



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Diane Wolfe Marlin and City Council Members
FROM: Elizabeth Hannan, Finance Director
DATE: March 7, 2019
SUBJECT: Re-engagement of Baker Tilly for Auditing Services

Introduction: Attached is a Resolution authorizing re-engagement of Baker, Tilly, Virchow, Krause, LLP (Baker Tilly) as the City's auditor for an additional three years.

Discussion:

Original Engagement: The City Council originally engaged Baker Tilly as the City's auditor in 2014 for audits for FY2014 through FY2018, a five-year term. A five-year term is typical for municipal government audits.

Partner Rotation: Oversight for the audit was originally assigned to Jason Coyle, a partner with Baker Tilly. At the beginning of the FY2017 audit, the audit was assigned to Joe Lightcap, also a partner with Baker Tilly. The current partner assigned to the City's audit, Mr. Lightcap, has had responsibility for oversight of the City's audit for only two years. This rotation ensured that the same individual was not responsible for final decisions on the City's audit for an extended period. If Baker Tilly were engaged for an additional three years, even without another partner rotation, Mr. Lightcap would not be assigned to the City's audit for more than five consecutive years.

Implementation of Munis Financial System: The Munis financial system was implemented with go-live dates in February 2018 for financials and October 2018 for payroll. Due to the timing of implementation, the audit for FY2018 included data on two separate financial systems. In addition, a new, more standardized chart of accounts was implemented, requiring staff to translate and merge data between the two systems.

While the transition to a new financial system was important to improve efficiency and address internal control issues, the FY2018 audit required significantly more staff time, for both City staff and the Baker Tilly audit team. Because of Baker Tilly staff's previous familiarity with the City's financial data, they were better able to work with City staff to complete the audit.

Recommendation to Re-engage Baker Tilly: Because of the need for continuity following the Munis implementation and the additional effort involved in working with a new audit firm in the first year, staff recommends delaying that transition for at least one year to allow for one additional audit with Baker Tilly. This will put the City in a better position to work with a new auditor, whether at the end of one or three years.

Baker Tilly Proposal: When staff requested a proposal for an additional one-year re-engagement, Baker Tilly provided two proposals – one for a one-year re-engagement and one for a three-year re-engagement. The three-year proposal provided more favorable pricing. The proposals are summarized below.

	Current Cost	FY2019 (1-year)	FY2019 (3-year)	FY2020 (3-year)	FY2021 (3-year)
City of Urbana	\$50,440	\$51,925	\$50,440	\$51,200	\$51,925
Urbana Free Library	7,520	7,745	7,520	7,625	7,745
Police Pension Fund	7,110	7,325	7,110	7,175	7,325
Fire Pension Fund	7,110	7,325	7,110	7,175	7,325
Total Audit Cost	\$72,180	\$74,320	\$72,180	\$73,175	\$74,320

The three-year proposal offers very attractive pricing, maintaining current pricing for one year, and then increasing over two years to the same level that is proposed for the one-year agreement.

Fiscal Impact: If the City Council accepts the staff recommendation to re-engage Baker Tilly for an additional three years, the current budget is adequate. A one-year re-engagement could be accommodated as well. Selecting a new auditor could result in higher or lower cost, which would not be known until the selection process was completed.

Alternatives:

1. Forward the resolution approving re-engagement of Baker Tilly for an additional three years of auditing services for approval at the March 18 City Council meeting.
2. Direct staff to modify the resolution to accept the Baker Tilly proposal for one additional year of auditing services and forward for approval at the March 18 City Council meeting.
3. Direct staff to issue a request for proposals (RFP) for auditing services for a five-year term beginning with FY2019.

Recommendation: Forward the resolution approving re-engagement of Baker Tilly for an additional three years of auditing services for approval at the March 18 City Council meeting.

