



**Title:** Selection of Vendor and Authorization to Enter into a Contract for Audit Services  
**Resolution number:** 22-053

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**Reviewed by:** Name/Title: James Wisker, District Administrator

**Recommended action:** Selection of audit vendor and authorization for District Administrator to enter into a contract for audit services for the fiscal years of 2022 and 2023

**Schedule:** September 8, 2022 vendor selection and authorization to enter into contract  
September 22, 2022 executed contract

**Budget considerations:** Fund name and code: Accounting & Auditing 1-1002-4330  
Fund budget: 2022 - \$99,500 / 2023 - \$114,000  
Requested amount of funding: as stated in proposal

**Past Board action:** Res #: 22-035 Title: Authorization to Release RFP for Audit Services

### Summary

Minnesota Statute 103B.227, subdivision 5, requires a watershed district to solicit interest proposals for professional services, including audit services, at least every two years. Pursuant to Resolution 22-035 the District solicited proposals for audit services, which included a posting on the District website, a notice in the Star Tribune and a posting on the League of Minnesota Cities website. The District received responses from two vendors: BerganKDV and Redpath and Company. Under the Minnesota Data Practices Act, proposals are not-public data until the District has entered into an agreement with the selected vendor. Accordingly, the two proposals are being transmitted to the Board members separately, along with a table comparing prices relative to existing costs.

### Analysis

Staff analyzed the proposals, in coordination with the District's accounting consultant, Abdo Financial Solutions, evaluating qualifications, experience (including watershed experience), methods, proposal clarity, total cost, timeline and potential transition costs.

### Total Cost

The prices proposed by each vendor for 2022 and 2023 are shown in the table separately provided to Board members. The 2022 price proposed by BerganKDV is below the 2021 District audit price and would increase slightly in 2023. The Redpath price for the 2022 audit would represent an increase from the 2021 audit price and would increase slightly in 2023 as well.

### Methodology

The firms offer comparable methodology. Both employ a three-step process, including an audit planning meeting, a phase of executing field work and an exit conference leading to a Board presentation. Both use sampling techniques, interviews of key staff and a paperless workflow software. BerganKDV sample sizes for transactions, etc., range between 25 and 60 based on risk assessment. While Redpath also employs sampling, its proposal highlights the use of data

mining software that allows for analysis and identification of anomalies of 100% of a population of a class of transactions – for example, analysis of the entire year’s check registers and journal entries.

#### **Firm Qualifications**

Both firms are qualified to provide audit services, and both have experience as an independent auditor for public agencies, including cities, watershed districts and other units of government.

Redpath has experience working with two municipalities within the MCWD with populations over 15,000, and also demonstrated more overall watershed experience including experience with urban watersheds – providing audit services to six watershed organizations in 2021, including Mississippi River, Nine Mile Creek, Ramsey-Washington, and Rice Creek. Redpath also provided broader public experience, with regional park agencies and housing authorities.

#### **Team Qualifications**

Both firms have qualified teams that include a partner and manager/supervisor. Redpath’s team provides 22 years and 7 years respectively. BerganKDV’s team provides 13 years and 6 years of experience respectively. Redpath’s partner has been with the firm 22 years, performing government audits each of those years. The BerganKDV proposal identifies a team of 25 individuals with more than 500 hours of governmental audits in the last three years. Redpath’s two primary team members are listed as having over 290 hours of governmental audit experience in the last three years.

#### **Clarity of Approach and Timeline**

Both proposals are clear and present an understandable approach. Redpath breaks down the phases of work and estimates the level of staff and hours assigned, in addition to providing a monthly timeline of tasks. BerganKDV does not provide a timeline breakdown. It does outline the expected role of MCWD within each of the three phases of work.

#### **Transition Costs**

Outside of the proposal, staff also evaluated the potential costs of auditor transition for 2022-2023. Redpath has served as MCWD’s auditor for 22 years. During that time, while maintaining a rigorous third-party objectivity, Redpath has built a deep familiarity with MCWD’s approach to watershed management and its projects, programs and grant priorities which span multiple years.

This understanding generally reduces the level of time that program and project staff need to invest to support the audit. Transitioning auditors, absent a dedicated Operations Manager, is anticipated to increase the need for staff investment working directly with the auditor through meetings and written communications on tasks such as preparing an Understanding of the Entity document, or review and understanding of internal controls. Other audit data that could be seamlessly carried forward with continuity in Redpath might include information on construction projects, understanding outstanding debt and associated agreements and payment schedules, and trend analysis for revenues and expenditures.

#### **Recommendation**

Based on methods, firm qualifications, watershed experience, team qualifications, clarity of approach and timeline, analysis of staff audit support and potential transition costs, and total proposal cost, staff recommends that the Board of Managers authorize the District Administrator, on advice of counsel, to negotiate and enter a contract, for fiscal years 2022-2023, with Redpath and Company, at a price not to exceed that stated in the proposal.



**RESOLUTION**

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**Resolution number:** 22-053

**Title:** Selection of Vendor and Authorization to Enter into a Contract for Audit Services

WHEREAS, Pursuant to Minnesota Statutes 103B.227 at least every two years watershed districts are required to solicit interest proposals for professional or technical consultant services before retaining the services of a consultant or extending an annual services agreement;

WHEREAS, The Board authorized the solicitation of proposals for audit services on June 9, 2022;

WHEREAS, The District solicited proposals and received responses from two providers of audit services;

WHEREAS, District staff and the District accountant, Abdo Financial Solutions, reviewed the proposals based on methods, firm qualifications, watershed experience, team qualifications, clarity of approach and timeline, analysis of staff audit support and potential transition costs, and total proposal costs;

WHEREAS, Based on this evaluation, staff recommends the selection of Redpath and Company as the audit services provider; and

WHEREAS, The Board has reviewed the submitted proposals and concurs with the recommendation of staff.

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers hereby authorizes the District Administrator to negotiate and enter into an audit contract for fiscal years 2022-23 with Redpath and Company, at a price not to exceed the amount stated in its proposal, on advice of legal counsel.

Resolution Number 22-053 was moved by Manager \_\_\_\_\_, seconded by Manager \_\_\_\_\_.  
 Motion to adopt the resolution \_\_\_ ayes, \_\_\_ nays, \_\_\_ abstentions. Date: 9/22/2022

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