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AZAVAR

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Village of Downers Grove, IL

Proposal submitted in response to Proposal No.: 002-08.

RFP: Municipal Utility Tax Audit Services – August 11, 2008

Lead Institution:

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Description of Methodologies (Scope of Service)

The first step in the audit process is to hold an introductory meeting with the appropriate Village officials in order to determine what data is available from the municipality. This data generally comes from numerous departments within the municipality.

The second step in an audit is collecting any and all applicable local, state and federal ordinances, regulations, statutes, and laws relating to the particular utility tax or franchise fee that is to be reviewed or analyzed. From this point, we conduct a thorough legal analysis to determine the availability parameters and requirements of conducting an audit of that particular utility provider.

The third step in the audit process is that we formally notify the utility provider of our intent to conduct an audit of those monies that are paid to the municipality. In that notice, we apprise the utility provider of the legal basis for conducting the particular audit. We also notify the utility providers of the necessary steps involved in the audit process and how the audit procedure will be conducted. We specify the query to be performed by the utility provider including the formatting of the data that is to be given to Azavar.

Expected Procedures for Address Verification Audit:

1. The first step of the audit process is the standardization of the databases provided by the Village and by each utility into a compatible format through the use of our proprietary software and analyses systems.
2. Next we perform a complete analysis of the Village's address database using any available data tendered by the Village including Geographical Information Systems (GIS). By creating the most complete list of addresses as is possible, we increase the likelihood that all errors will be identified.
3. Once the lists are finalized, we perform database analysis utilizing our proprietary techniques to determine potential initial errors that may exist in the coding of utility addresses. These errors are just preliminary and may be removed from the list upon further investigation.



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4. We request additional information from utilities and the Village as needed to verify errors and to realize additional errors. Our final compliance procedure conducted for every audit is a manual review of all the potential "exception addresses." This will result in a finalized list of initial errors that will be submitted to each utility.
5. We then work with the utility providers to research errors and correct those errors that are found to be valid. Errors that are not found to be valid are removed from the audit at this time. Under special circumstances, we will conduct our own field analysis in conjunction with the municipality to determine the accuracy of the utility provider responses to our analysis. We will also conduct on-site investigations of the utility provider to determine that the databases have been corrected.
6. Once the investigation is complete, we will receive verification from the utility provider that all valid errors are corrected in their databases and that all revenues from those specific properties are included in the tax or fee remittance to the Village.
7. We will then prepare reports detailing probable past lost revenue as a result of the miscoded addresses along with applicable interest and penalties. We will work with the utilities to determine an acceptable method for full disclosure of the most complete information available.
8. Once the amount of lost revenue is determined for each address analyzed in the audit, we will utilize our legal research conducted at the beginning of the process to determine the outstanding monies owed to the Village. These monies owed will include the taxes, interest and penalties during the term of the franchise agreement, ordinance or the maximum allowed period of time under applicable Illinois law governing the statute of limitations pertaining to the specific contractor agreement. We will utilize any and all of our resources in order to collect those past monies due to the Village.
9. Upon conclusion of the audits, we will work with the Village to ensure that proper controls are in place to prevent the future miscoding of addresses.
10. With the approval of the municipality, we can also conduct reoccurring audits of particular utility providers to determine that the addresses that were found and corrected during the audit continue to be coded correctly, which will ensure continual revenue for the community.

Expected procedures for Gross Revenue (Cable Franchise Fee) Audit:

1. The first step is to obtain appropriate data from each utility and Village or other governmental filings for reported revenue to determine if there are any discrepancies.



2. We then will determine if any remittances during the audit period were late and apply any charges or penalties that may be necessary.
3. Next we systematically analyze each revenue stream for each utility and determine which revenues should be included in gross revenue reports to the Village and are subject to franchise fees. Specific revenue streams of concern in Downers Grove are as follows:
 - a. The amount reported as allowance for bad debt and the amount of bad debt recovered.
 - b. The amount collected from subscribers specified for remittance of franchise fees to the Village.
 - c. The amount collected from advertising revenues and home shopping networks, revenues which may go unreported by your cable provider.
4. If it is determined that any stream of revenue was improperly excluded from the calculation of gross receipts based on the definition provided in Village ordinances and franchises, further analysis will be conducted to determine the impact of that exclusion on municipal revenue throughout the audit period.
5. We will then prepare detailed reports outlining the amount owed to the Village as a result of each misstating gross revenues for calculating franchise fees along with applicable interest and penalties.
6. The final step is to review with the Village internal controls that can be taken to ensure that utilities are properly reporting revenues in the future.

