



# CITY OF MANITOWOC

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## MEMO

**Date:** 9/7/2021

**To:** City of Manitowoc - Finance Committee

**From:** Shawn M. Alfred, Finance Director/Treasurer

**Re:** Audit RFP Results and Recommendation for Finance Committee

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Per direction received at the June 3, 2021 Finance Committee meeting, the Finance Department prepared and distributed a request for proposals (RFP) for the purpose of acquiring a certified public accounting firm to audit the City of Manitowoc and Manitowoc Public Utilities' (MPU) financial records. The proposal was for the five-year period to include the years ending 2021 through 2025 with options to extend for two years after 2025.

The proposal was sent to nine auditing firms. After the question and answer time period and the passing of all deadlines outlined in the RFP, six firms provided audit service proposals. The City received proposals from:

- CliftonLarsonAllen LLP (CLA)
- Kerber Rose SC
- Sikich LLP
- Wipfli LLP
- HawkinsAsh CPAs

A three-member committee made up of the City's Finance Director, City's Comptroller, and MPU Senior Business Services Manager evaluated, and scored, the firms on the following criteria:

1. Completeness of the Proposal including scope of work, audit approach and detailed work plan
2. Firm experience and references
3. Qualifications of staff assigned to audit
4. Cost Proposal

After reviewing the proposals, and individually scoring each firm based on criteria's #1 - #3 above, the three-member committee convened on Friday, August 20<sup>th</sup> to discuss individual scorings and determine preferred audit firm(s) for further evaluation. The three-member committee reviewed each individuals' ratings for the six firms, and it was determined that the top three firms based on initial scoring were CLA, Kerber Rose SC, and Wipfli LLP. At this time, cost proposals were opened, analyzed and graded. From highest to lowest cost proposal was Wipfli LLP, CLA and Kerber Rose SC. Subsequent discussion amongst the committee determined that based on all grading criteria, the top two firms selected for further evaluation were CLA and Kerber Rose SC.

On August 26<sup>th</sup>, phone interviews were conducted with various members of each audit firm by the three-member committee asking questions related to various topics including but not limited to audit philosophy, audit timelines, utilities auditing, and non-audit services. Based on these conversations, the following are highlights:

- CLA
  - Has been the City of Manitowoc's audit firm for 10+ years
  - Experience in auditing governmental units is extensive
  - Knowledge and experience with the development of the CAFR and the concept of financing for TIFs
  - National resources available with CLA national presence
  - The largest concern that the committee had was the ability to meet deadlines and timeliness of CLA based on recent experience. The 2019- and 2020-year end audits for the City and MPU experienced delays in draft financials and necessary information to complete required and voluntary reporting. This caused great concern for the committee of future repeat performance.

- Kerber Rose LLP
  - Wisconsin based audit firm (Shawno, WI)
  - Experience in auditing governmental units is large and emerging.
  - Utility auditing representation is extensive
  - Audit site personnel with 30+ years' experience
  - One concern for the committee was that the City of Manitowoc/MPU would become Kerber Rose's largest client. After further discussions, and the assurances received, the RFP review committee was comfortable; however, a timing/deadline clause would be considered if selected.

The information above weighed equally on the committee members. Two of the largest evaluation weights were cost and deadline management. Kerber Rose was \$39,000 for the City compared to \$45,200 for CLA. In addition, a cost analysis of hours versus rates detailed Kerber Rose costs were less with more hours from a senior staff or higher position. Lastly, as mentioned above, the concern of CLA's ability to meet deadlines and timeliness weighed heavily on the committee.

In conclusion, based on the reasons provided above, the RFP Review Committee unanimously recommends that the 2021 through 2025 City of Manitowoc audit services be awarded to **Kerber Rose SC**. While selecting a different firm than our auditor for 10+ years may seem unorthodox, industry will note that switching audit firms is beneficial for entities to avoid complacent. More specifically, the RFP Review Committee feels Kerber Rose SC will deliver the same audit services received from CLA previously and more to the City and MPU.