



# **REQUEST FOR PROPOSALS**

## **Professional Auditing Services**

**For The Fiscal Years Ending**

**May 31, 2018, 2019, 2020, 2021, 2022**

**PROPOSALS MUST BE RECEIVED BY**

**January 19, 2018 at 4:30 pm**

**VILLAGE OF NORTH AURORA**

**25 E. STATE ST.**

**NORTH AURORA, IL 60542**

# VILLAGE OF NORTH AURORA REQUEST FOR PROPOSALS

## I. INTRODUCTION

### A. General Information

The Village of North Aurora (hereafter “North Aurora” or “Village”) is soliciting proposals from qualified firms of certified public accountants to audit the Village’s financial statements for fiscal years ending May 31, 2018, 2019, 2020, 2021 and 2022. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office’s (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, *if applicable* and any other applicable state or federal laws. Any special compliance and reporting requirements of the State of Illinois for Tax Increment Financing Districts shall be followed.

There is no expressed or implied obligation for the Village to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. During the evaluation process the Village reserves the right, where it may serve the Village’s best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions.

### B. Term of Engagement

A five-year agreement is contemplated, subject to annual review, the satisfactory negotiation of terms (including a price acceptable to both the Village of North Aurora and the selected firm), the concurrence of the Board of Trustees and the annual availability of a budgeted expenditure.

## II. NATURE OF SERVICES REQUIRED

### A. Scope of Work to be Performed

The Village of North Aurora desires the auditor to express an opinion on the fair presentation of the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in conformity with generally accepted accounting principles.

The Village of North Aurora also desires the auditor to express an opinion on the fair presentation of its combining and individual fund financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules contained in the Comprehensive Annual Financial Report. However, the auditor is to provide an “in-relation-to” opinion on

the supporting schedules based on the auditing procedures applied during the audit of the basic financial statements and the combining and individual fund financial statements and schedules. The auditor is not required to audit the introductory section of the report or the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

If applicable, the auditor is not required to audit the schedule of expenditures of federal awards. However, the auditor is to provide an “in-relation-to” report on that schedule based on the auditing procedures applied during the audit of the financial statements.

Following the completion of the audit of the fiscal year’s financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards “in relation to” the audited financial statements, if applicable.
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements, if applicable.
3. A report on compliance and internal control over compliance applicable to each major federal program, if applicable.
4. A report on the allocation of pension amounts for the Illinois Municipal Retirement Fund between the Village and the Messenger Public Library
5. A report(s) on compliance for the Route 31 TIF District in accordance with Public Act 85-1142 and any other TIF districts that may meet the threshold requiring a separate report in the future.

The Village will prepare and file with the State of Illinois the annual Comptroller Report.

The Village will also request a fee proposal should the Village request that the firm prepare the financial sections of the Illinois Department of Financial and Professional Regulation (IDFPR) for the Police Pension Fund.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

**B. Funds to be Audited**

The Village of North Aurora uses the following funds and fund types in its financial reporting:

<u>Fund Type</u>	<u>Number of Individual Funds</u>	<u>Number with Legally Adopted Annual Budgets</u>
General Fund	1	1
Special Revenue Funds	8	8
Debt Service Funds	2	2
Capital Projects Funds	1	1
Enterprise Funds	1	1
Internal Service Funds	2	1
Trust and Agency Funds	3	1

The Village also maintains a General Governmental Activities Capital Asset Interactive Fund as well as a General Long-Term Debt/Liabilities Interactive Fund

C. Financial Reporting

The Village will provide individual fund financial statements and supporting schedules for the Village’s trial balances.

The auditor shall provide the joint requester with a list of all schedules to be prepared by management by May 1<sup>st</sup>.

While the Village has the ability to prepare the Comprehensive Annual Financial Report, the preparation, editing and printing shall be the responsibility of the auditor, as well as the provision of covers, dividers and labeled spines. The Introductory Section, Management’s Discussion and Analysis and Statistical sections, and any necessary letterhead will be provided by the Village. The auditor shall reproduce

- Twenty (20) hard copies of the Comprehensive Annual Financial Report and one (1) electronic PDF
- Fifteen (15) copies of the Single Audit report (if required) and one (1) electronic PDF
- Fifteen (15) copies of the “Management Letter” regarding compliance of internal control required by ILCS and any other Auditor Communication Documents to Management and the Board of Trustees and one (1) electronic PDF of each document
- Twenty (20) copies of the examination report on compliance with Public Act 85-1142 (TIF) of the Route 31 TIF Fund and any other TIF Fund that meets the statutory requirement for a compliance examination and one (1) electronic PDF
- Ten (10) copies of the report on the auditor’s opinion on the Schedule of Employer Allocations for the Illinois Municipal Retirement Fund and one (1) electronic PDF

The auditor will provide a draft all financial statements no later than September 21<sup>st</sup> of each year to allow for preparation of the MD&A section of the report by the Village.