RESOLUTION NO. 2019-03-004R

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

(Fiscal Years Ending June 30, 2019, June 30, 2020 and June 30, 2021)

WHEREAS, on March 5, 2014, the Finance Department of the City of Urbana, Illinois (the “City”) released a Request for Proposals (“RFP”) for Professional Auditing Services for Fiscal Years Ending June 30th that sought 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 subsequent fiscal years; and

WHEREAS, Baker Tilly Virchow Krause, LLP was selected and awarded the project of auditing the City’s financial statements for fiscal year ending June 30, 2014; and

WHEREAS, the City elected to exercise its option to re-engage Baker Tilly Virchow Krause, LLP to undertake audits of the City’s financial statements for fiscal years ending June 30, 2015, 2016, 2017, and 2018; and

WHEREAS, Baker Tilly Virchow Krause, LLP audited the City’s financial statements and provided audit reports for fiscal years ending June 30, 2014, 2015, 2016, 2017, and 2018; and

WHEREAS, Baker Tilly Virchow Krause, LLP rotated partners on the City’s audit beginning with the audit for the fiscal year ending June 30, 2017; and

WHEREAS, during the latter two fiscal years and while Baker Tilly Virchow Krause, LLP was undertaking its auditing work for those fiscal years, the City made significant changes to its accounting and financial records-keeping systems; and

WHEREAS, the City has been very satisfied with the timeliness and quality of Baker Tilly Virchow Krause, LLP’s auditing services performed for and reports provided in connection with the aforesaid five fiscal years; and

WHEREAS, the City Council deems it appropriate to retain and engage Baker Tilly Virchow Krause, LLP to undertake and perform auditing services for fiscal years ending June 30, 2019, 2020 and 2021; and

WHEREAS, the City Councils finds that the best interests of the City are served by approving the re-engagement of Baker Tilly Virchow Krause, LLP to provide financial auditing services for the fiscal years ending June 30, 2019, 2020 and 2021 substantially pursuant to the terms and conditions contained in the re-engagement agreement appended to this Resolution as an Exhibit now that the City has substantially completed transitioning its accounting and financial records-keeping systems.

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

Section 1. The Mayor of the City of Urbana, Illinois, shall be and hereby is authorized to re-engage the services of Baker Tilly Virchow Krause, LLP as the independent auditor for the City for the fiscal years ending June 30, 2019, 2020 and 2021.

Section 2. The Mayor of the City of Urbana, Illinois shall be and hereby is authorized to execute the Baker Tilly Virchow Krause, LLP re-engagement agreement in substantially the form appended to this Resolution as an Exhibit.

PASSED BY THE CITY COUNCIL this ____ Day of _____, 2019.

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk

APPROVED BY THE MAYOR this ____ Day of _____, 2019

Diane Wolfe Marlin, Mayor



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January 14, 2019

Ms. Elizabeth Hannan
Finance Director
City of Urbana
400 S. Vine Street
Urbana, Illinois 61803

Dear Ms. Hannan:

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly" or "we" or "our") as your auditors.

The purpose of this letter (the "Engagement Letter") is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of the City of Urbana ("you" or "your").

Service and Related Report

We will audit the basic financial statements of the City of Urbana as of and for the years ended June 30, 2019, June 30, 2020 and June 30, 2021, and the related notes to the financial statements. Upon completion of our audit, we will provide the City of Urbana with our audit report on the financial statements and supplemental information referred to below. If, for any reasons caused by or relating to the affairs or management of the City of Urbana, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

In order to perform the professional services outlined in this Engagement Letter, Baker Tilly requires access to information subject to Title II of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Federal law requires Baker Tilly to execute a Business Associate Agreement ("BA Agreement") prior to being granted this information. For your convenience, we have attached our firm standard BA Agreement for your review and signature as Addendum A. Please execute and return a copy with this Engagement Letter, keeping the original BA Agreement on file with your HIPAA compliance records.

The following supplementary information accompanying the financial statements will also be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

- > Combining and Individual Fund Financial Statements

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The following supplementary information will also be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

- > Schedule of Expenditures of Federal Awards

Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis, to supplement the City of Urbana's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City of Urbana's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- > Management's Discussion and Analysis
- > Budget Comparison Schedules
- > OPEB - related schedules
- > Pension - related schedules

We will read the following other information accompanying the financial statements to identify any material inconsistencies with the audited financial statements; however, the other information will not be subjected to the auditing procedures applied in our audit of the financial statements and our auditor's report will not provide an opinion or any assurance on that other information:

- > Introductory Section
- > Statistical Section

Tax Increment Financing Compliance Opinion

We will also submit to you our report of compliance with the State of Illinois Public Act 85 1142, "An Act in Relation to Tax Increment Financing" for the Tax Increment Redevelopment Project Areas of the City as of and for the years ended June 30, 2019, June 30, 2020, and June 30, 2021.

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Urbana Free Library Financial Statements

We will also audit the basic financial statements of the Urbana Free Library as of and for the years ended June 30, 2019, June 30, 2020, and June 30, 2021. Upon completion of our audit, we will provide the City of Urbana with our report on the financial statements referred to above. The audit of the Library will be performed in conjunction with the audit of the City's basic financial statements.

