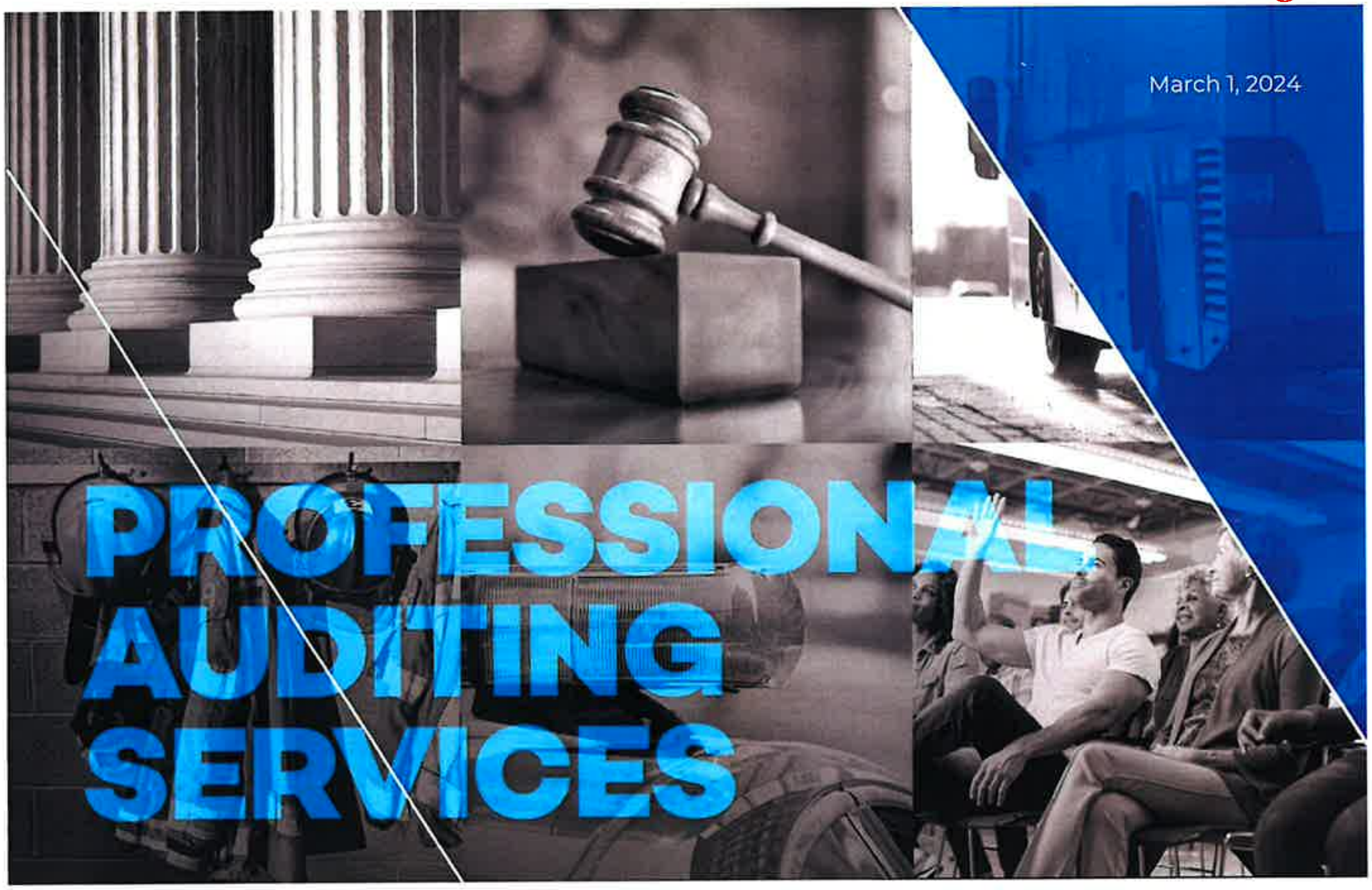
Original



PROPOSAL FOR

City of Novi

Submitted by:

Nathan C. Baldermann, CPA, CGFM, Principal

nathan.baldermann@rehmann.com

Statement of Confidentiality The information in this proposal is confidential and proprietary. It has been made available to the above stated company/person solely for their consideration in evaluation of this proposal. In no event shall all or any portion of this proposal be disclosed or disseminated by the above stated company/person without the express written permission of Rehmann. © 2024 Rehmann All Rights Reserved.

Rehmann
EMPOWER YOUR PURPOSE®

March 1, 2024

Finance Department
City of Novi
45175 Ten Mile Rd
Novi, MI 48375

Rehmann Robson LLC ("Rehmann") greatly appreciates the opportunity to submit our proposal to audit the financial statements of City of Novi ("the City") for the years ending June 30, 2024-2028. As a leading professional services firm serving the governmental industry, you can be confident that we are well positioned to serve the City. Our team will leverage industry experience, skills and knowledge of issues impacting the City to provide high-quality services in a timely, efficient manner.

Our mission is to bring energy, focus and integrity to every interaction — relentlessly pursuing expertise to accelerate your goals. 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
- Have access to customized training and value-added services
- Benefit from our extensive and unique use of technology
- Understand and appreciate our approach of budgeting *better hours* rather than *more hours*

As a result of the large volume of governmental audits our team performs, we are intimately familiar with your industry - Rehmann understands your unique challenges, we know what to expect and we will share best practices. This depth will allow us to serve you from the very beginning with minimal disruption while maintaining a high level of engagement effectiveness and efficiency.

We look forward to hearing from you regarding your decision. In the meantime, please contact us with any questions you may have. This proposal is a firm, irrevocable offer for 90 days to provide independent auditing services at the prices quoted herein. We acknowledge receipt of Addendum #1.

Thank you for considering Rehmann.

Sincerely,

Rehmann Robson LLC

Nathan C. Baldermann

Nathan C. Baldermann, CPA, CGFM
Principal

WHAT YOU'LL FIND INSIDE

"At Rehmann, it's our goal to help our clients look to the future with confidence. With our experience, our industry expertise and our range of resources, we aim to transform the client experience through a business advisory approach."

STACIE KWAISER, CPA
CEO

Rehmann

GENERAL REQUIREMENTS

Rehmann's role as the City's independent external auditor is to deliver assurance services in an efficient manner, without disruption to your staff, while maintaining a high level of quality.

INDEPENDENCE

Rehmann is independent (as defined under the independence standards in auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's *Government Auditing Standards*) of City of Novi and all of its component units. We are aware of no professional relationships involving the City or any of its agencies or component units within the last five years which would represent potential conflicts of interest; however, we will provide the City with written notice of any pertinent professional relationships entered into during the term of our contract.

LICENSE TO PRACTICE

Rehmann and each certified public accountant to be assigned to the engagement are properly licensed to practice public accounting in the State of Michigan.

DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION

Rehmann shall comply with the provisions of 24 CFR Part 24 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this contract. Additionally, Rehmann shall not use, directly or indirectly, any of the funds provided by this contract to employ, award contracts to, or otherwise engage the services of, or fund any contractor / subcontractor during any period that the contractor / subcontractor is debarred, suspended or ineligible under the provisions of 24 CFR Part 24.