While final responsibility for the financial statements rests with the Village of North Aurora, the Village expects that the auditor possess and demonstrate sufficient expertise in governmental accounting and reporting to assure that all reporting requirements are met.

Demonstration of governmental accounting expertise shall be supported by membership, either current or past, in various governmental accounting and auditing committees and task forces of the Illinois CPA Society or AICPA. Reasonable support can also be shown by appointment to the Special Review Committee for the Governmental Finance Officer Association's Comprehensive Annual Financial Report program or membership in the Technical Accounting Review Committee of the Illinois Government Finance Officers Association.

The auditor shall express an unmodified opinion on all individual funds and accept "in relation to" responsibility for supplemental data. If an unmodified opinion cannot be expressed, the auditor shall bring such matter to the attention of the Village before issuance of the report to determine whether or not the problems leading to a qualification can be resolved.

D. Management Letter and Auditor Communications

If, during the course of the examination, the auditor finds any weaknesses in internal control, the auditor shall summarize such findings and recommendations in the form of a separate management letter to the Village.

The auditor shall be available to meet with elected officials at an evening meeting to answer questions regarding the proposal, the completed audit or management letter, if requested.

The auditor in the person of a partner or manager shall be available not only during the audit preparation period, but also on an as-needed basis to answer questions or provide guidance on any particular issue that may arise throughout the contract period.

E. Special Considerations

The Village will prepare and submit the application for the Village's Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program along with the necessary paperwork. In accordance with this award program, the auditor shall prepare the responses to reviewer comments from the prior year for review by the Village and assure that the Village's CAFR conforms to the provisions of the program. All appropriate and reasonable changes that are required by the prior year's comments are to be incorporated into the current year's report.

### III. DESCRIPTION OF THE GOVERNMENT

#### A. Background Information

The Village of North Aurora, incorporated in 1905, is located in the western suburbs of Chicago in Kane County, situated between the City of Aurora and the City of Batavia in the Fox Valley and occupying a land area of approximately 7.2 square miles. A partial, special census conducted in 2016 certified the Village's population at 17,441 with a median household income estimated to be \$78,948.

The Village provides general services to its citizens, including police protection and investigation, maintenance of streets and related infrastructure, water provision, treatment and service, water lines and maintenance of sanitary and storm sewer lines, building inspection and code enforcement, and general administrative and finance services. The Village employs approximately 58.41 full-time equivalents. Many services provided by the Village are supplemented with contractual services. Solid waste collection and recycling services are administered by the Village through a private firm. Fire protection and EMS services are provided primarily by the North Aurora Fire Protection District, separate from the Village. Sanitary sewer treatment is provided primarily by the Fox Metro Water Reclamation District and recreational services are provided by the Fox Valley Park District. The Messenger Public Library provides books, audio/video recordings and similar services separately from the Village, although the Village approves as a Village Library the Library's appropriation and tax levy.

The Village's fiscal year begins June 1<sup>st</sup> and ends May 31<sup>st</sup>. More detailed information on the Village can be found by viewing the Village's Comprehensive Annual Financial Reports at <http://northaurora.org/departments/finance/financial-reports-and-budgets.aspx>

The Village has received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the last sixteen (16) fiscal years through May 31, 2016. The Village has also received the GFOA Distinguished Budget Presentation Award for the last twelve (12) fiscal years through the current FY 2017-18 Budget.

#### B. Pension Plans

The Village of North Aurora participates in the Illinois Municipal Retirement Fund (IMRF), and the employees of the Messenger Public Library also participate with the Village creating a cost-sharing multiple employer agent plan. The Village also participates in a defined-benefit Police Pension Plan for sworn officers.

The Village incorporates IMRF's most recent calendar-year end plan information into its fiscal year end reporting. The Village employs an outside actuary to perform and complete an actuarial valuation of the police pension plan as of the fiscal year end date of the Village.