The document will also include the following supplemental information that will be subject to the auditing procedures applied in relation to our audit of the basic financial statements:

- > Individual Fund Financial Statements

The document will also include the follow required supplemental information that will be subject to certain limited procedures, but will not be audited:

- > Management's Discussion and Analysis
- > Budgetary Comparison Schedules

Urbana Police Pension Fund Financial Statements

We will also audit the basic financial statements of the Urbana Police Pension Fund as of and for the years ended June 30, 2019, June 30, 2020, and June 30, 2021. Upon completion of our audit, we will provide the City of Urbana with our report on the financial statements referred to above. The audit of the Pension Fund will be performed in conjunction with the audit of the City's basic financial statements.

The document will also include the following required supplemental information that will be subjected to certain limited procedures, but will not be audited:

- > Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
- > Schedule of Employer Contributions
- > Schedule of Investment Returns

Urbana Firefighters' Pension Fund Financial Statements

We will also audit the basic financial statements of the Urbana Firefighters' Pension Fund as of and for the years ended June 30, 2019, June 30, 2020, and June 30, 2021. Upon completion of our audit, we will provide the City of Urbana with our report on the financial statements referred to above. The audit of the Pension Fund will be performed in conjunction with the audit of the City's basic financial statements.

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The document will also include the following required supplemental information that will be subjected to certain limited procedures, but will not be audited:

- > Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
- > Schedule of Employer Contributions
- > Schedule of Investment Returns

Our Responsibilities and Limitations

The objective of a financial statement audit is the expression of an opinion on the financial statements. The objective also includes reporting on:

- > Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on the financial statements in accordance with *Government Auditing Standards*.
- > Internal control related to major federal programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (i) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (ii) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We will be responsible for performing the audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions and to render the required reports.

These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether from (i) errors, (ii) fraudulent financial reporting, (iii) misappropriation of assets, or (iv) violations of laws or governmental regulations that are attributable to the City of Urbana or to acts by management or employees acting on behalf of the City of Urbana. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management and the audit committee or equivalent group charged with governance of their responsibilities.

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The audit will include obtaining an understanding of the City of Urbana and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to determine the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and the audit committee or equivalent group charged with governance internal control matters that are required to be communicated under professional standards. We will also inform you of any other matters involving internal control, if any, as required by *Government Auditing Standards* and the Uniform Guidance.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control over compliance issued pursuant to the Uniform Guidance.

We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. An audit is not designed to detect error or fraud that is immaterial to the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Our audit is not a guarantee of the accuracy of the financial statements and, therefore, is subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact or a direct and material effect on major federal programs, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with GAAS and *Government Auditing Standards*, may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts or noncompliance, if present, will be detected. However, we will communicate to you, as appropriate, any such matters that we identify during our audit. Also, if required by *Government Auditing Standards*, we will report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to parties outside of the City of Urbana.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Urbana's compliance with the provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether you have complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the OMB Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the City of Urbana's major programs. The purpose of those procedures will be to express an opinion on your compliance with requirements applicable to each of your major programs in our report on compliance issued pursuant to the Uniform Guidance.

We are also responsible for determining that the audit committee or equivalent group charged with governance is informed about certain other matters related to the conduct of the audit, including (i) our responsibility under GAAS, (ii) an overview of the planned scope and timing of the audit, and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of your significant accounting practices, accounting estimates, and financial statement disclosures; (b) difficulties encountered in performing the audit; (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures; and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to your financial statements or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts, and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that the audit committee or equivalent group charged with governance receives copies of certain written communications between us and management including written communications on accounting, auditing, internal controls or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance of any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be addressed differently by a third party, possibly in connection with a specific transaction.

Management's Responsibilities

The City of Urbana's management is responsible for the financial statements referred to above. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of the Uniform Guidance. In this regard, management is responsible for establishing policies and procedures that pertain to the maintenance of adequate accounting records and effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities; to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that there is reasonable assurance that government programs are administered in compliance with applicable requirements; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. You are also responsible for the selection and application of accounting principles, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting records, for reporting financial information in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us in the management representation letter (i) about all known or suspected fraud affecting the City of Urbana involving: (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud or illegal acts could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the City of Urbana received in communications from employees, former employees, analysts, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review before we begin fieldwork.