FIRM QUALIFICATIONS & EXPERIENCE

Founded in 1941 as a single accounting firm, Rehmann has evolved into a fully integrated financial services and advisory firm that provides accounting and assurance, comprehensive technology, accounting and human resource solutions, specialized consulting and wealth management services. Our goal is to meet the demands of today's governments by offering a greater scope of resources and experience, all while employing a forward-thinking service model that guarantees complete client satisfaction and confidence.

GOVERNMENTAL INDUSTRY EXPERIENCE

Rehmann has a cross-functional team of professionals with extensive governmental industry experience. This unique group is dedicated specifically to serving clients in the public sector on a year-round basis and includes 75+ full-time professionals skilled in assurance services and accounting solutions for governmental entities. Other departments within our firm also work with public sector clients providing technology and human resource solutions.

WE SERVE **1,000** PUBLIC SECTOR ENTITIES FIRM-WIDE

182.7 MILLION
Total revenue in 2022

950+
Number of associates

OFFICES
Located throughout Michigan, Ohio and Florida

YOUR REHMANN OFFICE

Rehmann is committed to serving the City. Accordingly, your audits will be managed and performed by governmental audit and financial reporting professionals from our Jackson office with technical standards support from Grand Rapids office executives. One principal, one senior manager, one senior and three staff auditors will be assigned to the City's audit. All individuals assigned to your audits will be full-time employees of Rehmann, assuring that you receive the local, personalized service you deserve.

EXPERIENCE AUDITING FEDERAL AWARDS

The professionals of Rehmann's public sector group are primarily focused on governmental accounting, auditing and consulting, so all members of the City's engagement team will have extensive experience in auditing federal programs. Each year, Rehmann audits organizations administering hundreds of millions of dollars in federal awards; that means the City will consistently receive meaningful comments and advice on how to enhance your financial management of those programs. Below are single audits performed by Rehmann for the most recent fiscal year:

TYPE OF ENTITY	NUMBER OF CLIENTS AUDITED	TOTAL FEDERAL EXPENDITURES
City	13	$ 91,489,635
County	20	322,388,679
School	48	211,465,119
Other government	13	53,538,271
Not-for-profit	22	168,372,111
Higher education	18	382,718,652
Tribal government	2	60,137,161
Grand total	136	$ 1,290,109,628

EXCELLENCE IN GOVERNMENTAL FINANCIAL REPORTING

Rehmann's experience in assisting clients to receive (and keep receiving) the GFOA Certificate of Achievement for Excellence in Financial Reporting is extensive. Many of our executives volunteer their time as GFOA reviewers. On average, we assist **30 clients annually** in receiving the GFOA Certificate, including cities, counties, school districts and other entities.

For first time submitters, we provide sample financial reports, the checklist used by the GFOA reviewers and spreadsheets for the statistical section. More importantly, we explain the process and identify the additional information that needs to be gathered, where it can be found and what the City will need to prepare. Whether a first-time submitter or long-time certificate recipient, Rehmann will provide a range of assistance with the statistical section, MD&A tables and transmittal letter narratives. We are also available to assist in addressing the prior year GFOA review comments.

JOINT VENTURE OR CONSORTIUM

We are not proposing as a joint venture or consortium, nor will any portion of the proposed audits be subcontracted to another firm. Thus, Rehmann is both the principal and only auditor.

PEER REVIEW

The AICPA's peer review program requires that a CPA firm have an independent audit of its quality control documents, systems and procedures every three years. A copy of our most recent peer review report, which included a review of specific government engagements and for which Rehmann received a rating of *pass*, can be found in the Appendix.

AGENCY / DESK REVIEWS

The firm has no record of substandard work. Rehmann has received no negative comments from the numerous routine field and desk reviews which have taken place on the audits submitted to the various state departments and single audit clearing house over the last several years.

STAFF QUALIFICATIONS & EXPERIENCE

One Team. One Focus. Your Success – Your engagement will be managed by full-time governmental auditors, and your Rehmann team will have the optimal combination of skills and experience to support your success. As a result, these professionals will be able to work with you as peers, sharing knowledge and best practices, and meeting your completion deadline. Another continuing benefit will be ready access to these professionals to answer questions, discuss options and receive timely technical assistance. The Rehmann client service delivery model ensures you will have *direct access* to all members of your Rehmann team.

Engagement Principal | Nathan Baldermann, CPA, CGFM

Nathan will be integrally involved in planning and overseeing your audits, ensuring we are meeting and exceeding your needs. He will provide access to additional resources available within the firm and through our industry networks.

Secondary Principal | Daniel Clark, CPA

Daniel will be available as a backup for Nathan or for partner rotation in future periods, if desired.

Senior Manager | Amanda Wedgwood, CPA

Amanda has significant experience serving governmental entities and will be responsible for overseeing the engagement, completing audit procedures and supervising staff. She will maintain active communication with the City throughout the year.

Senior auditor

We will assign one of our experienced senior auditors (in-charge) to conduct and supervise the audit procedures. The specific individual assigned will be determined once the exact timing of the engagement is finalized. Whoever is assigned will be involved on a full-time basis for the duration of the audit for each annual audit and we will seek to assign the same in-charge for the entire audit contract term.

Staff auditors

Our staff accountants have one to five years of experience and will perform many of the audit procedures, as directed by the engagement executives. The final decision of which individual staff we will assign to your audits will be made when we prepare our schedule.

Client ambassador | William Burke

Throughout the year, you can expect an objective Rehmann advisor to serve as the City's client ambassador. Your client ambassador will ask for feedback on the quality of our service and about your experience as a Rehmann client to ensure we are doing all that we can to exceed your expectations.

Biographical resumes of these executives are included later in this section.

CERTIFIED GOVERNMENT FINANCIAL MANAGERS

CGFM.

The Certified Government Financial Manager (CGFM) designation is a mark of excellence in government financial management, which signifies the highest level of education, experience and ethical standards in the government environment. Rehmann has 10 professionals with the designation.

CONTINUING PROFESSIONAL EDUCATION

To maintain our competitive edge and to stay ahead of the curve on technical quality, we place significant emphasis on continuing professional education with appropriate focus on industry specialization and relative responsibility levels. **All professionals designated as CPAs meet or exceed the State and GAO's CPE hour requirements through a variety of external and internal programs.**

For each industry association listed in this proposal, Rehmann professionals attend the majority of the training opportunities they offer, frequently as presenters. Internally each year, Rehmann sponsors multiple in-person and virtual training opportunities, governmental technical updates and updates on auditing standards with an emphasis on engagement planning, risk assessment, and analytical review techniques. Rehmann logs each CPE course that associates attend through our centralized CPE tracking software. Detailed CPE reports are readily available for specific individuals upon request.

INDUSTRY ASSOCIATIONS

Rehmann is actively involved in industry associations that provide access to professionals with governmental and not-for-profit experience across the country.

