



Legislation Details (With Text)

File #: 2021-0429 **Version:** 1 **Name:** FY2020 Audit Contract Amendment
Type: MOTION **Status:** PASSED
File created: 6/2/2021 **In control:** Board of Trustees
On agenda: 7/6/2021 **Final action:** 7/6/2021
Title: FY2020 Audit Contract Amendment

Code sections:

Attachments: 1. 2020 Additional Field Services (previous), 2. 2020 Engagement Fees, 3. Revised Invoice

Date	Ver.	Action By	Action	Result
7/6/2021	1	Board of Trustees		
6/18/2021	1	Finance Department	INTRODUCED TO BOARD	
6/7/2021	0	Board of Trustees		
6/2/2021	0	Finance Department	INTRODUCED TO BOARD	

Title
FY2020 Audit Contract Amendment

History

*The following motion was postponed at the June 7, 2021, Village Board Meeting:
"I move to approve additional services provided by BKD relating to the 2020 audit in the amount of \$19,970."*

This motion will need to be amended to:
"I move to approve additional services provided by BKD relating to the 2020 audit in the amount of \$16,570."

Since the June 7 meeting, Trustee Healy, and staff met with Scott Termine, Partner with the Village's auditor BKD to review the audit contract amendment. After an in-depth meeting, the items are being submitted for reconsideration, with billing rates updated pursuant to the Village's agreement with BKD rather than the current BKD standard billing rates.

For additional clarification, accounting standards are prepared by the Governmental Accounting Standards Board (GASB). The GASB pronouncements identify reporting standards, but do not detail the additional work effort that may be needed for implementation. Once those GASB pronouncements are finalized, the Illinois CPA Society (ILCPAS) provides additional guidance to implement those pronouncements, which include guidance on how auditors should test and verify components for compliance and statement implementation. Because GASB statements are the guideline for financial reporting, the final work effort is uncertain until ILCPAS provides its guidance. It is common for such work efforts to be omitted from base audit fees and added as implementation fees.

In addition, the State of Illinois passed legislation that required additional testing and reporting standards for its grant reporting process (Grant Accountability and Transparency Act [GATA]), which was not known

during the original RFP process.

Traditionally, an audit agreement assumes that there will be additional time needed for the first year of the engagement. Then subsequent years typically run smoother. Due to Village staff turnover, this engagement has had the equivalent of three (3) first years. Year one (1) was a typical first year. Year two (2) had a new Assistant Finance Director, who is the primary lead on the audit engagement. Year three (3) had a new Finance Director, who has asked the auditors to review and focus on different areas and aspects of the Village's finances.

Mr. Termine, Trustee Healy and staff reviewed each of the additional contract amendments and related billing. After careful review, all involved understood the reasons for each item included on the additional bill and concluded that the bill is for work outside of an anticipated audit engagement in its third year. This is the first additional billing of the contract.

The following write-up and motion have been updated to reflect updated billing rates.

Following an RFP process in 2018, the Village selected BKD as its auditing for up to five (5) years. In 2020, that agreement was modified to add services of compiling the audited financial statements.

The 2020 audit included the need for additional implementation services in order to complete the audit. This included additional testing and work relating to:

- Reconciling accounts related to IMRF Pension Plan and the Village's Police Pension Plan in accordance with the provision of GASB S-68 (Accounting and Financial Reporting for Pensions) (\$3,500);
- The Illinois Grant Accountability and Transparency Act (GATA) (\$3,000); and
- Implementation of new Governmental Accounting Standards Board (GASB) pronouncements (S-83 Certain Asset Retirement Obligations and S-84 Fiduciary Activities) (\$5,000).

Total cost for these additional services is \$11,500.

During the audit process, the auditors needed to conduct additional work in reviewing and testing various work papers and schedules, including work to prepare the Schedule of Financial Assistance (for Federal Grant reporting), period 13 audit adjustments, and transitioning the Civic Center from a component unit to a department of the Recreation & Parks Department. Total cost for additional required services is \$5,070. Some contributing factors which required this additional work include:

- A staff member who was significantly involved in the routine audit work left employment during the audit process.
- The existing processes within our current financial software are sometimes overly complicated, requiring staff to pull data and information from multiple sources to conduct routine activity. This complicates routine auditor walk-throughs and reviews, sometimes significantly. The processes tested in detail this year required more than anticipated work effort.
- There were minor complications relating to the transition of Police Pension accounting services mid-year, which required additional review and effort relating to property tax disbursements.
- The Village has a large IDOT payable for projects that have been completed for several years (such as LaGrange Road from 131st Street to 179th Street, approved in 2013). The Village still owes IDOT approximately \$2.5M for various projects. On a related note, IDOT owes the Village approximately \$2.5M in reimbursements for various projects. Significant additional time and effort was required to confirm and substantiate these material dollar amounts to ensure they are properly treated in the Village's financial statements. Current Village staff and audit team members were not with the Village during these projects.

The item was previously postponed, so the original motion remains. If the Board wishes to approve this item, the original motion will need to be made, then another motion will need to modify by the original to the revised dollar amount.

Financial Impact

The total added cost to the Village is \$16,570 for the 2020 audit, which will be incorporated into the next budget amendment.

Recommended Action/Motion

I move to approve the additional services provided by BKD relating to the 2020 audit in the amount of \$16,570.