

VILLAGE OF DOWNERS GROVE
Report for the Village
2/1/2022

SUBJECT:	SUBMITTED BY:
One Year Extension of Agreement with BKD, LLP	Robin Lahey Finance Director

SYNOPSIS

A resolution has been prepared to authorize the approval of a one-year extension of the agreement with BKD, LLP for the independent audit for the fiscal year ending December 31, 2021.

STRATEGIC PLAN ALIGNMENT

The goals for 2021-2023 include *Steward of Financial, Environmental and Neighborhood Sustainability*.

FISCAL IMPACT

The FY22 Budget includes \$49,500 in the General Fund for this audit.

RECOMMENDATION

Staff recommends approval on the February 1, 2022 consent agenda.

BACKGROUND

In November of 2016, the Village entered into a five-year contract with BKD, LLP after completion of a competitive proposal process. This contract ends with the 2020 fiscal year audit. Staff recommends a one-year extension to this contract. Transitioning to a new audit firm requires significant staff time. The extension of this agreement will allow staff to focus on the implementation of the Enterprise Resource Planning System (ERP)

ATTACHMENTS

Resolution
Agreement

RESOLUTION NO. ____**A RESOLUTION AUTHORIZING AN EXTENSION TO THE
AGREEMENT BETWEEN THE VILLAGE OF DOWNERS GROVE
AND BKD,LLP**

BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the form and substance of a certain Extension to the Agreement (the "Agreement"), between the Village of Downers Grove (the "Village") and BKD, LLP (the "Consultant"), for services related to annual independent audits of the Village's financial statements, as set forth in the form of the Agreement submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Village Manager and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Agreement, substantially in the form approved in the foregoing paragraph of this Resolution, together with such changes as the Manager shall deem necessary.

3. That the proper officials, agents and employees of the Village are hereby authorized and directed to take such further action as they may deem necessary or appropriate to perform all obligations and commitments of the Village in accordance with the provisions of the Agreement.

4. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

5. That this Resolution shall be in full force and effect from and after its passage as provided by law.

Mayor

Passed:

Attest: _____
Village Clerk

**EXTENSION TO THE AGREEMENT BETWEEN
THE VILLAGE OF DOWNERS GROVE AND BKD, LLP**

The Village of Downers Grove, Illinois and BKD, LLP ("Consultant") entered into a five-year Agreement for services to perform annual independent audits of the Village's financial statements on or about November 1, 2016. Pursuant to the terms stated therein, the parties desire to extend that contract for a one-year period under the following terms:

1. The Scope of Work shall be amended by adding the work identified in Consultant's Engagement letter dated December 6, 2021, which is attached hereto and incorporated herein as Exhibit A.
2. The total fees for the amended scope of work shall not exceed \$50,000.00 as set forth in Exhibit A.
3. All other terms from the 2016 Agreement remain in full force and effect.
4. The extension shall continue for a one-year period ending November 1, 2022.

VILLAGE OF DOWNERS GROVE

BKD, LLP

Attest:

Village Clerk

Date: _____

SCOTT C. TERMINE, PARTNER

Attest:

Scott C. Terrie

Date: 1/5/22



1901 S. Meyers Road, Suite 500 | Oakbrook Terrace, IL 60181-5209
630.282.9500 | Fax 630.282.9495 | bkd.com

December 6, 2021

Mr. David Fieldman, Village Manager
Ms. Robin Lahey, Finance Director
Village of Downers Grove
801 Burlington Avenue
Downers Grove, Illinois 60515

We appreciate your selection of **BKD, LLP** as your service provider and are pleased to confirm the arrangements of our engagement in this contract. Within the requirements of our professional standards and any duties owed to the public, regulatory, or other authorities, our goal is to provide you **Unmatched Client Service**[®].

Summary Scope of Services

As described in the attached **Scope of Services**, our services will include the following:

Village of Downers Grove

- Audit Services for the year ended December 31, 2021
- Expressing an opinion on your compliance, in all material respects, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that are applicable to each of your major federal award programs
- Issuing a report on your internal control over compliance based on the audit of your compliance with the types of compliance requirements that are applicable to each of your major federal award programs
- Issuing a report on your schedule of expenditures of federal awards
- We will perform the required audits of the Village's Downtown and Ogden Corridor Tax Increment Financing (TIF) Funds and issue opinion on compliance with PA85-1142
- We will also provide an in relation to opinion for the Village's CYEFR required to be submitted in accordance with the *Grant Accountability and Transparency Act* (GATA).

