

**VILLAGE OF MUNDELEIN, IL**

**REQUEST FOR PROPOSALS**

**FOR**

**PROFESSIONAL AUDITING SERVICES**

**FOR FOUR FISCAL YEARS**

**May 1, 2013 – April 30, 2014**

**May 1, 2014 – April 30, 2015**

**May 1, 2015 – April 30, 2016**

**May 1, 2016 – April 30, 2017**

**440 E. HAWLEY STREET  
MUNDELEIN, IL 60060**

## **I. INTRODUCTION**

### **A. General Information**

The Village of Mundelein is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending April 30, 2014, 2015, 2016, and 2017 with the option of auditing its financial statements in subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards. Any special compliance and reporting requirements of subsection (q) of Section 11-74.4-3 of the State Statute relative to the Tax Increment Financing Districts shall be followed.

There is no expressed or implied obligation for the Village of Mundelein to reimburse responding firms for any expense incurred in preparing proposals in response to this request.

To be considered, the proposal must be received by Doug Haywood, Finance Director by 5:00pm on **January 31, 2014**. The Village of Mundelein reserves the right to reject any or all proposals submitted.

During the evaluation process, the Village of Mundelein reserves the right, where it may serve the Village of Mundelein's best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions. At the discretion of the Village of Mundelein, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The Village of Mundelein reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal.

It is anticipated the selection of a firm will be completed by February 24, 2014.

### **B. Term of Engagement**

A four-year contract is contemplated, subject to annual review, the satisfactory negotiation of terms (including a price acceptable to both the Village of Mundelein and the selected firm), and the concurrence of the Board of Trustees and the annual availability of an appropriation.

## **II. NATURE OF SERVICES REQUIRED**

### **A. Entity**

The Village of Mundelein comprises all functions and activities of municipal operations. The Village's financial statements include all funds, departments, agencies, boards, commissions and other organizations over which the Village of Mundelein officials exercise financial accountability.

B. Scope of Work to be Performed

The Village of Mundelein is soliciting the services of qualified firms of certified public accountants to audit its financial statements for fiscal years ending April 30, 2014, 2015, 2016, and 2017. These audits are to be performed in accordance with the provisions contained in this request for proposal.

The Village of Mundelein desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles; and the auditor is to provide an "in-relation-to" opinion on the combining and individual fund 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.

The auditor is required to prepare the schedule of federal financial assistance and provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for fiscal year ending April 30, 2012 to the Village of Mundelein. This was the nineteenth year that the government has made application for, and received, this prestigious award. The annual report for the fiscal year ending April 30, 2013, has been submitted to the GFOA to determine its eligibility for another certificate. The auditors shall be expected to issue an easily readable, and efficiently organized comprehensive annual financial report, satisfying both generally accepted accounting principles and applicable legal requirements, eligible for the GFOA award.

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.
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements.
3. A report on compliance and internal control over compliance with specific assistance programs as well as general requirements applicable to each major federal program.
4. A separate certified audit report which must review compliance with the Tax Increment Financing Act (TIF); include audited financial statements; and include a letter from the independent certified public accountant indicating compliance or noncompliance with the requirements of subsection (q) of Section 11-74.4-3 of the State Statute relative to TIF.

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.

C. Funds to be Audited

The Village of Mundelein uses the following fund types in its financial reporting:

<u>Fund Type</u>	<u>Number of Individual Funds</u>	<u>Number with Legally Adopted Annual Budget</u>
General Fund	1	1
Special Revenue Funds	14	14
Debt Service Fund	1	1
Capital Projects Fund	1	1
Enterprise Fund *	1	1
Pension Trust Funds	2	2
Agency Funds	3	0

\* One (1) Enterprise fund is presented in the Financial Statements. However, five (5) sub-categories of the fund are maintained.

D. Financial Reporting

The Village of Mundelein will prepare all the schedules/notes in the Comprehensive Annual Financial Report. The Village will complete the annual report for the State's Comptroller's office.

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. Additionally, the Village of Mundelein will rely upon the auditor's expertise in the introduction and assistance with the implementation of new GASB pronouncements.

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.

E. Management Letter and Other Correspondence

If, during the course of the examination, the auditor finds any weaknesses in internal control, the auditor shall summarize all non-material instances of noncompliance and recommendations in the form of a separate management letter to the Village of Mundelein.

