

COUNCIL WORKSHOP ITEM

ITEM: AUDIT SERVICES AGREEMENT FOR 2000-01 THROUGH 2003-04
DATE: May 14, 2001
PREPARED BY: MARTIN LYONS, DIRECTOR OF FINANCIAL SERVICES
PURPOSE: The Village is required by state statute to conduct an independent audit of its financial activities on an annual basis. To insure the independent nature of these audits, the services are bid through competitive proposals on a periodic basis.

ACCOUNT: 001.261.0000.5334
 107.529.0000.5334

BUDGET AMOUNT: \$ 30,360 (2001-02 only)

DISCUSSION:

Last year was the last of a four year contract with Crowe Chizek as our independent auditor. Staff recently sent RFPs to six qualified audit firms doing business with Illinois municipalities throughout the state. Five firms responded with very competitive proposals, all of which were under our 2001-02 budget amount for these services. The table below shows a summary of the four-year costs for each proposal.

Auditors:	Crowe-Chizek	Lauterbach & Amen	McGladrey & Pullen	Miller Cooper & Co.	Wolf & Co.
Basic audit	21,025.00	26,000.00	26,000.00	23,400.00	22,675.00
State Comptroller Report	300.00	included	included	included	included
TIF Compliance Audit	900.00	1,000.00	1,000.00	1,000.00	900.00
Police & Fire IDOI Reports	5,000.00	included	included	included	2,200.00
Draft & Assistance w/ GFOA Certificate Process		included	included	included	
Illinois First compliance Audit		included	included	500.00	
Typing,printing,etc					500.00
GASB 34 Assistance	650.00	included	included	2,000.00	included

Subtotal, First Year	27,875.00	27,000.00	27,000.00	26,900.00	26,275.00
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Based on the same level of services:

Fiscal Year 2001/02	28,975.00	28,040.00	28,300.00	27,775.00	27,000.00
Fiscal Year 2002/03	30,125.00	29,080.00	29,200.00	28,750.00	28,000.00
Fiscal Year 2003/04	35,500.00	34,120.00	33,100.00	30,875.00	33,000.00

Total, 4 Years	122,475.00	118,240.00	117,600.00	114,300.00	114,275.00
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Normally audit service bids are very routine, but the advent of GASB 33/34 pronouncements from the Governmental Accounting Standards Board means that large changes will be required for all of our accounting and reporting operations over the next three years. This makes our selection of an experienced and qualified auditing firm very critical in assuring that we maintain our Certificate of Excellence in Accounting and Financial Reporting, maintain or improve our General Obligation bond rating, and continue our stable management of all Village resources.

In reviewing the five proposals, staff used several factors beyond just price of services to determine the lowest most responsible proposal. These factors are listed below:

- **Total Planned Hours:** This factor highlights the total number of hours the auditing firm plans to spend on the audit. We want to insure that adequate time is devoted to the audit review, from preliminary meetings to final report generation.
- **Experience:** This factor highlights the level of experience of each member of audit staff scheduled to work on our audit review. While experienced audit staff cost more on an hourly basis, total performance can negatively impact staff time spent on our audit, if time is wasted by inexperienced auditors.
- **Time Allocation:** This factor is used to insure that the right number hours are budgeted for each of the four phases of our audit. While a lot of field work might seem like a good item in an audit, if a proportionate amount of review time is also not scheduled, then the field work could be wasted. This factor looks at an optimal mix of resources budgeted for the job.
- **Cost:** Total cost of the job is always a factor to be considered. Cost is often a measure of overall efficiency by the audit team.
- **Service/Quality:** This final factor is a review of the intangibles brought to the table by the auditing firm. The actual audit process each year is the main reason for this proposal, but staff also needs audit/accounting guidance from industry professionals throughout the year on issues concerning payroll, accruals, new fund creation, TIF, etc.. GASB 33/34 implementation weighs heavily in this factor during this contract.

(If you would like a further description on the above factors we have a more detailed version available.)

These factors were all given a priority weighting to further enhance our ability to separate the firms' proposals and make an objective choice on the best firm.

The table on the next page shows a summary of the results that each firm received on the above factors. The lower the numeric value of the ranking, the better the firm's performance. A detailed version of this analysis is attached.

**SUMMARY OF RATINGS FOR AUDITOR
RFP'S**

Auditors:	Crowe-Chizek	Lauterbach & Amen	McGladrey & Pullen	Miller Cooper & Co.	Wolf & Co.	Priority
Total Planned Hours	0.10	0.20	0.30	0.10	0.40	10%
Experience	1.00	0.20	0.60	0.40	0.80	20%
Time Allocation	0.63	0.44	0.44	0.31	0.69	25%
Cost	1.50	1.20	0.90	0.60	0.30	30%
Service/ Quality	0.75	0.45	0.30	0.15	0.60	15%
Total Ratings * :	3.98	2.49	2.54	1.56	2.79	100%

* Rating is based on a 1 to 5 scale, with 1 being the best.

Based on this review, we feel that Miller Cooper & Co. is the best choice for auditors for the next four years. Although they do not have the lowest price quote over the four year cycle, we feel that the other factors listed above far outweigh the less than 1% difference in price.

Miller Cooper is a mid-size accounting firm, noted by Crain's Chicago Business as one of the top twenty accounting firms in the Chicagoland area. Based on our evaluation above, they have planned the highest number of hours for the job, have the second highest level of experience, especially in governmental audits, the best allocation of resources planned for the job, and the second lowest total cost.

