



FINANCE DEPARTMENT

m e m o r a n d u m

TO: Mayor Prussing and Members of the Urbana City Council

FROM: Rich Hentschel, Comptroller

DATE: April 23, 2014

SUBJECT: CONSIDERATION OF A RESOLUTION APPROVING THE ENGAGEMENT OF BAKER TILLY VIRCHOW KRAUSE, LLP FOR FINANCIAL AUDITING SERVICES

Introduction

The Finance Department is requesting that the City Council approve the selection of Baker Tilly Virchow Krause, LLP to provide independent financial auditing services for fiscal years 2014 through 2018.

Background

On March 5, 2014, the Finance Department released a Request For Proposals (“RFP”) for Professional Auditing Services for Fiscal Years Ending June 30th. The RFP requested proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2014, with the option of auditing its financial statements for each of the four (4) subsequent fiscal years. These audits are required by law and are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S Government Accountability Office's (GAO) *Government Auditing Standards* (1994), the provisions of the federal Single Audit Act of 1984 (as amended in 2011) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The selected audit firm will express an opinion on the fair presentation of the financial position of the governmental activities, business-type activities, fiduciary funds, each of the major funds, and the aggregate remaining fund information of the City, in conformity with generally accepted accounting principles. In addition, the auditor will audit the financial statements and express an opinion separately on the fair presentation of the financial position of the Urbana Free Library, the Police Pension Fund, and the Firemen’s Pension Fund.

On March 12th the Finance Department held a pre-proposal conference where interested firms could attend in order to ask questions. On March 18th, the Finance Department released the list of questions received, and answers thereto, to all firms that had expressed an interest in submitting a proposal by that date. By the April 2nd deadline for submitting proposals the Finance Department had received five (5) proposals. On April 16th all five (5) firms were invited to make in-person presentations to the proposal

evaluation committee consisting of representatives from the Mayor's Office and the Finance Department. Subsequent to those presentations, the evaluation committee conducted reference checks on those firms that the evaluation committee felt were best qualified based on the evaluation criteria contained in the RFP. Since this was an RFP for professional services the criteria were focused on the qualifications of the interested firms, and not primarily on cost. The criteria generally included: being licensed in Illinois, having no conflict of interest with regard to any other work with the City of Urbana, past experience with comparable governments, the quality of the firm's personnel, proposed approach to the audit and adherence to the terms of the RFP. Subsequent to reference checks, Baker Tilly Virchow Krause, LLP was selected as the most qualified.

Fiscal impact

The evaluation committee reviewed the cost proposal submitted by Baker Tilly Virchow Krause, LLP, and a final price acceptable to both the City and the audit firm of \$59,655 for the first year was agreed upon. Future year costs were fixed with a 3% inflation factor.

Another firm is currently performing the audit for the fiscal year ending June 30, 2013. Because it has not yet been completed, the final cost for this audit is not yet known. Therefore, a cost comparison is difficult to make. However, the agreed upon cost for the FY2013-14 audit will likely be greater than the cost for the FY2012-13 audit. The current audit firm did not propose in response to the RFP.

Recommendation

Approve the resolution approving the engagement of Baker Tilly Virchow Krause, LLP for financial auditing services for Fiscal Years 2014 through 2018.

RESOLUTION NO. 2014-04-024R

**A RESOLUTION APPROVING THE ENGAGEMENT OF BAKER TILLY VIRCHOW
KRAUSE, LLP FOR FINANCIAL AUDITING SERVICES**

(Fiscal Years 2014 – 2018)

WHEREAS, on March 5, 2014, the Finance Department of the City of Urbana released a Request For Proposals (“RFP”) for Professional Auditing Services for Fiscal Years Ending June 30th. seeking proposals from qualified firms of certified public accountants to audit the City’s financial statements for the fiscal year ending June 30, 2014, with the option of auditing its financial statements for each of the four (4) subsequent fiscal years; and

WHEREAS, the Finance Department received five (5) proposals by the April 2nd deadline for submitting proposals; and

WHEREAS, on April 16th all five (5) firms were invited to make in-person presentations to the proposal evaluation committee consisting of representatives from the Mayor’s Office and the Finance Department; and

WHEREAS, the evaluation committee considered each firm’s expertise, experience, audit approach, and other criteria contained in the RFP; and

WHEREAS, subsequent to those presentations, the evaluation committee conducted reference checks on those firms the committee concluded were the most qualified based on the evaluation criteria contained in the RFP; and

WHEREAS, subsequent to reference checks, Baker Tilly Virchow Krause, LLP was selected as the most qualified, at which time its cost proposal was reviewed and a final price acceptable to both the City and the audit firm of \$59,655 for the first year was agreed upon; and

WHEREAS, the City Council finds that the best interests of the City are served by approving the engagement of Baker Tilly Virchow Krause, LLP to provide financial auditing services for the fiscal years ending on June 30, 2014 through 2018.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1. The Mayor of the City of Urbana, Illinois, be and hereby is authorized to retain the services of Baker Tilly Virchow Krause, LLP as the independent auditor for the City for the fiscal years ending June 30, 2014, 2015, 2016, 2017 and 2018, pursuant to the RFP released to the public for such services, and be and hereby is authorized to execute such annual engagement letters as may be required for such services.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Laurel Lunt Prussing, Mayor