C. Magnitude of Finance Operations

The Finance Department is directed by William D. Hannah, Finance Director/Treasurer and consists of four (4) full-time and one (1) part time employee. The principal functions performed and the number of employees assigned to each is as follows:

Full-Time

<u>Function</u>	<u>Number of Employees</u>
Finance Director	1
Accounting and Finance Coordinator	1
Fiscal/Utility Billing Specialist	1
Fiscal/Accounts Payable Specialist	0.63
Customer Service Specialist	1

The Village is a member if of the Illinois Municipal League Risk Management Association (IMLRMA) providing coverage for workers' compensation, auto liability, property and other coverages. The Village has been a member of IMLRMA since 1982. The Village recently joined the Intergovernmental Personnel Benefit Cooperative (IPBC) with an effective date of January 1, 2018 for the purpose of providing employee medical coverage and life insurance benefits. Prior to that date the Village was fully-insured for those employee benefits.

D. Computer Systems

The Village uses Springbrook for its financial accounting including general ledger, accounts payable, accounts receivable, cash receipts and utility billing. Payroll processing is performed by an outside vendor but the Village maintains personnel information in its payroll system. Community Development utilizes Cityview Software for its functions.

E. Single Audits and TIF Compliance Audit Reports

The Village of North Aurora has at times received grants for various projects. The Village has not met the threshold for a single audit in at least the last twelve years. As of now there are no indications a single audit will be necessary in the next two years.

The Village currently has three TIF Districts. Only one District currently meets the requirements for a compliance audit. It is possible another TIF District may meet that requirement over the term of the engagement.

F. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Bill Hannah at [bhannah@northaurora.org](mailto:bhannah@northaurora.org) or at (630) 906-7374. The Village of North Aurora will use its best efforts to make prior audit reports and

supporting working papers available to proposers to aid their response to this Request for Proposal.

#### **IV. TIME REQUIREMENTS**

##### **A. Proposal Calendar**

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for Proposal Issued	December 19, 2017
Last Day to Submit Questions/Clarifications	January 5, 2018
Due Date for Proposals	January 19, 2018
Government Operations Committee Discussion	February 5, 2018
Board of Trustees Action	February 19, 2018

##### **B. Notification and Contract Dates**

Selected firm notified by management after official Board of Trustees action.

##### **C. Date Audit May Commence**

The Village of North Aurora will have all records ready for audit and all management personnel available to meet with the firm's personnel at an agreed upon schedule.

#### **V. PROPOSAL REQUIREMENTS**

##### **A. Inquiries**

Inquiries concerning the Request for Proposals and the subject of the Request for Proposals must be made to:

Bill Hannah, Finance Director/Treasurer  
Village of North Aurora  
25 E. State St.  
North Aurora, IL 60542  
(630) 906-7374  
[bhannah@northaurora.org](mailto:bhannah@northaurora.org)

The Village will respond to all questions and inquiries submitted up to January 5, 2018 and email responses to those who have either submitted questions or have indicated an intention to submit a proposal to this RFP.

##### **B. Submission of Proposals**

The following material is required to be received by January 19, 2018 for a proposing firm to be considered:

1. Title Page  
State the RFP subject.

2. Table of Contents  
Clearly identify the material by section and page number.

3. Letter of Transmittal (limited to three pages)

Briefly outline and summarize the key elements of the proposal as to experience, qualifications, references, technical expertise, audit standards, understanding of the work to be performed, timing and fee.

4. Profile of the Proposer

- a. Describe the types of services provided.
- b. State the location of the office and the total number of Partners and professional staff from that office.
- c. Identify the Partners, Managers/Supervisors and In-Charge Accountants who will perform the audit. Include resumes for each person listed detailing educational background, years of experience and client names for audits similar to the proposed examination.
- d. Describe firm audit experience similar to the proposed examination. (Multi-office firms should discuss experience for only the office of the firm from which the personnel will be assigned.) Provide client names, contact persons and telephone numbers of all municipal / applicable local government audit clients who have been served in the last two years – at least five references shall be provided. Also provide a recent Annual Financial Report prepared by your firm.
- e. Discuss governmental industry experience in terms of years of service, training, organizational involvement, etc.

5. Audit Process

- a. Describe your audit approach.
- b. Detail (in percentage) the amount of time to be put in on the audit by the following categories:

	<u>Percent</u>
Partner/Manager	_____
In-Charge Accountants (Seniors)	_____
Staff Accountants (Junior)	_____
Total	100%

6. Fees and Billings

- a. It is the intention of the Village to retain the same audit firm for a minimum of five years. Provide a maximum “not-to-exceed” fee proposal using the attached Audit Proposal Form.
- b. Describe the circumstances under which you would propose to increase the fee and how you would communicate such a potential increase to the Village.
- c. List the hourly rate that is charged for phone calls and meeting attendance if applicable. Indicate if the firm is available throughout the audit year for minor questions that may arise and indicate how questions should be presented during the course of the year that do not directly relate to the audit process.