Engagement Fees

The fees for our services will be \$50,000, including preparation of the financial statements. We will waive an administration fees of 4% to cover items such as supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items.

Village of Downers Grove

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Our fees are based upon the understanding that your personnel will be available to assist us and that our work can be performed within the period of January 2022 and June 2022. Our estimate of time assumes no substantial problems with year-end balances. Assistance from your personnel is expected to include:

- Preparing audit schedules to support all significant balance sheet and certain other accounts
- Responding to auditor inquiries
- Preparing confirmation and other letters
- Pulling selected invoices and other documentation from files
- Helping to resolve any differences or exceptions noted

We will provide you with a detailed list of assistance and schedules required and the date such assistance and schedules are to be provided before the audit begins. All schedules should be provided in electronic form unless indicated otherwise.

Our timely completion of the audit depends on your timely and accurate schedule and analyses preparation and on the availability of your personnel to provide other assistance. If there are inaccuracies or delays in preparing this material, or if we experience other assistance difficulties that add a significant amount of time to our work, our fees will increase.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. We will issue progress billings during the course of our engagement, and payment of our invoices is due upon receipt. Interest will be charged on any unpaid balance after 30 days at the rate of 10% per annum, or as allowed by law at the earliest date thereafter, and highest applicable rate if less than 10%.

Our engagement fee does not include any time for post-engagement consultation with your personnel or third parties, consent letters and related procedures for the use of our reports in offering documents, inquiries from regulators or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

Our fees may also increase if our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards.

Our fee does not include any time that may be required to address a restatement of the previously audited financial statements. Accordingly, any such work, or any other work outside the scope of this engagement, will be billed based on standard hourly rates. We will notify the Village prior to completing any such work and will not perform any such work without the prior written consent of the Village.

If our invoices for this or any other engagement you may have with BKD are not paid within 30 days, we may suspend or terminate our services for this or any other engagement. In the event our work is suspended or terminated as a result of nonpayment, you agree we will not be responsible for any consequences to you.

Contract Agreement

Please sign and return this contract to indicate your acknowledgment of, and agreement with, the arrangements for our services including our respective responsibilities.

BKD, LLP

BKD, LLP

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Acknowledged and agreed to as it relates to the entire contract, including the **Scope of Services** on behalf of Village of Downers Grove

BY _____
David Fieldman, Village Manager

DATE _____

BY _____
Robin Lahey, Finance Director

DATE _____

Village of Downers Grove

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Scope of Services

The following apply for all services:

Assistance Our timely completion of services depends on the assistance you provide us in accumulating information and responding to our inquiries. Inaccuracies or delays in providing this information or the responses may result in untimely filings or inability to meet other deadlines.

Responsibility for Outcomes We may perform additional services for you that are not covered by this contract. You agree to assume full responsibility for the substantive outcomes of the contracted services and for any other services we may provide, including any findings that may result.

You also acknowledge these services are adequate for your purposes, and you will establish and monitor the performance of these services to ensure they meet management's objectives. All decisions involving management responsibilities related to these services will be made by you, and you accept full responsibility for such decisions.

We understand you have designated (or will) a management-level individual to be responsible and accountable for overseeing the performance of these services, and you have determined (or will) this individual is qualified to conduct such oversight.

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Audit Services

We will audit the basic financial statements and related notes to the basic financial statements for the following entity with the objective of expressing an opinion on the financial statements; issuing a report on your compliance based on the audit of your financial statements; issuing a report on your internal control over financial reporting based on the audit of your financial statements; expressing an opinion on your compliance, in all material respects, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that are applicable to each of your major federal award programs; issuing a report on your internal control over compliance based on the audit of your compliance with the types of compliance requirements that are applicable to each of your major federal award programs; and issuing a report on your schedule of expenditures of federal awards:

- Village of Downers Grove as of and for the year ended December 31, 2021

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

You have informed us that the audited financial statements are expected to be presented along with management's annual report. Management is responsible for the other information included in the annual report. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements will not cover the other information, and we will not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

We will also express an opinion on whether the combining individual fund financial statements and schedules, component unit – Downers Grove Library and other supplemental information (“supplementary information”) is fairly stated, in all material respects, in relation to the financial statements as a whole.