More importantly, Rehmann professionals are involved in leading these organizations in the following ways:

- **MSBO**: Member, and regularly provides speakers for training
- **CMHA**: Affiliate member, and regularly provides speakers for training
- **AICPA**: Member of the Government Audit Quality Center (GAQC)
- **MICPA**: Member/past chair of the governmental taskforce, and regularly provide speakers to train other CPAs across the state
- **GFOA**: Multiple special review committee members, and an advisor to the CAAFR Committee
- **MGFOA**: Multiple former board members and current member of the Standards Committee
- **AGA**: Multiple current and former AGA board members

CONSISTENT STAFFING

It is our policy to assign the same staff to continuing engagements each year, whenever possible. Promotions, new responsibilities and circumstances beyond our control may necessitate the substitution of certain staff accountants with associates of comparable experience over the course of a contract. However, we will not change our engagement executives without prior approval from the City.

NATHAN C. BALDERMANN, CPA, CGFM

PRINCIPAL | PUBLIC SECTOR
Assurance and Financial Reporting

517.841.4235

nathan.baldermann@rehmann.com

Ferris State University
BS, accounting

My career has focused solely on the public sector, and our clients benefit from that by experiencing a streamlined process resulting in a wealth of knowledge and best practices applicable to their entity.

CURRENT ROLE

Nate is the primary business advisor for a multitude of public sector clients, leading financial statement audit, single audit and consulting engagements. With a concentration on governmental and related not-for-profit entities, one of Nate's strengths is sharing best practices for efficient operations.

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

SERVICE AREAS

- Public sector auditing and consulting
- Federal award compliance auditing
- Community mental health compliance, auditing and consulting
- GASB standards implementation

EXPERIENCE

Nate has worked exclusively in the public sector since he began his career with Rehmann in 1994 as an intern. With deep knowledge in the industry, Nate has assisted governments in various stages and is able to draw upon that experience to provide fresh ideas to his clients.

Nate has worked with counties, cities, local and intermediate school districts, public school academies, community mental health agencies and various other governmental and not-for-profit organizations.

A CLOSER LOOK

- Highly regarded in the governmental industry, Nate served on the Michigan GFOA's accounting standards committee and previously served on the board of directors.
- Having served on the Special Review Committee for the GFOA's ACFR Program, Nate is well-versed in annual comprehensive financial reports and has assisted numerous clients in receiving the certificate.
- As a thought leader in the industry, Nate has presented on new and changing standards for organizations including the Michigan GFOA, the MICPA and the AGA.

DANIEL B. CLARK, CPA

PRINCIPAL | PUBLIC SECTOR
Assurance and Financial Reporting

313.202.7384

daniel.clark@rehmann.com

Bob Jones University
BS, accounting

CURRENT ROLE

Daniel leads annual audit and single audit engagements for a multitude of public sector clients throughout Michigan and Ohio. With a concentration on serving the public sector, Daniel spends a significant amount of time onsite at clients' locations, developing an understanding of their operations.

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

SERVICE AREAS

- Public sector auditing and consulting
- Federal award compliance auditing
- GASB standards implementation
- School district auditing and consulting

EXPERIENCE

Daniel began his career with Rehmann in 2018 after being with another regional accounting firm since 2006. Throughout his career, Daniel has worked exclusively in the public sector. He is licensed as a CPA in both Michigan and Ohio.

Daniel's client base is comprised of counties, cities, townships, local and intermediate school districts, and various other public sector organizations.

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

A CLOSER LOOK

- A thought leader in the industry, Daniel is a frequent speaker addressing topics such as upcoming accounting pronouncements, cybersecurity, and fraud.
- Daniel is a member of the AICPA, GFOA, MICPA, OSCPA (scholarship selection committee member, past co-chair of the young CPA northwest Ohio region, political endorsement committee member), and the Institute of Management Accountants.
- Significantly involved in the community, Daniel is active with Toledo Day Nursery (vice president, executive committee board member), Bedford Community Foundation (grants committee co-chair, treasurer, board member), Ann Arbor Symphony Orchestra (treasurer, executive committee, board member), and Wyldewood Baptist Church (treasurer, trustee).

AMANDA WEDGWOOD, CPA

SENIOR MANAGER | PUBLIC SECTOR
Assurance and Financial Reporting

517.841.4270

amanda.wedgwood@rehmann.com

Spring Arbor University
BA, Accounting

CURRENT ROLE

Amanda is responsible for managing day to day fieldwork, assigning tasks and providing training. She communicates with clients throughout the engagement, with a focus on answering their questions in a timely manner and providing a fresh perspective on their operations and procedures. Amanda works primarily with public sector organizations.

SERVICE AREAS

- Public sector auditing and consulting
- Federal award compliance auditing
- GASB standards implementation
- School district compliance, auditing and consulting

EXPERIENCE

Amanda has worked with clients in the public sector industry since her career began in 2013, when she joined Rehmann after graduating from college. She has significant experience auditing counties, cities, school districts, authorities and related not-for-profit organizations.

A CLOSER LOOK

- Keeping up-to-date on the latest industry standards, Amanda is a member of the MSBO, AICPA and MICPA.
- Valuing the relationships that are built with each client, Amanda communicates with them throughout the year to help their audit engagement run as smoothly as possible.
- With continuously evolving GASB pronouncements, Amanda stays ahead of the latest technical standards through training and research and helps clients understand and apply the newest pronouncements.

With our team's extensive knowledge of the industry and related standards, we are committed to serving the unique needs of each of our clients in a professional and timely manner – creating an experience that is positive and as stress-free as possible.

WILLIAM BURKE

DIRECTOR OF CLIENT SERVICES AND BUSINESS DEVELOPMENT

517.316.2464

bill.burke@rehmann.com

Michigan State University
BA, business administration

I strive to build collaborative partnerships by listening to client and prospect concerns then introducing them to Rehmann client service executives who can provide customized, financially rewarding business solutions and peace of mind.

CURRENT ROLE

Bill leads Rehmann's client service, practice growth and new business development efforts in its Lansing/Jackson region. In addition to identifying opportunities to provide comprehensive accounting and consulting services to companies, organizations and individuals, Bill initiates meaningful dialogue with clients and advises on courses of action to help them achieve their goals.

In his role as a client ambassador, Bill delivers The Rehmann Experience as an objective liaison between Rehmann and client executives. He conducts client satisfaction assessments, participates in brainstorming sessions for client service improvements and helps develop strategic plans that meet client-defined expectations for performance and service.