## **VI. SUBMISSION OF PROPOSALS**

- A. All proposals should be addressed to:

Bill Hannah, Finance Director/Treasurer  
Village of North Aurora  
25 E. State St.  
North Aurora, IL 60542

Two (2) copies of the proposal are required and should be sealed in envelopes addressed to the above and clearly marked “Village of North Aurora 2018 RFP Auditing Services”. Responders should also provide an email PDF of their response to the following email address [bhannah@northaurora.org](mailto:bhannah@northaurora.org)

- B. Proposals are due no later than 4:30p.m., January 19, 2018.

Proposals may not be withdrawn after the due date and time listed above for a period of one hundred twenty (120) calendar days. However, proposals may be modified by the proposer and resubmitted prior to the due date, or withdrawn.

## **VII. TIMELINESS OF REPORT**

The final audit fieldwork must be completed and a draft CAFR received by the Village prior to September 21<sup>st</sup> of each year, unless the Village has caused the audit period to be longer. Failure to deliver a final report in a timely manner may result in reducing the term of the engagement. The Village typically has had the auditor present the CAFR and results of the audit to the Village Board at the first Monday in the month of November.

## **VIII. EVALUATION OF PROPOSALS**

- A. Responses will be evaluated on the basis of which responder best meets the following three sets of criteria identified below. Firms meeting the mandatory criteria will have their proposals evaluated for both technical qualifications and price. The following represent the principal selection criteria that will be considered during the evaluation process (not listed in order of priority).

1. **Mandatory Elements**

- The audit firm is an independent firm
- Licensed to practice in Illinois
- Proposed fees for audit services
- Experience of the firm with Municipality audit services
- Experience of the partner (s) and senior team members proposed
- Professional Personnel have received adequate continuing professional education within the preceding three (3) years pertinent to the audit of governmental agencies
- Commitment to audit team continuity
- Date of last peer or quality review. State whether or not it was an unmodified report;
- Can document quality audit work
- Compliance with specifications
- Provide a link to a sample CAFR prepared by bidder

2. **Technical Qualifications**

- Expertise and experience
  - Past experience and performance on comparable government engagements (complete reference sheet included herein)
  - Professional Personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation
  - Single audit experience
  - Government Finance Officers Association ("GFOA") Certificate of Achievement for Excellence in Financial Reporting experience

3. **Audit Approach**

- Adequacy of proposed staffing plan for various segments of the engagement
- Adequacy of sampling techniques
- Adequacy of analytical procedures

B. Oral Interviews

The Village of North Aurora reserves the right to interview proposing firms, if necessary. Please clearly list a contact person with the phone number and email address in the event questions arise.

C. The Village of North Aurora's Board of Trustees will consider final acceptance of the proposal

**IX. AUDIT PROPOSAL FORM**

- A. Each proposal shall fully meet the requirements as set forth on the attached “Audit Proposal Form.” Proposals shall be quoted on the total annual cost basis for the audit and CAFR report, management letter, single audit, and by hourly cost quotes for services that may be requested beyond the scope of the audit. Attached is a proposal that bidders shall use in submitting their proposals.

**VILLAGE OF NORTH AURORA  
AUDIT PROPOSAL FORM**

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Financial Audit and CAFR					
TIF Audit Compliance Report (Per TIF)					
Police Pension IDOI Report Financial Completion (If Requested)					
Single Audit Report (If Necessary)					

The above Audit Fees represents the annual maximum “not to exceed” fee for a series of one year engagements for a total of five years. These fees should include all expenses. Proposed auditing fees shall include the implementation of all current and foreseeable Governmental Accounting Standards Board (GASB) pronouncements and Statement on Auditing Standards (SASs).

The (If Necessary) Single Audit Fees are the additional fees the firm would charge if a Single Audit is deemed necessary.

Payment will be made upon receipt of progress billings with final payment made after receipt of the Annual Financial Report.

At the end of each one year engagement, the contract is considered automatically extended for one year unless the Village notifies the independent auditor, in writing by no later than November 30th, of the calendar year to be audited, that the Village will not renew the engagement.

The Auditor and the Village agree that an equitable adjustment in the contract price may be negotiated if the cost or the time required for performance of the audit service is increased pursuant to a change in scope requested by the Village.