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Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed above. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

You are responsible for the preparation of the supplementary information in conformity with GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are responsible for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (a) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (b) that you believe the schedule of expenditures of federal awards including its form and content, is fairly presented in accordance with the Uniform Guidance; (c) that the methods of measurement or presentation have not changed from those used in the prior year (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for (i) adjusting the basic financial statements to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period under audit are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole, and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of your internal control over financial reporting that are reasonably likely to adversely affect your ability to record, process, summarize and report external financial data reliably in accordance with GAAP. Management is also responsible for identifying and ensuring that the City of Urbana complies with the laws and regulations applicable to its activities.

As part of management's responsibility for the financial statements and the effectiveness of its system of internal control over financial reporting, management is responsible for making available to us, on a timely basis, all of your original accounting records and related information and for the completeness and accuracy of that information and your personnel to whom we may direct inquiries. As required by GAAS, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. GAAS also requires that we obtain written representations covering audited schedule of expenditures of federal and state awards, federal and state award programs, and compliance with laws, regulations, contracts and grant agreements from certain members of management. The results of our audit tests, the responses to our inquiries, and the written representations, comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

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Baker Tilly is not a municipal advisor as defined in Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or under Section 15B of the Securities Exchange Act of 1934 (the "Act"). Baker Tilly is not recommending an action to the City of Urbana; is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Act to you with respect to the information and material contained in the deliverables issued under this engagement. You should discuss any information and material contained in the deliverables with any and all internal and external advisors and experts that you deem appropriate before acting on this information or material.

Nonattest Services

Prior to or as part of our audit engagement, it may be necessary for us to perform certain nonattest services. For purposes of this letter, nonattest services include services that *Government Auditing Standards* refers to as nonaudit services.

Nonattest services that we will be providing are as follows:

- > Financial statement preparation
- > Adjusting journal entries
- > Preparation of the auditee section of the data collection form

None of these nonattest services constitute an audit under generally accepted auditing standards including *Government Auditing Standards*.

We will not perform any management functions or make management decisions on your behalf with respect to any nonattest services we provide.

In connection with our performance of any nonattest services, you agree that you will:

- > Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.
- > Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- > Evaluate the adequacy and results of the nonattest services we perform.
- > Accept responsibility for the results of our nonattest services.
- > Establish and maintain internal controls, including monitoring ongoing activities related to the nonattest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your financial statements. We will notify you, in writing, of any matters that we believe you should be aware of and will meet with you upon request.

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Other Documents

If you intend to reproduce or publish the financial statements in an annual report or other information (excluding official statements), and make reference to our firm name in connection therewith, you agree to publish the financial statements in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing and final materials before distribution.

If you intend to reproduce or publish the financial statements in an official statement, unless we establish a separate agreement to be involved in the issuance, any official statements issued by the City of Urbana must contain a statement that Baker Tilly is not associated with the official statement, which shall read "Baker Tilly Virchow Krause, LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Tilly Virchow Krause, LLP, has also not performed any procedures relating to this official statement."

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

At the conclusion of our engagement, we will complete the appropriate auditor sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to complete the auditee sections and to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior year audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include within the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of thirty (30) days after receipt of the auditors' reports or nine (9) months after the end of the audit period.

We will provide copies of our reports to the City of Urbana, however, management is responsible for distribution of the reports and the financial statements. Copies of our reports are to be made available for public inspection unless restricted by law or regulation or if they contain privileged and confidential information.

The documentation for this engagement, including the workpapers, is the property of Baker Tilly and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to federal or state agencies for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Baker Tilly personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we are required by law, regulation or professional standards to make certain documentation available to regulators, the City of Urbana hereby authorizes us to do so.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. We previously sent you our most recent peer review report.

Timing and Fees

Completion of our work is subject to, among other things, (i) appropriate cooperation from the City of Urbana's personnel, including timely preparation of necessary schedules, (ii) timely responses to our inquiries, and (iii) timely communication of all significant accounting and financial reporting matters. When and if for any reason the City of Urbana is unable to provide such schedules, information, and assistance, Baker Tilly and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our audit report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees.

Revisions to the scope of our work will be communicated to you and may be set forth in the form of an "Amendment to Existing Engagement Letter." In addition, if we discover compliance issues that require us to perform additional procedures and/or provide assistance with these matters, fees at our standard hourly rates apply.