Expense Audit Procedures:

1. Each utility vendor contract and franchise agreement will be legally examined to determine the rates, special considerations, inclusions and exclusions relating to that specific service.
2. Azavar will request invoices and other documentation from the municipality for the period of review.
3. Azavar will then upload the requested information in to our proprietary software network and compare the vendor pricing and special arrangements included in the contract or tariff and determine if they are being consistently and accurately applied in each monthly or quarterly invoice.
4. We will then prepare reports detailing probable past lost revenue as a result of the vendor errors along with applicable interest and penalties. We will work with the vendors to determine an acceptable method for full disclosure of the most complete information available.
5. Once this analysis is complete, we will also determine if there are any other cost effective methods of negotiation or purchasing that would lower the overall cost for this particular service from the known vendor or other competing vendors.
6. Once the amount of overpayment is determined for each vendor account analyzed in the audit, we will utilize our legal research conducted at the beginning of the



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7. process to determine the outstanding monies owed to the Village. Azavar will negotiate a settlement with the vendor for the maximum allowed period of time under applicable Illinois law governing the statute of limitations pertaining to the specific vendor agreement. We will utilize any and all of our resources in order to collect those past monies due to the Village.
8. Upon conclusion of the audits, we will work with the Village to ensure that proper controls are in place to prevent future vendor mistakes.
9. With the approval of the municipality, we can also conduct reoccurring audits of particular vendors to determine that the rates or tariffs that were found and corrected during the audit continue to be applied correctly, which will ensure continual cost savings for the community.
10. Azavar recommends that certain telecommunications vendors be placed on reoccurring audit cycles because of their negligence in maintaining pricing within an agreement.



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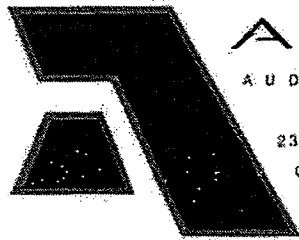
Proposal Cost and Fees / Commission

Azavar initiates and conducts the municipal utility tax audit program on a contingency basis. The Village of Downers Grove will compensate Azavar under the contingency payment terms as outlined below.

The Village of Downers Grove will pay Azavar fifty (50) percent (%) of any retroactive funds, savings, and fair market value for any other special consideration or compensation recovered for and/or by the Village from any audited utility taxpayer. The Village will pay Azavar forty (40) percent (%) of estimated funds recovered for the term of the contract.

Concerning telecommunications expense audits, Azavar shall invoice the Village for either retroactive or forward savings, per line item, at Azavar's discretion. At no point shall Azavar invoice the Village for both retroactive and forward savings on a single line item as it pertains to a telecommunications expense audit.

During the course of each audit, Azavar may find that in fact, rather than being owed past due funds, the Village owes other municipalities, the utility, or taxpayers funds erroneously paid to another party. In this case, Azavar will immediately terminate its participation for that specific utility audit at no cost to the Village and will document the error and provide the Village with information necessary to correct the error. Azavar shall have no liability for these errors or actions arising from their knowledge. Should the Village want Azavar to continue the audit after such disclosure and notice of termination, the Village will pay all fees on a time and materials basis for that utility audit to date and for future work related to that audit.



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Audit Experience Statement and Summary (Organization Capabilities)

Operating under the name Azavar Audit Solutions since 2006 (previously Azavar Technologies since 1999), Azavar currently serves more than 80 municipalities in Illinois and performs address verification audits for, on average, more than four (4) utility companies per community. Current client municipalities vary in size and structure from as small as a population of 500 to as large as a population of over 150,000. Although Azavar prefers to work cooperatively with utilities, we are aware that some providers may not choose to comply as required. Azavar is currently litigating with two large utility providers in Illinois and are highly experienced with handling resistant utilities.