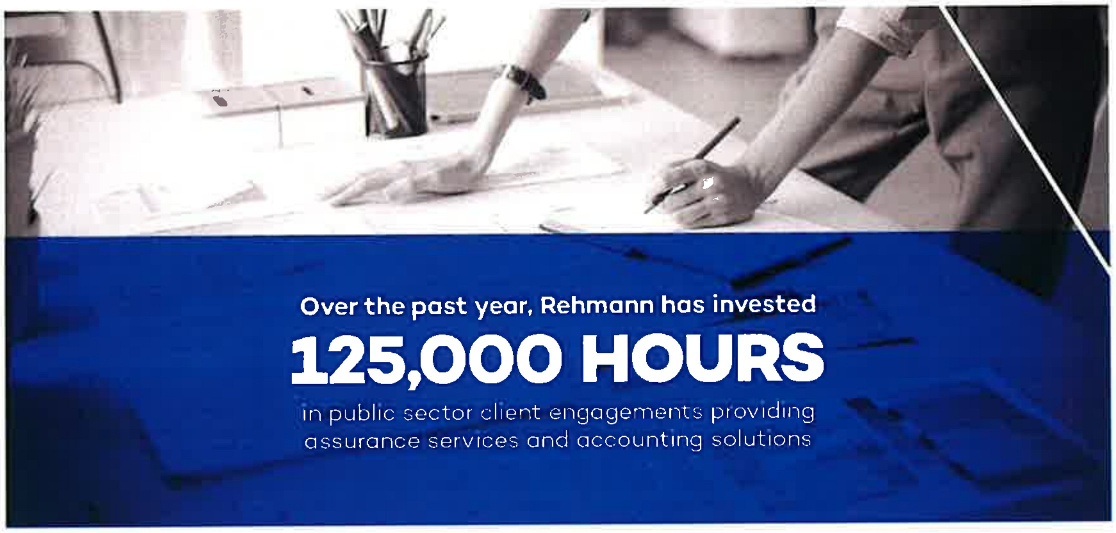
THE REHMANN EXPERIENCE

For more than 80 years, Rehmann has provided forward-thinking solutions to our clients. We are obsessed with client success, making it our duty to anticipate our clients' daily and future needs, while providing them with proactive solutions to meet their goals. Our trustworthy advice, answers and guidance take the stress out of every challenge and change. We're there when you need us. That's The Rehmann Experience.

SERVICE AREAS

- Business development
- Practice growth
- Product and service development
- Client ambassador
- Entrepreneurship
- Networking

SIMILAR ENGAGEMENTS



25+ Counties

60+ School Districts

20+ Colleges & Universities

50+ Cities, Villages & Townships

275+ Not for Profit

110+ Other Governmental Entities

Rehmann serves a variety of other public sector entities including libraries, tribal governments, road commissions, transit authorities, public authorities, community mental health and affiliated providers, housing projects, medical care facilities and others.

CLIENT REFERENCES

We invite you to contact our clients directly and ask about our people, capabilities and service. Below are several engagements that are similar to the City's engagement.

City of Battle Creek

Financial audit and single audit led by Nathan Baldermann
Total staff hours: 780
Annual federal award expenditures: $ 13.1 million
Date gained: June 1999
Contact: Aaron B. Kuhn, Revenue Services Director | 269.966.3336 | abkuhn@battlecreekmi.gov

City of Jackson

Financial audit and single audit led by Nathan Baldermann
Total staff hours: 570
Annual federal award expenditures: $ 9.9 million
Date gained: January 1973
Contact: Heather Ehnis, Finance Director | 517.768.6384 | hehnis@cityofjackson.org

City of Ann Arbor

Financial audit and single audit led by Daniel Clark
Total staff hours: 540
Annual federal award expenditures: $ 9.6 million
Date gained: May 2022
Contact: Tami Cook, Accounting Services Manager | 734.794.6500 | tcook@a2gov.org

City of Royal Oak

Financial audit and single audit led by Nathan Baldermann
Total staff hours: 440
Annual federal award expenditures: $ 18.2 million
Date gained: May 1998
Contact: Tony DeCamp, Assistant Finance Director / Controller | 248.246.3033 | TonyD@romi.gov

City of Oak Park

Financial audit and ACEE led by Daniel Clark
Total staff hours: 370
Annual federal award expenditures: $ 1.6 million
Date gained: November 1998
Contact: Erik Tungate, City Manager | 248.691.7410 | etungate@ci.oak-park.mi.us

A complete list of governmental audit clients is included in the Appendix.

SPECIFIC AUDIT APPROACH

Rehmann is committed to delivering high-quality assurance services in a timely, efficient manner.

DELIVERABLES

- Financial audit and single audit, if required, for the years ending June 30, 2024-2028
- Preparation of a management letter of comments and recommendations
- Exit conference with management
- Presentations to the finance (or audit) committee and/or city council
- Due diligence reviews of various official statements for periodic debt issuances, if requested
- Availability for ongoing technical assistance throughout the year

The format and presentation of the financial statements will conform to applicable standards set forth by:

- Governmental Accounting Standards Board (GASB)
- American Institute of Certified Public Accountants (AICPA)
- Government Finance Officers Association (GFOA)
- U.S. Office of Management and Budget
- Michigan Department of Treasury

APPROACH

We will complete our work in four inter-related phases. An overview of our audit approach is provided below; a detailed explanation of the audit process and Rehmann's approach is included in the Appendix.

AUDIT PROCESS

1 Meet with management for initial planning and perform risk assessment	**2** Perform audit procedures and testing
3 Prepare and review draft financial statements	**4** Conclude audit and issue final financial statements

Phase 1: Planning and risk assessment

Your Rehmann team will hold a planning meeting with the City prior to the start of the engagement to schedule our audit procedures, arrange for downloads of information, document internal controls over financial reporting and compliance, and review other materials. We will also begin preparing the format of the financial statements in Microsoft Excel.

Once the City has a reasonably-adjusted trial balance available, our team will analytically review the draft financial statements and document our assessment of audit risk by areas. We will use this information to tailor our standard audit programs to correlate with our risk assessment of the City's accounting and financial processing environment.

Phase 2: Audit procedures and testing

Working from the reasonably-adjusted trial balance, we will begin year-end audit procedures (also referred to as audit "fieldwork"). These procedures may include on-site fieldwork, remote audit procedures, or a mix of both. Our lead schedules and audit workpapers will be created based on the City's draft financial statements. Each audit area will be tested through a combination of analytical, substantive and sampling procedures, consistent with the tailored audit programs developed in Phase 1.

As these procedures are completed, our team will review the workpapers, quality control documents, and checklists as part of our formal system of quality control. All comments and issues generated by these reviews will be resolved in the field.

Phase 3: Prepare and review draft financial statements

Financial statement preparation continues through the entire audit process; once the financial statements and related notes have been compiled, they will also be processed through our formal quality control process.

In addition, we will summarize our recommendations and observations in writing and schedule an exit meeting with the City's management team to discuss our findings, including internal control and program compliance observations and recommendations.

Phase 4: Conclude audit and issue final financial statements

After management has reviewed the draft financial statements and any audit findings or recommendations, we will perform conclusion and issuance procedures. Once complete, we will provide final versions of the financial statements and reports.

SCHEDULE

Our anticipated schedule of audit milestone dates is intended to comply with your filing date. An initial estimate of such dates is as follows:

DESCRIPTION	DATE(S)
Planning phase	June/July
Primary audit procedures (fieldwork)	September 15-30
Draft reports	On or before October 15
Final reports	Prior to first November board meeting (prior to October 31 will be our target)

QUALITY CONTROL

In order to ensure that all engagements meet our high-quality standards, we have implemented a firm-wide system of quality control. The significant components of this system, as they relate to your audit, are as follows:

- All workpapers and audit programs are reviewed by the associates' immediate supervisors, and ultimately, the engagement principal.
- Draft financial statements and other reports are given a detailed review by an associate not connected with their preparation.
- Finally, the financial statements and other reports are reviewed for format, presentation and compliance with all applicable professional guidance and technical pronouncements by the engagement principal and a top-level executive independent of the engagement team.

Through this quality control process, we are able to assure our clients that their financial reports have been subjected to the most stringent review of technical compliance and reporting excellence available.