	City of Urbana	Urbana Free Library	Police Pension Fund	Firefighters' Pension Fund	Totals
2019 Basic Services*	\$ 42,260	\$ 5,870	\$ 5,460	\$ 5,460	\$ 59,050
2019	8,180	1,650	1,650	1,650	13,130
Additional Services**					
2020 Basic Services*	42,900	5,950	5,500	5,500	59,850
2020	8,300	1,675	1,675	1,675	13,325
Additional Services**					
2021 Basic Services*	43,500	6,045	5,625	5,625	60,795
2021	8,425	1,700	1,700	1,700	13,525
Additional Services**					

* Our fees for Basic Services assume no more than one major program or cluster is required to be tested for the Single Audit. If additional programs are required to be tested, we will discuss an appropriate fee adjustment with you at that time.

** Additional Services are defined as the preparation of financial exhibit sections of the Comprehensive Annual Financial Report for the fiscal years ended June 30, 2019, June 30, 2020, and June 30, 2021 for the City, including the Urbana Free Library and Police and Firefighters' Pension Funds based on financial and other information provided by the City. This is to include all government-wide financial statements, all fund financial statements, all reconciliations, all notes to the financial statements, and all combining and individual fund statements.

Invoices for these fees will be rendered each month as work progresses and are payable on presentation. A charge of 1.5 percent per month shall be imposed on accounts not paid within thirty (30) days of receipt of our statement for services provided. In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notice of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

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We may use temporary contract staff to perform certain tasks on your engagement and will bill for that time at the rate that corresponds to Baker Tilly staff providing a similar level of service. Upon request, we will be happy to provide details on training, supervision, and billing arrangements we use in connection with these professionals.

Additionally, we may from time to time, and depending on the circumstances, use service providers (e.g., to act as a specialist or audit an element of the financial statements) in serving your account. We may share confidential information about you with these service providers, but are committed to maintaining the confidentiality and security of your information.

Any additional services that may be requested, and we agree to provide, may be the subject of a separate engagement letter.

We may be required to disclose confidential information to federal, state and international regulatory bodies or a court in criminal or other civil litigation. In the event that we receive a request from a third party (including a subpoena, summons or discovery demand in litigation) calling for the production of information, we will promptly notify the City of Urbana, unless otherwise prohibited. In the event we are requested by the City of Urbana or required by government regulation, subpoena or other legal process to produce our engagement working papers or our personnel as witnesses with respect to services rendered to the City of Urbana, so long as we are not a party to the proceeding in which the information is sought, we may seek reimbursement for our professional time and expenses, as well as the fees and legal expenses, incurred in responding to such a request.

Our fees are based on known circumstances at the time of this Engagement Letter. Should circumstances change significantly during the course of this engagement, we will discuss with you the need for any revised audit fees. This can result from changes at the City of Urbana, such as the turnover of key accounting staff, the addition of new funds or significant federal or state programs or changes that affect the amount of audit effort from external sources, such as new accounting and auditing standards that become effective that increase the scope of our audit procedures. This Engagement Letter currently includes all auditing and accounting standards and the current single audit guidance in effect as of the date of this letter.

We would expect to continue to perform our services under the arrangements discussed above from year to year, unless for some reason you or we find that some change is necessary. We will, of course, be happy to provide the City of Urbana with any other services you may find necessary or desirable.

Resolution of Disagreements

In the unlikely event that differences concerning services or fees should arise that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute-resolution procedure. Each party shall bear their own expenses from mediation.

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If mediation does not settle the dispute or claim, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city in which the Baker Tilly office providing the relevant services is located, unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act ("FAA") and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no pre hearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from AAA, Judicial Arbitration & Mediation Services ("JAMS"), the Center for Public Resources or any other internationally or nationally recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within fifteen (15) days of the parties' agreement to settle the dispute or claim by binding arbitration, and arbitration will thereafter proceed expeditiously. The arbitration will be conducted before a single arbitrator, experienced in accounting and auditing matters. The arbitrator shall have no authority to award non monetary or equitable relief and will not have the right to award punitive damages. The award of the arbitration shall be in writing and shall be accompanied by a well reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrator shall be equally divided by the parties. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential arbitration. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim would be barred under the applicable statute of limitations.

Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

Limitation on Damages and Indemnification

The liability (including attorney's fees and all other costs) of Baker Tilly and its present or former partners, principals, agents or employees related to any claim for damages relating to the services performed under this Engagement Letter shall not exceed the fees paid to Baker Tilly for the portion of the work to which the claim relates, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted, including the negligence of either party. Additionally, in no event shall either party be liable for any lost profits, lost business opportunity, lost data, consequential, special, incidental, exemplary or punitive damages, delays or interruptions arising out of or related to this Engagement Letter even if the other party has been advised of the possibility of such damages.

As Baker Tilly is performing the services solely for your benefit, you will indemnify Baker Tilly, its subsidiaries and their present or former partners, principals, employees, officers and agents against all costs, fees, expenses, damages and liabilities (including attorney's fees and all defense costs) associated with any third-party claim, relating to or arising as a result of the services, or this Engagement Letter.

Because of the importance of the information that you provide to Baker Tilly with respect to Baker Tilly's ability to perform the services, you hereby release Baker Tilly and its present and former partners, principals, agents and employees from any liability, damages, fees, expenses and costs, including attorney's fees, relating to the services, that arise from or relate to any information, including representations by management, provided by you, its personnel or agents, that is not complete, accurate or current.

Each party recognizes and agrees that the warranty disclaimers and liability and remedy limitations in this Engagement Letter are material bargained for bases of this Engagement Letter and that they have been taken into account and reflected in determining the consideration to be given by each party under this Engagement Letter and in the decision by each party to enter into this Engagement Letter.

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The terms of this section shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort or any form of negligence, whether of you, Baker Tilly or others), but these terms shall not apply to the extent finally determined to be contrary to the applicable law or regulation. These terms shall also continue to apply after any termination of this Engagement Letter.

You accept and acknowledge that any legal proceedings arising from or in conjunction with the services provided under this Engagement Letter must be commenced within twelve (12) months after the performance of the services for which the action is brought, without consideration as to the time of discovery of any claim.

Other Matters

Neither this Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated, or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization, or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Engagement Letter.

Our dedication to client service is carried out through our employees who are integral in meeting this objective. In recognition of the importance of our employees, it is hereby agreed that the City of Urbana will not solicit our employees for employment or enter into an independent contractor arrangement with any individual who is or was an employee of Baker Tilly for a period of twelve (12) months following the date of the conclusion of this engagement. If the City of Urbana violates this non-solicitation clause, the City of Urbana agrees to pay to Baker Tilly a fee equal to the hired person's annual salary at the time of the violation so as to reimburse Baker Tilly for the costs of hiring and training a replacement.

Baker Tilly Virchow Krause, LLP is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. Baker Tilly Virchow Krause, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly Virchow Krause, LLP, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

This Engagement Letter constitutes the entire agreement between the City of Urbana and Baker Tilly regarding the services described in this Engagement Letter and supersedes and incorporates all prior or contemporaneous representations, understandings or agreements, and may not be modified or amended except by an agreement in writing signed between the parties hereto.

The provisions of this Engagement Letter, which expressly or by implication are intended to survive its termination or expiration, will survive and continue to bind both parties. If any provision of this Engagement Letter is declared or found to be illegal, unenforceable or void, then both parties shall be relieved of all obligations arising under such provision, but if the remainder of this Engagement Letter shall not be affected by such declaration or finding and is capable of substantial performance, then each provision not so affected shall be enforced to the extent permitted by law or applicable professional standards.

If because of a change in the City of Urbana's status or due to any other reason, any provision in this Engagement Letter would be prohibited by, or would impair our independence under laws, regulations or published interpretations by governmental bodies, commissions or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

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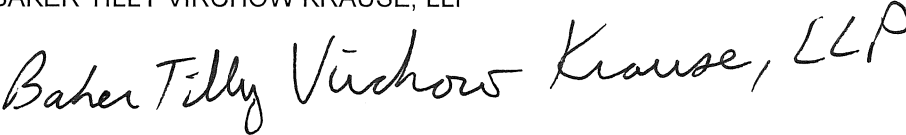
This agreement shall be governed by and construed in accordance with the laws of the state of Illinois, without giving effect to the provisions relating to conflict of laws.

We appreciate the opportunity to be of service to you.

If there are any questions regarding this Engagement Letter, please contact Joe Lightcap, the engagement partner on this engagement who is responsible for the overall supervision and review of the engagement and determining that the engagement has been completed in accordance with professional standards. Joe Lightcap is available at 630 645 6215, or at joe.lightcap@bakertilly.com.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

A handwritten signature in black ink that reads "Baker Tilly Virchow Krause, LLP". The signature is written in a cursive, flowing style.