In the required report(s) on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record,

process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Irregularities and illegal acts.** Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:

- 1) Mayor
- 2) Finance Committee Chairman
- 3) Village Administrator

**Reporting to the Village.** Auditors shall assure themselves that the Village of Mundelein is informed of each of the following:

- 1) The auditor's responsibility under generally accepted auditing standards
- 2) Significant accounting policies
- 3) Management judgments and accounting estimates
- 4) Significant audit adjustments
- 5) Other information in documents containing audited financial statements
- 6) Disagreements with management
- 7) Management consultation with other accountants
- 8) Major issues discussed with management prior to retention
- 9) Difficulties encountered in performing the audit

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.

### III. DESCRIPTION OF THE GOVERNMENT

#### A. Name and Telephone Number of Contact Persons

The auditor's principal contact with the Village of Mundelein will be Doug Haywood, Finance Director/Treasurer (847-949-3211, [dhaywood@mundelein.org](mailto:dhaywood@mundelein.org)). Doug Haywood will coordinate efforts to ensure adequate assistance of the Village of Mundelein staff members to the auditor.

#### B. Background Information

The Village of Mundelein serves an area of about 10 square miles with a population of approximately 31,064 and is located in the northwest suburban area of Chicago, Illinois. The Village of Mundelein's fiscal year begins on May 1 and ends on April 30. This Village is a home-rule community under the State of Illinois Constitution. Mundelein is an upper-middle class suburban community consisting primarily of single-family residences, with a variety of other developments including commercial, industrial and multi-family accommodations.

The Village of Mundelein is organized into 6 departments and agencies. The accounting and financial reporting functions of the Village of Mundelein are centralized.

The Village of Mundelein provides its citizens with full service police and fire as well as public works with water and sewer utility.

The Village of Mundelein had a total payroll of \$15.2 million covering 185 employees as of fiscal year ended April 30, 2013.

More detailed information on the government and its finances can be found in the Comprehensive Annual Financial Report for 2013 on the Village of Mundelein's website at [www.mundelein.org](http://www.mundelein.org).

C. Pension Plans

The Village of Mundelein participates in the following pension plans:

<u>Plan</u>	<u>Multiple-Employer</u>		<u>Single-Employer</u>	
	<u>Cost-Sharing</u>	<u>Agent</u>	<u>Defined Benefit</u>	<u>Defined Contribution</u>
Police Pension Fund			X	
Fire Pension Fund			X	
IL Municipal Retirement Fund		X		

Accounting services for the fire and police pension plans are performed by a separate accounting firm.

Actuarial services for Police, Fire, and GASB 45 reporting are provided by Timothy W. Sharpe.

D. Joint Ventures

The Village of Mundelein does participate in joint ventures with other governments.

<u>Name of Joint Venture</u>	<u>Type of Services Provided</u>
CLCJAWA Solid Waste Agency of Lake County	Lake Michigan Water Disposal of Solid Waste

E. Magnitude of Finance Operations

The Finance Department is headed by Doug Haywood, Finance Director/Treasurer, and consists of 6 full-time employees. The principal functions performed and the number of employees assigned to each is as follows:

<u>Function</u>	<u>Number of Employees</u>
Finance Director/Treasurer	1
Accountants/ Payroll	2
Water Billing	2
Accounts Payable	1

F. Computer Systems

Hardware

Type of Equipment  
Windows Network

Networked

Central processor serves devices throughout the Village

Software

Vendor/Make

IDC  
Microsoft/Office

Major Applications

Financial  
Word Processing/  
Spreadsheet

G. Internal Audit Function

None

H. Availability of Prior Audit Reports and Working Papers

Interested firms who wish to review prior years' audit reports and management letters should contact Doug Haywood, Finance Director at the Village of Mundelein at 440 E. Hawley Street, Mundelein, IL 60060, 847-949-3211. The Village of Mundelein 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	January 7, 2014
Due date for proposals	January 31, 2014

B. Notification and Contract Dates

Selected firm will be notified after Board approval, tentatively scheduled for February 24, 2014.

C. Date Audit May Commence

The Village of Mundelein 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. TIMELINESS OF REPORT**

The auditor shall complete each of the following no later than the dates indicated.

A. Interim Work

The auditor shall complete all interim work by a date to be agreed upon by both the auditor and the Village.

B. Detailed Plan Audit

A detailed audit plan as well as a list of all schedules to be prepared by the Village of Mundelein shall be provided to the Village of Mundelein by April 30<sup>th</sup> of each year of the contract period.

C. Fieldwork

The audit staff shall complete all fieldwork by August 31<sup>st</sup> each year.