SIGNIFICANT EXECUTIVE INVOLVEMENT

You can expect substantial involvement from your engagement executives. When our most experienced people are investing a significant amount of time in an engagement, we will conduct the audit with optimal efficiency. In addition, we've experienced frequent executive interaction with our clients strengthens our relationship, gives us a deeper understanding of your needs, and fully leverages the knowledge and experience of your Rehmann team.

EFFECTIVE USE OF TECHNOLOGY

Rehmann enhances our client experience using technology. Whether the City desires fieldwork to be completed onsite or offsite, rest assured that Rehmann has the capability to seamlessly meet your needs. Our enhanced audit technology includes:

- Data extraction, automation, and advanced data analysis tools to provide management with valuable insights
- Advanced analytics, artificial intelligence, and machine learning software to provide greater accuracy and efficiency
- Work from anywhere, anytime tools — a highly secure Virtual Private Network (VPN) enables Rehmann associates to access network data remotely, in a completely protected way
- Convenience for clients — Rehmann's cloud-based document exchange platform allows for secure, paperless document transfer from clients to their engagement team accessible anytime, anywhere. This platform also incorporates a digital document workflow to track status of requests and the audit.
- Ability to work with your IT department to obtain the audit documentation from your systems remotely, if desired
- Collaboration tools for communication — associates use secure tools for video conferencing and phone calls

ANTICIPATED POTENTIAL AUDIT PROBLEMS

POTENTIAL AUDIT PROBLEMS

There are no anticipated audit problems of which we are aware, based on our understanding of current facts and circumstances, and our understanding of pending or potential changes in generally accepted accounting principles and auditing standards. If any problems are encountered during the engagement, we will be proactive in bringing such matters to the attention of the City and finding a mutually acceptable solution. We encourage clients to share feedback with us regularly as it is our goal to exceed your expectations.

RESOLUTION OF TECHNICAL ISSUES

If a technical issue requires additional consultation, the City's engagement principal will identify the appropriate experience needed for resolution. Rehmann's flexible, internal communication system enables principals to leverage the individual knowledge found throughout the firm. Through various mediums, our professionals have ready-access to subject matter experts with relevant industry or practice area experience.

If an extreme technical matter arises that requires a more formal consultation, the firm looks to our established executive committees, which provide direction on emerging accounting, audit and tax issues. The committees are flexible, allowing for immediate availability, and the individuals who serve on these committees are considered the firm's definitive experts. In situations of dispute resolutions, any member of the engagement team who disagrees with the final resolution may document their disagreement in the workpapers.

Rehmann provides its clients with *direct access* to in-house industry and technical expertise, which allows for fast resolution of unanticipated audit problems or technical issues.

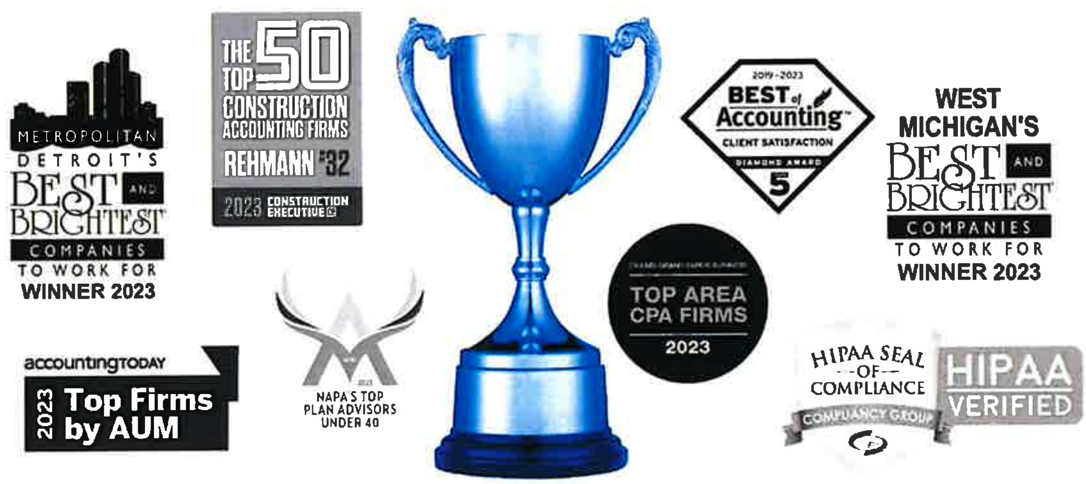
REPORT FORMAT

As your current auditors, we will continue to use the format in the previously issued ACFR. Visit https://treas-secure.state.mi.us/DocumentSearch to see the report.

NEXT STEPS

Thank you for the opportunity to propose services to the City. We are confident Rehmann will meet and exceed your expectations. Please contact us with any questions you may have.

Nathan Baldermann, CPA, CGFM | 517.787.6503 | nathan.baldermann@rehmann.com



APPENDIX

Peer review report
Government client list
Detailed audit approach
Detailed single audit approach

PEER REVIEW REPORT

EideBailly

CPAs & BUSINESS ADVISORS

Report on Firm's System of Quality Control

August 30, 2023

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

We have reviewed the system of quality control for the accounting and auditing practice of Rehmann Robson LLC (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2023. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, an audit performed under FDICIA, and an examination of a service organization (SOC 2 engagement).

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Rehmann Robson LLC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2023, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Rehmann Robson LLC has received a peer review rating of *pass*.

Eide Bailly LLP

Eide Bailly LLP

GOVERNMENT CLIENT LIST

Following is a list of Rehmann's public sector clients. Outsourcing clients are indicated with an asterisk (*).

CITIES

City of Ann Arbor
City of Battle Creek
City of Benton Harbor
City of Charlevoix
City of Cheboygan*
City of Chelsea*
City of Clawson*
City of Delphos, OH
City of East Lansing
City of Escanaba
City of Flint
City of Frankenmuth
City of Fremont Michigan
City of Gaylord
City of Grand Blanc
City of Holland
City of Inkster
City of Jackson
City of Lapeer
City of Mackinac Island*
City of Novi
City of Oak Park
City of Pontiac
City of Riverview
City of Royal Oak
City of Sebastian, FL
City of Sturgis*
City of Tecumseh
City of Three Rivers
City of Wyoming
City of Ypsilanti*

COUNTIES

Bay County Building
Berrien County
Calhoun County
Clinton County
County of Jackson
County of Saginaw
Dow Event Center
Eaton County
Indian River County, FL
Ingham County
Ionia County
Isabella County
Kalamazoo County
Kalkaska County
Kent County
Leelanau County
Lenawee County*
Mecosta County
Midland County
Monroe County
Muskegon County
Newaygo County
Wayne County
Washtenaw County
Wexford County

VILLAGES AND TOWNSHIPS

Armada Township
Benton Charter Township*
Berlin Charter Township
Blair Township
Concord Township
East Bay Township
Frenchtown Charter Township*
Glen Arbor Township
Green Lake Township*
Harrison Charter Township
Little Traverse Township
Macon Township
Penn Township
Pittsfield Charter Township
Saginaw Charter Township
Superior Township*
Sylvania Township*
Town of Orchid, FL
Village of Augusta
Village of Blissfield
Village of Brooklyn
Village of Chesaning*
Village of Dundee
Village of Kalkaska
Village of Mackinaw City*

LIBRARIES

Note: standalone library clients are listed. We audit additional libraries through various municipalities.

