State whether the above percentage of standard rates are available for other projects. If not, provide percentage of standard rates for other projects.

City of Franklin  
Audit Services RFP 2021

- 1 See Exhibit 1 item 11 for additional information.
- 2 The City maintains a spreadsheet with each years TIF District activity and will prepare the financial statements necessary for the TIF report