D. Statements and Schedules to be prepared by the staff at the Village of Mundelein.

1. All confirmations for mailing by the auditors.
2. Monthly cash reconciliation's for all bank accounts.
3. Accounts receivable summary schedules.
4. Investment summary schedules as well as schedules detailing investment transactions for the fiscal year.
5. Gasoline inventory reconciliation.
6. Prepaid insurance reconciliation.
7. Prepare in Village's format individual project activity reports for use in construction in progress including related engineering fees for design, inspection, service and construction.
8. Fixed asset schedules.
9. Accounts payable summary and records available for testing.
10. Contracts payable summary schedule.
11. Water and sewer deposits payable reconciliation.
12. The Village will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to one telephone line, photocopying facilities and a fax machine as well as access to the Internet.

E. Final Report

The audit opinion must be received by the Village on or before October 15<sup>th</sup> of each year of the contract period, unless the Village has caused the audit period

to be longer. Failure to deliver an audit opinion in a timely manner may result in reducing the term of the engagement.

## VI. PROPOSAL REQUIREMENTS

### A. Inquiries

Inquiries concerning the Request for Proposals, Notification of Interest, and the subject of the Request for Proposal should be made to:

Doug Haywood  
Finance Director  
Village of Mundelein  
847-949-3211  
dhaywood@mundelein.org

### B. Submission of Proposals

The following material is required to be received on or before January 31, 2014 for a proposing firm to be considered:

1. Title Page showing the request for proposal's subject: the firm's name; the name, address and telephone number of a contact person; and the date of proposal.
2. Table of Contents clearly identifying the material by section and page number.
3. Letter of Transmittal. A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for sixty (60) days.
4. Detailed Proposal should follow the order set forth below:
  - a. The firm shall submit the proposal to:

Doug Haywood  
Finance Director  
Village of Mundelein  
440 E. Hawley Street  
Mundelein, IL 60060  
dhaywood@mundelein.org

#### b. Technical Portion

##### i. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Village of

Mundelein in conformity with the requirements of this request for proposal. As such, the substance of the proposal will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposal requirements.

The technical proposal should address all the points outlined in the request for proposal. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposal. While additional data may be presented, the following subjects, (items ii through viii), must be included. They represent the criteria against which the proposal will be evaluated.

ii. Independence

The firm should provide an affirmative statement that it is independent of the Village of Mundelein as defined by generally accepted auditing standards/ the U.S. General Accounting Office's Government Auditing Standards.

In addition, the firm shall give the Village of Mundelein written notice of any professional relationships entered into during the period of this agreement.

iii. License to Practice in Illinois

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly registered/licensed to practice in the state of Illinois.

iv. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work for this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

v. Partner, Supervisory and Staff Qualifications and Experience

Identify the Partners, Managers/Supervisors and In-Charge Accountants and other specialists, who would be assigned to the engagement. Include resumes for each person listed detailing educational background, years of experience and client names for audits similar to the proposed examination.

The firm also should indicate how the quality of staff over the term of the agreement would be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Village of Mundelein. However, in either case, the Village of Mundelein retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the firm provided that replacements have substantially the same or better qualifications or experience.

vi. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal.

The firm will be required to provide the following information of their audit approach:

1. Proposed segmentation of the engagement
2. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
3. Sample sizes and the extent to which statistical sampling is to be used in the engagement.
4. Extent of use of EDP software in the engagement.
5. Type and extent of analytical procedures to be used in the engagement.
6. Approach to be taken to gain and document an understanding of the Village of Mundelein's internal control structure.
7. Approach to be taken in determining laws and regulations that will be subject to audit test work.

8. Approach to be taken in drawing audit samples for purposes of tests of compliance.

vii. Identification of Anticipated Potential Audit Problems

The technical proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the Village of Mundelein.

viii. Report Format

The proposal should include sample formats for required reports.

c. Cost Portion

i. Total All-inclusive Maximum Price

The bid should include all pricing information for performing the audit engagement as noted in Exhibit I, page 2 of this Request for Proposal. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The Village of Mundelein will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

ii. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the Village of Mundelein.

iii. A total all-inclusive maximum price for the fiscal 2014 engagement.

Describe the circumstances under which you would propose to increase the fee, and how you would communicate such a potential increase to the Village of Mundelein.

iv. All-inclusive maximum prices for each of the 3 subsequent fiscal years.

v. The bid should include a list by Partner, Manager and staff level for approximate hours expected to be charged to the engagement as well as hourly billing rates to be charged.

Out-of-pocket expenses included in the total all-inclusive maximum price and reimbursement rates.

Out of pocket expenses for firm personnel (e.g., travel, lodging and subsistence) will be reimbursed at the rates used by the Village of Mundelein for its employees. All expense reimbursements will be charged against the total all-inclusive price submitted by the firm.