Chippewa River District Library
Kent District Library*
Portage District Library
Shiawassee District Library

TRIBAL GOVERNMENT

Bay Mills Indian Community
FireKeepers Casino*
Grand Traverse Band LLC
Grand Traverse Band Economic Development Corp.
Grand Traverse Resort & Spa LLC
Nottawaseppi Huron Band*

SCHOOL DISTRICTS

Adrian Public Schools
Airport Community Schools
Allen Park Public Schools
Anchor Bay School District
Bangor Township Schools
Bedford Public Schools
Big Jackson Public School
Big Rapids Public Schools
Black River Public School
Dearborn Heights School District No. 7
Detroit Public Schools*
Detroit Public Schools Community District*
Dexter Community Schools
Dundee Community Schools
East Jackson Community Schools
Escanaba Public Schools
Flint Cultural Center Academy*
Freeland Schools
Fruitport Community Schools
Gibraltar School District
Grand Traverse Academy*
Hesperia Community Schools
Honey Creek Community School*
Houghton Lake Community Schools
Huron School District
Ida Public Schools
Ionia Public Schools
Jackson County ISD
JKL Bahweting School
Kent Intermediate School District*
Knapp Charter Academy
Lakeview Community Schools
Lincoln Consolidated Schools*
Linden Community Schools
Mackinac Island School
Madison District Public Schools*
Manchester Community Schools
Marshall Public Schools
Marquette Area Public Schools
Milan Area Schools
Mona Shores Public Schools
Monroe County ISD
Napoleon School District
Northwest School District
Pennfield Schools
Pinckney Community Schools
Plainwell Community Schools
Portage Public Schools
Potterville Public Schools*
Redford Union Schools
Sault Ste Marie Area Public Schools
Southgate Community Schools
South Lake Community Schools
Springport Public Schools
St. Ignace Public Schools
Summerfield Schools
Vandercook Lake Public Schools
Vanguard Charter Academy
Vassar Public Schools*
Western School District

COLLEGES & UNIVERSITIES

Baker College
Bay College
Bay Mills Community College
Cleary University
Eastern Michigan University*
Ferris State University*
Glen Oaks Community College
Lansing Community College
Macomb Community College
Michigan State University*
Mid Michigan College
Montcalm Community College
Mott Community College
North Central Michigan College

Gogebic Community College
Grand Valley State University*
Jackson College
Kirtland Community College
Lake Michigan College
Northern Michigan University
St. Clair County Community College
University of Michigan*
West Shore Community College

ROAD COMMISSIONS

Branch County Road Commission
Clinton County Road Commission
Hillsdale County Road Commission
Leelanau County Road Commission
Luce County Road Commission*
Marquette County Road Commission
Missaukee County Road Commission
St. Joseph County Road Commission

TRANSIT

Note: standalone transit clients are listed. We audit additional transit authorities through various municipalities.

Bay Area Transportation Authority
Clinton Area Transit Authority
Regional Transit Authority of Southeast Michigan*
Toledo Area Regional Transit Authority*

MEDICAL CARE FACILITIES

Bay County Medical Care Facility

COMMUNITY MENTAL HEALTH (CMH)

Allegan County CMH
AuSable Valley CMH*
CMH of Clinton, Eaton and Ingham Counties*
Community Living Services*
Detroit Wayne Integrated Health Network*
Genesee Health System*
HealthWest CMH*
Integrated Services of Kalamazoo*
Lifeways*
Macomb County CMH*
Monroe CMH*
Network 180*
North Country Mental Health*
Northeast Michigan CMH Authority*
Northern Michigan Regional Entity*
Oakland Community Health Network*
Pines Behavioral Health Services*
Region 10*
Riverwood Center (Berrien CMH)*
Saginaw County CMH*
Sanilac CMH
Shiawassee County CMH*
St. Clair County CMH*
CMH Services of St. Joseph County
Summit Pointe*
Tuscola CMH*
Van Buren CMH*
Washtenaw Community Health Organization*
Woodlands Behavioral Healthcare Network*

OTHER

Battle Creek Promise Zone Authority
City of Grand Rapids Pension Systems
Cloverland Electric Coop
Downtown Development Authority (Jackson)
East Lansing - Meridian Water & Sewer Authority
Grand Rapids-Kent County Convention/Arena Auth.
Grand Traverse Metro Emergency Services Auth.
Great Lakes Commission
Great Lakes Water Authority
Harbor-Petoskey Area Airport Authority
Health Department of Northwest Michigan*
Indian River Mosquito Control District*
Ingham County Land Bank Fast Track Authority
Jackson Narcotics Enforcement Team (JNET)
Kent County Dispatch Authority
Lansing Economic Development Corporation
LAWNET
Lenawee Conservation District
Mackinac Island Department of Public Works*
MBS International Airport
Menominee Delta Schoolcraft Community Action
Michigan Department of Treasury
Monroe County Agency
Resources Global Professionals
Saginaw County 9-1-1 Authority
Traverse City Downtown Development Authority*
Tri-County Regional Planning Commission
Ypsilanti Community Utilities Authority

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 audit consists of the following procedures:

PHASE 1: PLANNING AND RISK ASSESSMENT

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.

PROCEDURE	DESCRIPTION
Planning meeting	The audit team will meet with the client's key contacts and dates will be set for all audit milestones: • Preliminary fieldwork, as requested • Availability of reasonably adjusted trial balance • Primary fieldwork • Interim audit status meetings, if necessary • Exit conference • Final reports • Presentations, as requested 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 client and the auditors will clarify expectations for: • Requested downloads and Rehmann's document exchange platform • Client-provided workpapers (content, format, timing, etc.) • Communication methods (phone vs. email, etc.) and direction (all requests through the primary contact vs. inquiring directly of the employee responsible)
Draft preliminary financial statements	Using the prior year trial balance and issued financial statements, we will gain an understanding of account groupings for financial statement presentation. This will simplify the process of compiling the financial statements by only requiring newly created general ledger accounts to be grouped. It will also ensure that the audited financial statements are being prepared consistently. We refer to this as "coding the trial balance" which will then link directly to the financial statements, management's discussion and analysis tables, and leadsheets. If journal entries need to be posted after the auditors have received 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 client and will be sent each year. This letter contains information on the scope of the audit and the related fees. We ask that the client 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 have the opportunity to ask questions and provide us with any additional information he/she deems relevant.
Communication with prior auditors	Auditing standards require that we make certain inquiries of your predecessor auditors. We will provide management with a letter to send to the predecessor audit firm authorizing them to answer our questions and allow us access to their prior year workpapers. We will have the client send a copy of this letter to us so we know when to initiate communication. If we 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 client has any funds or component units audited by other CPA firms, we will 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 client and is deemed to remain in effect unless the audit firm changes.

PHASE 2: PRIMARY FIELDWORK AND TESTING

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 risk and to further tailor our audit programs. This process is more extensive in the first year as a base understanding is gained by the audit team. 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 may include the following 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 will provide a form of basic questions that will guide you through the process of documenting your actual practices.