Enclosure

The services and terms as set forth in this Engagement Letter are agreed to by:

Official's Name

Official's Signature

Title

Date

ADDENDUM A

BUSINESS ASSOCIATE AGREEMENT BETWEEN CITY OF URBANA and BAKER TILLY VIRCHOW KRAUSE, LLP

THIS BUSINESS ASSOCIATE AGREEMENT ("BA Agreement") replaces previous business associate agreements between Baker Tilly Virchow Krause, LLP ("Business Associate") and City of Urbana ("Covered Entity") (each a "Party" and collectively the "Parties") and is effective on January 14, 2019 ("Effective Date").

1. PREAMBLE

Covered Entity and Business Associate enter into this BA Agreement to comply with the requirements of: (i) the implementing regulations at 45 C.F.R Parts 160, 162 and 164 for the Administrative Simplification provisions of Title II, Subtitle F of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") (i.e., the HIPAA Privacy, Security, Electronic Transaction, Breach Notification and Enforcement Rules the (Implementing Regulations)), (ii) the requirements of the Health Information Technology for Economic and Clinical Health Act, as incorporated in the American Recovery and Reinvestment Act of 2009 the ("HITECH Act") that are applicable to business associates and (iii) the requirements of the final modifications to the HIPAA Privacy, Security, Enforcement and Breach Notification Rules as issued on January 25, 2013, and effective March 26, 2013, (75 Fed. Reg. 5566 (Jan. 25, 2013)) the (Final Regulations). The Implementing Regulations, the HITECH Act and the Final Regulations are collectively referred to in this BA Agreement as the "HIPAA Requirements."

Covered Entity and Business Associate agree to incorporate into this BA Agreement any regulations issued by the U.S. Department of Health and Human Services ("DHHS") with respect to the HIPAA Requirements that relate to the obligations of business associates and that are required to be (or should be) reflected in a business associate agreement. Business Associate recognizes and agrees that it is obligated by law to meet the applicable provisions of the HIPAA Requirements and that it has direct liability for any violations of the HIPAA Requirements.

2. DEFINITIONS

- (a) "Breach" shall mean, as defined in 45 C.F.R. § 164.402, the acquisition, access, use or disclosure of Unsecured Protected Health Information in a manner not permitted by the HIPAA Requirements that compromises the security or privacy of that Protected Health Information.
- (b) "Business Associate Subcontractor" shall mean, as defined in 45 C.F.R. § 160.103, any entity (including an agent) that creates, receives, maintains or transmits Protected Health Information on behalf of Business Associate.
- (c) "Electronic PHI" shall mean, as defined in 45 C.F.R. § 160.103, Protected Health Information that is transmitted or maintained in any Electronic Media.
- (d) "Limited Data Set" shall mean, as defined in 45 C.F.R. § 164.514(e), Protected Health Information that excludes the following direct identifiers of the individual or of relatives, employers or household members of the individual:
 - (i) Names;
 - (ii) Postal address information, other than town or city, State and zip code;
 - (iii) Telephone numbers;
 - (iv) Fax numbers;
 - (v) Electronic mail addresses;
 - (vi) Social security numbers;
 - (vii) Medical record numbers;
 - (viii) Health plan beneficiary numbers;
 - (ix) Account numbers;
 - (x) Certificate/license numbers;

- (xi) Vehicle identifiers and serial numbers, including license plate numbers;
- (xii) Device identifiers and serial numbers;
- (xiii) Web Universal Resource Locators ("URLs");
- (xiv) Internet Protocol ("IP") address numbers;
- (xv) Biometric identifiers, including finger and voice prints; and
- (xvi) Full face photographic images and any comparable images.

(e) "Protected Health Information" or "PHI" shall mean, as defined in 45 C.F.R. § 160.103, information created or received by a Health Care Provider, Health Plan, employer or Health Care Clearinghouse, that (i) relates to the past, present or future physical or mental health or condition of an individual, provision of health care to the individual or the past, present or future payment for provision of health care to the individual, (ii) identifies the individual, or with respect to which there is a reasonable basis to believe the information can be used to identify the individual and (iii) is transmitted or maintained in an electronic medium, or in any other form or medium. The use of the term "Protected Health Information" or "PHI" in this BA Agreement shall mean both Electronic PHI and non-Electronic PHI, unless another meaning is clearly specified.