In addition, a statement must be included in the bid stating the firm will accept reimbursement for travel, lodging and subsistence at the then prevailing Village of Mundelein rates for its employees.

vi. Rates for Additional Professional Services

If it should become necessary for the Village of Mundelein to request the firm to render any additional services to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the Village of Mundelein and the firm. Any such additional work agreed to between the Village of Mundelein and the firm shall be performed at the same, or any lesser, rates set forth in the schedules of fees and expenses included in the bid.

vii. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's bid proposal.

## VII. EVALUATION OF PROPOSALS

- A. Proposals will be evaluated on the basis of which firm best meets the requirements of the Village of Mundelein. Proposals will be reviewed by staff of the Village, including the Finance Director and Village Administrator.

Evaluation criteria will include three sets of criteria - Mandatory criteria; Technical criteria; and Price.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Illinois.
- b. The audit firm's professional personnel have received adequate continuing professional education within the 2 preceding years.
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the Village of Mundelein.
- d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.

- e. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.

2. Technical Qualifications:

a. Expertise and Experience

- i. The firm's past experience and performance on comparable government engagements.
- ii. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

b. Audit Approach

- i. Adequacy of proposed staffing plan for various segments of the engagement.
- ii. Adequacy of sampling selections.
- iii. Adequacy of analytical procedures.

3. Price

- i. Cost will be a factor in the selection process.

B. Oral Interviews

The Village of Mundelein reserves the right to interview proposing firms, if necessary. Additionally, the Village may require any one or all firms to make an oral presentation. Such presentations will provide firms with the opportunity to answer any questions that the Audit Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

C. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contact between the Village of Mundelein and the firm selected.

The Village of Mundelein reserves the right without prejudice to reject any or all proposals.

## VIII. AUDITING SERVICES AGREEMENT

- A. A draft of the Auditing Services Agreement is identified as Exhibit I. This Agreement is to be made a part of your proposal.



**AUDITING SERVICES AGREEMENT**

**THIS AGREEMENT**, made this \_\_\_\_ date of \_\_\_\_\_, 2014, by and between xxxxxxxxxxxxxx, hereinafter referred to as “Auditor”, and the VILLAGE OF MUNDELEIN, a municipal corporation in Lake County, Illinois, hereinafter referred to as “Village”.

**SECTION I.** The Auditor agrees to furnish capable and efficient accountants to conduct a general audit of the books and financial records of the Village in accordance with Generally Accepted Auditing Standards (GAAS).

**SECTION II.** The Auditor agrees to begin the examination as soon after the acceptance of this Agreement to the mutual convenience of the Village and the Auditor. The Auditor further agrees that he will conduct said examination with diligence as to ensure its completion at the earliest possible date with such efficiency and thoroughness as is expected under GAAS. In any event, the examination and Auditor’s report shall be completed and a report delivered prior to October 15<sup>th</sup> of each year in the contract period.

**SECTION III.** The Auditor and the Village shall comply with Sections I through VIII of the Request for Proposal (copy attached) and incorporate those sections into the contract.

**SECTION IV.** The Auditor agrees to adopt reasonable procedures as to ensure the safe custody of his working papers for a period of time sufficient to satisfy legal and administrative requirements. Furthermore, the Auditor agrees to make the working papers available for examination by the Village as requested, and to provide copies of such work papers that may be requested by the Village’s accounting staff.

**SECTION V.** The Village agrees to pay the Auditor for services rendered based on the following not-to-exceed fees:

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Comprehensive Annual Financial Report	_____	_____	_____	_____
Single Audit Report	_____	_____	_____	_____
TIF Audit Report	_____	_____	_____	_____
Total Fees	=====	=====	=====	=====

Payment will be made upon receipt of progress billings with final payment made after receipt of the Annual Financial Report, Single Audit Report, and TIF Audit Report.

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 or required by State or Federal regulations.

**SECTION VI.** If the Auditor is unable to complete the audit before the scheduled completion date provided in Section II of this Agreement, written notice to the Village must be provided by the Auditor thirty (30) days prior to said date of completion.

The Auditor agrees to deliver the Audit Opinion on or before October 15<sup>th</sup> of each year of the Agreement, unless the Village has caused the audit period to be longer.

The Village reserves the right to cancel audit services for the remainder of the period covered by their agreement.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Auditor  
Signature of Authorized Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
John Lobaito  
Village Administrator

**Attest:**

\_\_\_\_\_  
Katy Timmerman  
Village Clerk