Review control activities	A questionnaire will be provided that describes 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 any additional information that may be helpful to us in understanding the internal control structure. Based on the responses to these questions, we will determine the 2-3 "key controls" over each transaction type.
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 they have been implemented and documented appropriately. The typical areas for which walk throughs are performed include: 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	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. 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.
Risk assessment and brainstorming	At various times through the year, Rehmann's audit group will meet to discuss risks that are common to our clients. The audit team will review the notes from these meetings at the beginning of the 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 audit programs will be tailored to reflect the planned audit procedures.
Consideration of fraud	In the form of a questionnaire, 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. In addition, each year the audit team will conduct 2-4 procedures that are outside the scope of the typical audit. These tests are generally relatively simple and address various internal control 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.

Substantive Audit Procedures

In general, our audit approach is "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. Although, as stated above, 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.

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	• 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 client'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	• 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 funds are collected outside of the period of availability (as it is defined by the client) and should be deferred in the fund financial statements. • 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 utility receivable balances to detail customer reports. Through the use of statistical sampling, test select customer balances for proper recording.

Inventory	• Compare detailed listings of items, individual cost, and extended cost to the general ledger control accounts. • Inquire about obsolete inventory.
Prepaids	• Determine the nature of prepaid items in each general ledger account. • Recalculate prepaid balance using invoices and check vouchers, determining whether the amount was paid prior to year-end.
Capital assets	• 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. • Consider whether amounts remain on construction contracts related to construction in progress for disclosure in the notes to the financial statements.
Payables	• 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 which should be accounted for in the respective funds.

Accrued liabilities	• 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-reported claims. Rollforward self-insurance claims payable for disclosure in the footnotes.
Long-term debt	• 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 sources and uses statement. Consider whether any bond issuance costs should be capitalized and amortized over the life of the bonds. Recalculate such balances. • 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.
Leases and Subscription-Based Information Technology Arrangements	• Obtain copies of all new lease agreements and subscription-based information technology arrangements (SBITAs) entered into during the current year. • Obtain a rollforward of lease and SBITA activity. Compare the beginning balances to the prior year audit. • Obtain amortization schedules for lease and SBITA liabilities, along with support for the discount rate used to calculate these balances. • Trace principal payments to the lease and SBITA rollforwards and the amortization schedules.

	• Agree the current portion of lease and SBITA liabilities and future minimum payments of principal and interest to the amortization schedules.
Compensated absences	• 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 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	• 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 in a timely matter.

PHASE 3: FINANCIAL STATEMENT PREPARATION AND REVIEW

Another key element of the fieldwork process is the preparation of draft financial statements (including footnotes), the management letter, and other applicable reports/correspondence. The following are the primary steps in the preparation of the financial statements:

PROCEDURE	DESCRIPTION

Downloads	• 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 entity-wide financial statement captions to each account based on the level of detail in the financial statements. This effectively maps each account on the client's chart of accounts to the appropriate sections of the financial statements.
Linking	• Use Excel PivotTables to summarize the data in the trial balance based on the assigned captions, which allows any account coding changes or journal entries discovered through the audit process to be posted to the auditors' version of the trial balance • Match the captions to the actual financial statements.
Footnotes	• 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.
Communication with those charged with governance	• 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 communication with those charged with governance letter (informally known as the "management letter") is drafted.
Other reports	• If the client is subject to a single audit, the reports on Single Audit Act compliance will be prepared.
Detail check	• After the financial statements and notes are received and a disclosure checklist is 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	• The engagement principal will 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	• 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. • 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.

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 client'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 AND ISSUANCE PROCEDURES

Management will be provided with a final PDF of all reports produced in the audit. The client may use this document for distribution to grantor agencies and related parties, upload to the client'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. We are confident that our audit process will maximize efficiency while still providing the highest level of audit assurance. Our auditing team has a deep understanding of accounting and financial reporting. We will make as many requests ahead of time as possible, coordinate information requests and questions, and strive to keep the audit process as efficient as possible.

DETAILED SINGLE AUDIT APPROACH

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

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

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

PROCEDURE	DESCRIPTION
Agree to general ledger	• Obtain an understanding of the chart of accounts used to track federal revenue and expenditures and which identifying numbers correspond to each grant award. • Agree federal revenue (by grant and in total) to the SEFA. • Agree federal expenditures to the SEFA. • Inquire of the existence of non-cash awards that may recorded as a government-wide adjustment only.
Agree to source documents	• Obtain source documents to substantiate amounts/disclosures in the SEFA, such as grant award agreements, financial status reports, award close-out reports, etc.
Obtain understanding of internal controls	• Review with management the overall controls over compliance with each of the applicable compliance requirements of the OMB Compliance Supplement. • Inquire of any program audits or grantor agency monitoring during the year and results of those visits. • Review prior year audits for instances of control deficiencies or noncompliance related to federal awards.

Determine major programs and perform controls/compliance testing

A single audit involves detail testing of individual programs (or clusters of programs) which are selected by the auditors using various criterion. Some of the factors are subjective and others have very little flexibility. For example, programs of a certain size must be tested at least every third year. The audit team will select major programs based on the criteria listed in the Uniform Guidance and their risk assessment process.

Programs/clusters selected as major will be communicated to management as soon as they are determined and a detailed request list will be provided. The following procedures describe our controls/compliance testing:

PROCEDURE	DESCRIPTION
Determine major programs	• Determine whether the auditee meets "low-risk" criteria by reviewing single audit reports and Federal Audit Clearinghouse submissions from the past two years. Calculate the required audit coverage (20 percent or 40 percent, depending on whether the entity is "low-risk"). • Perform risk assessments and select those programs required to be tested in the current year. • Select additional programs, as necessary, to obtain sufficient audit coverage. • Calculate materiality for each major program/cluster.
Gather information	• Extract the general ledger transaction detail for the revenue and expenditure accounts used for each major program (complete general ledger detail already obtained through financial statement audit procedures). • Group general ledger transactions based on transaction type (i.e., payroll, accounts payable, indirect charge, etc.). • Summarize transactions by type and agree expenditures in total to the SEFA. • Review the matrix of compliance requirements as provided in the OMB Compliance Supplement (if available) for selected programs and determine applicable compliance requirements. • Obtain the grant agreement and budget and review along with the summarized general ledger postings to determine whether the compliance requirements indicated on the matrix are all applicable. • Review the detail compliance requirements and suggested audit procedures of the specific grant in the OMB Compliance Supplement. • Determine whether any other authoritative guidance exists, such as pass-through grantor manuals or memos, and review such requirements.
Controls/compliance testing (overall procedures)	• Perform tests of controls and compliance for each applicable compliance area. Such procedures are generally a combination of inquiries/observations along with a sample of actual transactions. • Select individually significant items for testing and sample remaining balances to obtain sufficient audit coverage for controls and compliance. • Inquire of the internal controls over each compliance area and the method of documenting such controls.

	• Review source documentation and determine whether the entity demonstrated compliance and documented controls over compliance. • Document understanding of each applicable compliance requirement, related internal controls, testing performed, and audit conclusions.

