

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: William T. Lichter, Village Manager  
DATE: 04/28/04 (COW)(B of T) Date May 6, 2004  
TITLE: A Motion Authorizing Execution of an Engagement Letter with Lauterbach & Amen, LLP for Auditing Services  
SUBMITTED BY: Leonard J. Flood, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

The Village's current contract for auditing services expired with the FYE 2003 audit. In March, a request for proposals (RFP) for a new contract was mailed to five auditing firms. Three of the firms submitted proposals by the April 12, 2004 deadline.

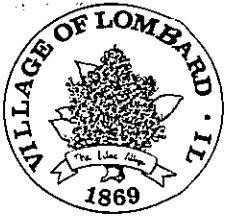
The proposals were going to be reviewed with the Finance Committee at their April 20, 2004 meeting. However, due to a lack of a quorum, this meeting was cancelled. The Finance Committee was polled to see if they concurred with the recommendation of Lauterbach & Amen. Staff was able to reach four of the six members, and all four concurred with the recommendation. This recommendation is in accordance with the Village's RFP and Lauterbach & Amen's response to the RFP.

Staff's report and recommendation to the Finance Committee is attached. The contract is for fiscal years 2004 through 2006, with a Village option to renew for an additional three years after 2006. The responses to the RFP, including all supporting documentation from Lauterbach & Amen, as well as from the two other firms that submitted proposals are available in my office for review. Due to their size, I have not included this information herein.

Review (as necessary):

Village Attorney  X  \_\_\_\_\_ Date \_\_\_\_\_  
Finance Director  X   Leonard J. Flood  Date  4/28/04   
Village Manager  X   William T. Lichter  Date  4/28/04

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: Leonard J. Flood, Director of Finance  
From: Timothy Sexton, Assistant Director of Finance *TS*  
Date: April 15, 2004  
Subject: RFP for Auditing Services

In 1998, the Village awarded a contract for auditing services (with a three-year renewal option) to Lauterbach & Amen, LLP. The Village exercised the renewal option in 2001. The FYE 2003 audit marked the final year of a three-year contract extension. Following the recommendation of the Finance Committee regarding contracts and contract extensions, staff sought proposals from other firms for fiscal years 2004 through 2006. The proposals included a Village option to renew for an additional three years after 2006.

Requests for proposals were mailed to five accounting firms with governmental accounting and audit experience in late March. The firms were asked to submit two different proposals. The first proposal is for audit services for our current fiscal year structure. This proposal is for a three year contract, with an option to extend the contract for an additional three years. The second proposal is for audit services if the Village switched to a calendar year fiscal year beginning January 1, 2006. This alternate proposal is for three years and seven months, with an option to extend the contract for an additional three years.

<b>Proposal for Current Fiscal Year Structure</b>		
	3 Year	6 Year
	<u>Cost</u>	<u>Cost</u>
Lauterbach & Amen, LLP	79,650	170,775
Wolf & Company, LLP	80,245	167,645
Sikich Gardner & Co, LLP	83,575	174,900

<b>Proposal for Calendar Year Fiscal Year Structure*</b>		
	3 Year, 7 month	6 Year, 7 Month
	<u>Cost</u>	<u>Cost</u>
Lauterbach & Amen, LLP	104,925	192,225
Wolf & Company, LLP	104,515	191,915
Sikich Gardner & Co, LLP	112,825	207,825

\* Short fiscal year would be period of 6/1/05 - 12/31/05; After this period, the fiscal year would be the calendar year

Three of the five firms responded to the request by submitting formal proposals, a summary of which is below. Staff met with representatives from the three firms submitting proposals to discuss the RFP in more detail. Issues such as cost, governmental experience and responsiveness to Village needs were reviewed with each firm. As a result of that process, staff believes the firm of Lauterbach & Amen, LLP best meets the Village's needs.

Staff recommends Lauterbach & Amen for several reasons.

- The firm specializes in the government sector and its two partners, Sherry Lauterbach and Ron Amen, have over 40 combined years experience in managing government audits. This specialization in governmental accounting makes the firm uniquely qualified to handle the Village's audit process.
- Lauterbach & Amen only works with the government sector. Wolf & Co. and Sikich Gardner & Co. have significant activity outside of the government sector. This can lead to scheduling conflicts (tax time) and staff with not as much experience with governmental accounting. Lauterbach & Amen's expertise in the government sector results in a minimum disruption of the day-to-day duties of the Village's staff
- In addition, the firm's proposal was competitive with the other proposals, with a three year cost of \$79,650 and a three year, seven month cost of \$104,925 for the alternate proposal.
- During the last six years contract with Lauterbach & Amen, Village staff experienced a high level of professionalism, responsiveness and willingness to work with Village staff not only during the audit process but also throughout the year as issues arise.
- Lauterbach & Amen has had a good working relationship with Village management and staff and has provided assistance and advise to staff and management throughout the year, without ever charging additional fees. Below is a list of some of the topics that they have assisted with during the previous contract:
  - GASB 34 Implementation – This required numerous meetings to discuss how the Village would handle and implement new reporting requirements.
  - Financial Policies - Assisted with the development and review of various Village financial policies
  - After hours availability – Available to attend Village Board and Finance Committee meetings whenever requested by staff.
  - Internal Control Changes – instrumental in assisting with various changes to internal controls throughout the years.
  - Operating Improvements - Provide suggestions to identify ways to reduce costs and streamline operations
- There is more involvement in the audit process from the partners of Lauterbach & Amen (85 hours) as compared to Wolf & Co. (35 hours), ensuring a high quality audit with not only oversight but the hands-on involvement of the partners in every phase of the audit process.
- Lauterbach & Amen has a good understanding of the internal controls and operations of the Village, which will provide continuity in the audit process, avoiding the significant additional staff time needed to start a new audit.
- Lauterbach & Amen's clients have had a 100% retention rate for GFOA's Certificate of Achievement for Excellence in Financial Reporting Program. Under their guidance, the Village has continued to receive the Certificate of Achievement award for the past six years.

- Any additional projects that are significant, extensive and go beyond the scope of the audit process and their current extensive free support (such as auditing hotels in the Village for compliance with the Village Hotel/Motel Tax) would be charged at lower rates than those proposed by the other firms (see below).

**Additional Fees**

<u>Lauterbach &amp; Amen, LLP</u>		<u>Wolf &amp; Company, LLP</u>		<u>Sikich Gardner &amp; Co, LLP</u>	
Partners	\$100	Partners	\$140	Partners	\$ 254
Managers/Sr. Accountants	\$ 75	Managers	\$110	Managers	\$ 160
Staff Accountants	\$ 50	Senior Accountants	\$ 85	Senior Accountants	\$ 114
		Staff Accountants	\$ 65	Staff Accountants	\$ 101

Staff is requesting Finance Committee concurrence with the staff report and recommendation to the Village Board to accept the proposal of Lauterbach & Amen, LLP in accordance with the proposal submitted April 12, 2004. Each year of the agreement is renewable at the Village's discretion.

Please place this item on the Finance Committee's agenda for Tuesday, April 20, 2004. If you have any questions, please let me know.