Azavar is uniquely capable of handling large databases and formatting such data into acceptable and compatible files. The essential methodology of an address verification audit is the matching of two distinct databases. Our use of unique as well as industry-leading software solutions allows us to ensure the compatibility of the databases, allowing us to complete an analysis with very few problems. Azavar will easily be able to convert the Village's data in to a compatible database for the audit. Of course, a major portion of any audit involves actual human verification, but we have mastered this process through the completion of over fifty (50) municipal address verification audits over the past three (3) years.

The Azavar audit team consists of full-time employees with additional aid from temporary employees who are industry leaders in their respective fields. Our employees come from a diverse background including public administration, finance, law, information technology, telecommunications, and urban planning. This diverse background enables us to develop creative solutions to problems which may arise during the audit process. In fact, certain address verification audits that we have performed in the past have resulted in an increase of utility tax revenues of more than 8% per year. It is easy to assume that the amount of potential revenue recovery is determined by several factors related to the size and historical growth of a community, including annexations. While this is true, our experience has shown that whether or not your community has seen dramatic amounts of growth in recent years, you can be sure that the utility companies' databases are plagued with errors due to human error, computer error, and a lack of general care for accountability. We are confident that there are errors in the utility providers' databases and we are intent on finding those errors.



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Professional References

City of Evanston, IL Pop.: 75,543 (2006)

Phillip Baugher, Assistance Finance Director

(847) 866-2934

pbaugher@cityofevanston.org

*Electric, natural gas, cable, and telecommunications receivables and expense audits

City of Rockford, IL Pop.: 155,138 (2006)

Andres Sammul, Finance Director

(815) 987-5739

andres.sammul@rockfordil.gov

*Cable receivables audits and electric, natural gas, and telecommunications expense audits

Village of Roselle, IL Pop.: 23,174 (2006)

Pam Figolah, Finance Director

(630) 980-2000

pfigolah@roselle.il.us

*Electric, natural gas, cable and telecommunications receivables audits

Village of Westmont, IL Pop.: 25,059 (2006)

Ron Searl, Village Manager

(630) 981-6211

rsearl@westmont.il.gov

*Electric, natural gas, cable and telecommunications receivables and expense audits

Village of Roselle, IL Pop.: 23,174 (2006) and Village of Glen Ellyn, IL Pop.: 27,295 (2006) - (Currently employed with Village of Downers Grove, IL)

Robin Weaver, Interim Director of Public Works

(630) 434-5461

rweaver@downers.us

*Electric, natural gas, cable and telecommunications receivables audits

Village of Downers Grove

CAMPAIGN DISCLOSURE CERTIFICATE

Any contractor, proposer, bidder or vendor who responds by submitting a bid or proposal to the Village of Downers Grove shall be required to submit with its bid submission, an executed Campaign Disclosure Certificate, attached hereto.

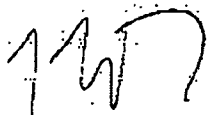
The Campaign Disclosure Certificate is required pursuant to the Village of Downers Grove Council Policy on Ethical Standards and is applicable to those campaign contributions made to any member of the Village Council.

Said Campaign Disclosure Certificate requires any individual or entity bidding to disclose campaign contributions, as defined in Section 9-1.4 of the Election Code (10 ILCS 5/9-1.4), made to current members of the Village Council within the five (5) year period preceding the date of the bid or proposal release.

By signing the bid documents, contractor/proposer/bidder/vendor agrees to refrain from making any campaign contributions as defined in Section 9-1.4 of the Election Code (10 ILCS 5/9-1.4) to any Village Council member and any challengers seeking to serve as a member of the Downers Grove Village Council.

Under penalty of perjury, I declare:

Bidder/vendor has not contributed to any elected Village position within the last five (5) years.



Signature

Jason Perry
Print Name

Bidder/vendor has contributed a campaign contribution to a current member of the Village Council within the last five (5) years.

Print the following information:

Name of Contributor: _____
(company or individual)

To whom contribution was made: _____

Year contribution made: _____ Amount: \$ _____

Signature

Print Name