

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

_____ Resolution or Ordinance (Blue)
_____ Recommendations of Boards, Commissions & Committees (Green)
 X Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: David A. Hulseberg, Village Manager *DAH*

DATE: November 3, 2011 (COW)(B of T) Date November 17, 2011

TITLE: A Motion Authorizing Execution of an Engagement Letter with Lauterbach & Amen, LLP for Auditing Services

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

The Village's current contract for auditing services did not reflect the conversion to a calendar fiscal year. The current auditing firm, Lauterbach & Amen, provided an amended proposal for the FYE May 31, 2012, FYE December 31, 2012, FYE December 31, 2013 and FYE December 31, 2014.

Staff's recommendation to approve the contract for auditing services with Lauterbach & Amen LLP, to the Village President and Board of Trustees, is attached.


Review (as necessary):

Village Attorney X Date _____
Finance Director X *Timothy Sexton* Date 11/9/11
Village Manager X *David Hulseberg* Date 11/10/11

NOTE: All materials must be submitted to and approved by the Village Manager's Office by 12:00 noon, Wednesday, prior to the Agenda Distribution.



To: Village President and Board of Trustees

From: Timothy Sexton, Director of Finance 

Date: November 3, 2011

Subject: **Auditing Services Contract**

In November 2009, the Board of Trustees approved a contract with Lauterbach & Amen, LLP to provide the Village's auditing services for the CAFR and TIF compliance reports. This contract was based on a fiscal year ended date of May 31. In October 2011, the Board of Trustees approved the conversion to a calendar year fiscal year.

Attached you will find Lauterbach & Amen's updated cost proposal reflecting the change in reporting periods. These costs are in line with the original proposal, with a reduced cost for the shortened fiscal year.

Staff is requesting the Village Board to accept the proposal of Lauterbach & Amen, LLP in accordance with the proposal submitted November 3, 2011 to provide auditing services for the Village.

November 3, 2011

The Honorable President
Members of the Board of Trustees
Village of Lombard, Illinois

We are pleased to confirm our understanding of the services we are to provide the Village of Lombard, Illinois for the year ended May 31, 2012, seven months ended December 31, 2012 and years ended December 31, 2013 and December 31, 2014. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Village as of and for the year ended May 31, 2012, seven months ended December 31, 2012 and years ended December 31, 2013 and December 31, 2014. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the Village's basic financial statements. As part of our engagement, we will apply certain limited procedures to the Village's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it.

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited: introductory and statistical information; management's discussion and analysis; the budgetary comparison schedules; pension plan funding progress and employer contribution schedules. Supplementary information other than RSI also accompanies the Village's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements: combining and individual fund statements and schedules; other information listed as supplemental and schedules, except for those schedules marked "unaudited."

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You are also responsible for management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our financial statement preparation services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management Responsibilities (Continued)

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village, and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the Village involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Village received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Village complies with applicable laws and regulations.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Village or to acts by management or employees acting on behalf of the Village.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Audit Procedures – Internal Control

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Our audit will include obtaining an understanding of the Village and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, will perform tests of the Village’s compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

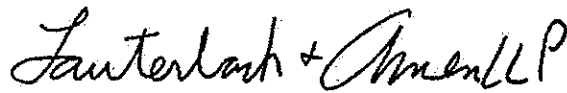
Audit Administration, Fees, and Other

Our fees for audit services are as follows:

VILLAGE OF LOMBARD				
Lauterbach & Amen, LLP				
Professional Services				
	<u>5/31/2012</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
Village Audit	\$31,300	\$30,400	\$32,200	\$33,100
TIF Audit	<u>\$700</u>	<u>\$675</u>	<u>\$725</u>	<u>\$750</u>
Total	<u>\$32,000</u>	<u>\$31,075</u>	<u>\$32,925</u>	<u>\$33,850</u>

We appreciate the opportunity to be of service to the Village of Lombard, Illinois and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Cordially,



LAUTERBACH & AMEN, LLP

RESPONSE:

This letter correctly sets forth the understanding of the Village of Lombard, Illinois.

By: _____

Title: _____

Date: _____