We will also provide you with the following nonattest services:

- We will complete the auditee portion of the Form SF-SAC (Data Collection Form) through the Federal Audit Clearinghouse. We will not make the submission on your behalf. You will review a drafts of the submission prior to transmission and agree that you are solely responsible for approving the final draft for transmission as well as for the auditee submission and certification
- Preparing a draft of the financial statements and related notes (the Village will provide all statistical section data that does not flow directly from the financial statements)
- Preparing a draft of the supplementary information, including the schedule of expenditures of federal awards
- Preparing a draft of the Downtown and Ogden TIF financial statements and related notes

Scott C. Termine, partner, is responsible for supervising the engagement and authorizing the signing of the report or reports.

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We will issue a written report(s) upon completion of our audit(s), addressed to the following parties:

Entity Name

Village of Downers Grove

Party Name

Village Council

You are responsible to distribute our reports to other officials who have legal oversight authority or those responsible for acting on audit findings and recommendations, and to others authorized to receive such reports.

The following apply for the audit services described above:

**Our
Responsibilities**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform:

- The audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error, and
- The audit of compliance with the types of compliance requirements described in the *OMB Compliance Supplement* applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred

We will exercise professional skepticism throughout the audit.

We will identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We will obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We will also conclude, based on audit evidence obtained, whether there are conditions or events considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

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**Limitations &
Fraud**

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our understanding of internal control is not for the purpose of expressing an opinion on the effectiveness of your internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls, or management may override the system.

We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate contract to be signed by you and **BKD, LLP**.

Opinion

Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report, or if necessary, withdraw from the engagement.

If we discover conditions that may prohibit us from issuing a standard report, we will notify you. In such circumstances, further arrangements may be necessary to continue our engagement.

**Your
Responsibilities**

Management and, if applicable, those charged with governance acknowledge and understand their responsibility for the following:

- For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (or other basis if indicated in the contract)
- For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- For identifying and ensuring compliance with the laws, regulations, contracts, and grants applicable to your activities (including your federal award programs)

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- To provide us with:
 - Access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including access to information relevant to disclosures
 - Additional information that we may request for the purpose of the audit
 - Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence

The results of our tests of compliance and internal control over financial reporting performed in connection with our audit of the financial statements may not fully meet the reasonable needs of report users. Management is responsible for obtaining audits, examinations, agreed-upon procedures, or other engagements that satisfy relevant legal, regulatory, or contractual requirements or fully meet other reasonable user needs.

**Written
Confirmations
Required**

As part of our audit process, we will request from management and, if applicable, those charged with governance written confirmation acknowledging certain responsibilities outlined in this contract and confirming:

- The availability of this information
- Certain representations made during the audits for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud 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

**Peer Review
Report**

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our most recent peer review report accompanies this contract.

**Supplementary
Information**

With regard to any supplementary information that we are engaged to report on:

- Management is responsible for its preparation in accordance with applicable criteria
- Management will provide certain written representations regarding the supplementary information at the conclusion of our engagement
- Management will include our report on this supplementary information in any document that contains this supplementary information and indicates we have reported on the supplementary information
- Management will make the supplementary information readily available to intended users if it is not presented with the audited financial statements

**Implementation of
New Standards**

Unless indicated in our contract, our services and related fees do not include substantive assistance beyond routine advice related to the adoption of new accounting and reporting standards. Should you require assistance, we will bill you at our standard hourly rates.

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**Assistance with
Application of
Standards**

Transactions or changes in business may require you to apply existing standards differently each year, such as when business operations create new revenue streams, operations are discontinued, liquidity or operational challenges are encountered, business combinations are executed, etc. We welcome your questions throughout the year and are happy to provide general guidance and routine support; however, our engagement does not include substantive effort to assist you with applying standards to these circumstances, unless otherwise indicated in the contract.

New Auditing and Accounting Standards

Leases

Governmental Accounting Standards Board Statement No. 87, *Leases*, is effective for fiscal years beginning after June 15, 2021. Early application is encouraged.

Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. We can assist you with the adoption by providing services which may include, but are not limited to:

- Assessing your readiness by assisting with the evaluation of your:
 - Current controls and policies
 - Current internal resources and system capabilities
- Assisting with changes required to adopt Statement No. 87, including:
 - Assisting with information gathering to develop an inventory of all lease agreements, service contracts, and other arrangements that may contain right-to-use lease assets
 - Recommending enhancements to existing controls and policies or suggesting new controls and policies to address Statement No. 87
 - Documenting any changes from your previous lease recognition and reporting methods
 - Drafting the required disclosures

The time it will take to perform the above assistance and our additional audit procedures relating to the adoption of the Statement, and any time to assist you with the adoption, may be minimized to the extent your personnel will be available to provide timely and accurate documentation and information as requested by us.