General procedures for each of the applicable compliance requirements are as follows, but will vary based on audit risk assessment, materiality, provisions of the grant agreement, and other factors:

PROCEDURE	DESCRIPTION
Allowable costs/cost principles	• Review invoices and purchase orders for accounts payable disbursements. Determine whether disbursements were allowable in accordance with the provisions of the grant agreement and whether the disbursement was made and documented in accordance with the entity's purchasing policies. • Recalculate payroll charges based on approved timesheets and pay rates (for hourly employees). • Determine whether time and effort were documented in accordance with the Uniform Guidance. • Analytically compare fringe benefit charges for Federal programs to entity-wide averages for reasonableness. • Agree indirect charges to approved rates or cost allocation plan.
Cash management	• Determine whether cash advances are allowed for the grant or if it is operated strictly on a reimbursement-basis. • Review a sample of actual cash draws and compare to source documentation (such as a general ledger expenditure report). • For reimbursement-based grants, determine whether cash was disbursed (and not just expended) within 3 days of receipt. • Identify whether the cash draw was subjected to a documented independent review and approval.
Eligibility	• Determine eligibility requirements under the grant and whether they apply to individuals or groups of individuals. • Obtain an understanding of how eligibility is determined, documented, and independently verified. • Obtain a detailed listing of the individuals/groups receiving benefits under the grant. Select a sample and review source documentation to verify eligibility.
Equipment and real property management	• Determine whether the entity has purchased capital items with federal funds in the current or previous years. • Obtain a listing of capital items purchased with federal funds and ensure that each asset is being flagged as "federally-funded" and

	listed along with the grantor agency name and other required information. • Inquire of the most recent physical inventory and reconciliation to the accounting records and review documentation of this process. • Determine whether any disposals during the current year were made in accordance with Federal guidelines. • Inquire about the controls over safekeeping and appropriate use of federally-funded equipment. Determine whether a physical inspection or tour is necessary.
Matching, level of effort, and earmarking	• Review management's documentation for compliance with minimum and maximum percentage requirements. • Determine whether matching requirements were met and trace to supporting documentation.
Period of performance	• Determine the period of performance of the grant by reviewing the award agreement. • Select a sample of transactions and ensure that each was incurred during the period of performance. • Determine whether grant funds were required to be expended in accordance with certain timelines and whether such requirements were met.
Procurement, suspension and debarment	• Review the entity's purchasing and procurement policies. Determine when competitive bidding is required. • Review a sample of transactions and determine whether each was processed in accordance with entity policies and procedures. • Determine the expenditures in which competitive bidding was required. Select a sample of such expenditures and review procurement files for evidence of full and open competition and compliance with entity policies. • Determine whether any vendors/contractors were utilized in the amount of $25,000 or more for which suspension/debarment procedures would apply. Search vendor/contractor name on the Federal Excluded Parties List System (EPLS) and identify whether any are listed as suspended or debarred. • Inquire about the controls over doing business with suspended or debarred parties. Review corroborating evidence, such as: excerpts of contracts, signed certifications regarding suspension/debarment, or other documentation, as applicable to the entity.
Program income	• Determine whether the entity generated any income through use of grant funds. If so, ensure that it was accounted for appropriately and reinvested in the program.

	• Inquire of the controls over ensuring that all program income is appropriately captured as such in the general ledger and therefore identifiable for reinvestment in the grant.
Reporting	• Gain an understanding of the required reports (financial, performance, and/or special), and submission frequency. • Select a sample of each type of report (financial, performance, and special) and trace reported amounts and data to the general ledger or other underlying records. • Determine whether selected reports were submitted by the required due date. • Review evidence of independent review and approval of reports prior to submission.
Subrecipient monitoring	• Obtain a listing of the grant subrecipients and dollars passed-through to each. • Select a sample of subrecipients and review subaward agreements for appropriate communication of required items. • Review monitoring files for evidence of review. Determine whether any findings were noted and if appropriate follow-up action was taken. • Obtain subrecipient single audit reports (if applicable) and determine whether the amounts reported by the subrecipient reconcile to the entity's records. Review paperwork to support that this review and reconciliation was completed and follow-up action was taken as necessary.
Special tests and provisions	• Identify special tests and provisions through review of the OMB Compliance Supplement and the grant agreement. • Design tests to determine compliance with such requirements, obtain information on the population, select a sample of transactions, and review evidence to support compliance.

Report preparation and audit finalization

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

PROCEDURE	DESCRIPTION
Review of workpapers and evaluation of potential findings	• As with the financial statement audit, all workpapers will be subjected to an independent review before fieldwork is completed to allow for follow-up on questions. • At the end of audit fieldwork, or shortly thereafter, the workpapers and potential finding listing will be reviewed by the

	engagement partner. The appropriate method of communication for any noncompliance or control deficiencies will be determined.
Draft report	• Draft report on Single Audit Act compliance. This may be included in the back of the entity's financial statement audit, or as a free-standing document, based on management's preference. • Prepare required reports in accordance with *Government Auditing Standards* and the Uniform Guidance and ensure that language is consistent with authoritative guidance. • Prepare the schedule of findings and questioned costs. • Draft language for any items noted as control deficiencies and/or noncompliance. Each item will be identified by number, indicate the grant name and ALN, the pass-through agency (if applicable), and the pass-through/grantor award number. In accordance with professional standards, the write-up will include the *criteria* necessary for compliance, the *condition* noted in our testing, the primary reason(s) or *cause* for this condition, the related *effect* on the entity, and the auditors' *recommendation* for future action. In addition, there will be a section on the *view of responsible officials* where the entity can provide its perspective on the situation and planned corrective action. • Enter data into the web-based data collection form for eventual submission to the Federal Audit Clearinghouse.
Technical standards review	• Subject single audit report and data collection form to technical standards review by the engagement partner. • Process draft report in PDF format and provide to management.
Review report with management	• Either as part of the financial statement audit exit conference, or at a different pre-arranged time, meet with management to discuss the results of the audit. • Discuss and clarify any reported audit findings and obtain initial management feedback. While reading of potential findings in written, draft report format may seem too formalized, we have found that it is best to communicate these items in writing, where they can be reviewed in detail by the engagement partner first. Our auditors are encouraged to avoid verbally concluding on the method of communication of audit findings or recommendations until they can be reviewed in context by the engagement partner. This limits the chance of miscommunication or misunderstanding. • Agree to a timeline for report finalization, including: management feedback on drafts, "view of responsible officials" language for any findings, report issuance, and presentation to the governing body.
Finalization	• Encourage management to review the draft reports in detail and agree reporting information to the entity's internal records.

	• Obtain feedback from management on its review of the draft reports in detail. • Discuss management objections to reported finding. Based on the extent of information and/or documentation provided, determine whether it is necessary to reclassify, reword, or remove any findings. • Subject single audit report and data collection form to a second technical standards review by another audit partner. • Provide management with final drafts. • Auditors receive signed representation letter and management authorizes finalization of reports. • Date audit reports to match the representation letter, prepare finals, and email to management for distribution to the Board, grantor/pass-through agencies, or other interested parties. • Initiate submission to the Federal Audit Clearinghouse. The audit principal will electronically certify the information and an email with instructions will be provided for management to perform its certification. • Receive auto-generated notification via email when the Federal Audit Clearinghouse receives and accepts the reporting package and certifications. • Present results of the audit to the governing body.

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Reference #1: Rehmann / Proposal

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