Although not specifically included in the analysis, Miller Cooper & Co. also has larger clients (referred to as phase I entities) that are required to report under the new GASB 33/34 requirements one year earlier than communities our size. Staff also considered it a plus that they defined their commitment to this critical process by allocating specific funds to GASB 33/34 implementation. If this \$2,000 annual amount is removed, at our option, Miller Cooper & Co. then becomes the lowest proposal by approximately \$5,000.

ATTACHMENT:
Audit RFP Analysis.

RECOMMENDATION:
We recommend awarding a four year contract to Miller Cooper & Co. as presented, for a 2001-02 cost of \$26,900, and a total four year cost of \$114,300.

APPROVED BY ACTING VILLAGE MANAGER

Comparative Analysis of Auditor RFP's

SUMMARY OF RATINGS FOR AUDITOR RFP'S

<u>Auditors:</u>	<u>Crowe-Chizek</u>	<u>Lauterbach & Amen</u>	<u>McGladrey & Pullen</u>	<u>Miller Cooper & Co.</u>	<u>Wolf & Co.</u>	Priority
I Total Planned Hours	0.10	0.20	0.30	0.10	0.40	10%
II Experience	1.00	0.20	0.60	0.40	0.80	20%
III Time Allocation	0.63	0.44	0.44	0.31	0.69	25%
IV Cost	1.50	1.20	0.90	0.60	0.30	30%
V Service/ Quality	0.75	0.45	0.30	0.15	0.60	15%
 Total Ratings * :	 3.98	 2.49	 2.54	 1.56	 2.79	 100%

* Rating is based on a 1 to 5 scale, with 1 being the best.

Comparative Analysis of Auditor RFP's

I TOTAL HOURS QUOTED FOR AUDIT

<u>Auditors:</u>	<u>Crowe-Chizek</u>		<u>Lauterbach & Amen</u>	<u>McGladrey & Pullen</u>	<u>Miller Cooper & Co.</u>	<u>Wolf & Co.</u>		Priority 10%
	Audit	Other Svc			Audit	Other	Audit	Other
Partner	100	\$250.90	73*	30	48	\$182	25@	\$105 \$130
Sr. Manager		\$80-90	---	---	---	---	---	---
Manager	80	\$100-200	220*	108	88	\$84-98	60@	\$80 \$100
Subtotal, Senior Management	180		293	138	136		85	
Sr. Staff	160	\$90-95	--	162	148	\$63	150@	\$65 \$80
Staff	160	\$75-85	140*	100	166	\$56	110	
Subtotal, before additions	500		440	400	450		345	
Additional Hours:	---		---	---	40 - add'l for 1st yr		---	
TOTAL HOURS	500		440	400	490		345	
<i>I. Total Hrs rating</i>		1	2	3		1	4	

* Allocation based on staffing.

Comparative Analysis of Auditor RFP's

II PROFESSIONAL EXPERIENCE IN GOVERNMENTAL AUDITS

<u>Auditors:</u>	<u>Crowe-Chizek</u>	<u>Lauterbach & Amen</u>	<u>McGladrey & Pullen</u>	<u>Miller Cooper & Co.</u>	<u>Wolf & Co.</u>	Priority 20%
Partner	Lou Karrison Specializes in Govt	Sherry L. - 20 yrs. Specializes in Govt	Joe Evans - 20 yrs. Light in Govt	Irwin Lyons - 25 yrs. Specializes in Govt	John Deland - 15+ yrs. Mixed Experience	
Sr. Manager	Only 20 Govt Audits, enterprise heavy	Ron A - 10 yrs. Govt	Linda Abernathy- 16 yrs.	--	--	
Manager/ Supervisor	--	Govt. - 9 yrs	6 yrs.	Gov. - 5 & 6 yrs	"involved in" Govt - 6 yrs	
Sr. Staff	Amy Moravick, - 8 audits	--	No Info.	No Info.	No Info.	
Staff	3-4 gov. audits	100% gov.	No Info.	No Info.	No Info.	
<i>II. Experience rating</i>	5	1	3	2	4	

Comparative Analysis of Auditor RFP's

III TIME ALLOCATION FOR AUDIT

Auditors:	<u>Crowe-Chizek</u>	<u>Lauterbach & Amen</u>	<u>McGladrey & Pullen</u>	<u>Miller Cooper & Co.</u>	<u>Wolf & Co.</u>	Priority 25%
PHASE	Est. Hours					
Planning	10	40	39	52	none specified	
<i>Planning rating:</i>	3	2	2	1	3	
Fieldwork:						
A. Evaluation of Controls and B. Testing	55	40	34	144	none specified	
Subtotals:	<u>220</u>	<u>280</u>	<u>178</u>	<u>142</u>	none specified	
	275	320	212	286	0	
<i>Fieldwork rating:</i>	2	1	3	2	3	
Reporting	195	60	105	112	none specified	
<i>Reporting rating:</i>	3	2	1	1	3	
Improvements & Management Letter	20	20	44	40	none specified	
<i>Improvements rating:</i>	2	2	1	1	2	
<i>Total allocation ratings:</i>	<u>10</u>	<u>7</u>	<u>7</u>	<u>5</u>	<u>11</u>	
Total allocation ratings divided by 4 =						
<i>III. Average Allocation Ratings:</i>	2.5	1.75	1.75	1.25	2.75	