(f) "Security Incident" shall mean, as defined in 45 C.F.R. § 164.304, the attempted or successful unauthorized access, use, disclosure, modification or destruction of information or interference with system operations in an information system.

(g) "Unsecured Protected Health Information" shall mean, as defined in 45 C.F.R. § 164.402, Protected Health Information that is not rendered unusable, unreadable or indecipherable to unauthorized persons through the use of a technology or methodology specified by DHHS.

(h) All other capitalized terms used in this BA Agreement shall have the meanings set forth in the applicable definitions under the HIPAA Requirements.

3. GENERAL TERMS

(a) In the event of an inconsistency between the provisions of this BA Agreement and a mandatory term of the HIPAA Requirements (as these terms may be expressly amended from time to time by the DHHS or as a result of interpretations by DHHS, a court or another regulatory agency with authority over the Parties), the interpretation of DHHS, such court or regulatory agency shall prevail. In the event of a conflict among the interpretations of these entities, the conflict shall be resolved in accordance with rules of precedence.

(b) Where provisions of this BA Agreement are different from those mandated by the HIPAA Requirements, but are nonetheless permitted by the HIPAA Requirements, the provisions of this BA Agreement shall control.

(c) Except as expressly provided in the HIPAA Requirements or this BA Agreement, this BA Agreement does not create any rights in third parties.

4. SPECIFIC REQUIREMENTS

(a) **Flow-Down of Obligations to Business Associate Subcontractors.** Business Associate agrees that as required by the HIPAA Requirements, Business Associate will enter into a written agreement with all Business Associate Subcontractors that: (i) requires them to comply with the Privacy and Security Rule provisions of this BA Agreement in the same manner as required of Business Associate and (ii) notifies such Business Associate Subcontractors that they will incur liability under the HIPAA Requirements for non-compliance with such provisions. Accordingly, Business Associate shall ensure that all Business Associate Subcontractors agree in writing to the same privacy and security restrictions, conditions and requirements that apply to Business Associate with respect to PHI.

(b) **Privacy of Protected Health Information**

- (i) Permitted Uses and Disclosures of PHI. Business Associate agrees to create, receive, use, disclose, maintain or transmit PHI only in a manner that is consistent with this BA Agreement or the HIPAA Requirements and only in connection with providing the services to Covered Entity identified in the Engagement Letter and this BA Agreement. Accordingly, in providing services to or for the Covered Entity, Business Associate, for example, will be permitted to use and disclose PHI for "Treatment, Payment, and Health Care Operations," as those terms are defined in the HIPAA Requirements. Business Associate further agrees that to the extent it is carrying out one or more of the Covered Entity's obligations under the Privacy Rule (Subpart E of 45 C.F.R. Part 164), it shall comply with the requirements of the Privacy Rule that apply to the Covered Entity in the performance of such obligations.
 - (1) Business Associate shall report to Covered Entity any use or disclosure of PHI that is not provided for in this BA Agreement, including reporting Breaches of Unsecured Protected Health Information as required by 45 C.F.R. § 164.410 and required by Section 4(d)(ii) below.
 - (2) Business Associate shall establish, implement and maintain appropriate safeguards and comply with the Security Standards (Subpart C of 45 C.F.R. Part 164) with respect to Electronic PHI, as necessary to prevent any use or disclosure of PHI other than as provided for by this BA Agreement.
- (ii) Business Associate Obligations. As permitted by the HIPAA Requirements, Business Associate also may use or disclose PHI received by the Business Associate in its capacity as a Business Associate to the Covered Entity for Business Associate's own operations if:
 - (1) the use relates to: (1) the proper management and administration of the Business Associate or to carry out legal responsibilities of the Business Associate or (2) data aggregation services relating to the health care operations of the Covered Entity or
 - (2) the disclosure of information received in such capacity will be made in connection with a function, responsibility or services to be performed by the Business Associate, and such disclosure is required by law or the Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidential and the person agrees to notify the Business Associate of any Breaches of confidentiality.
- (iii) Minimum Necessary Standard and Creation of Limited Data Set. Business Associate's use, disclosure or request of PHI shall utilize a Limited Data Set if practicable. Otherwise, in performing the functions and activities as specified in the Engagement Letter and this BA Agreement, Business Associate agrees to use, disclose or request only the minimum necessary PHI to accomplish the intended purpose of the use, disclosure or request.
- (iv) Access. In accordance with 45 C.F.R. § 164.524 of the HIPAA Requirements, Business Associate will make available to the Covered Entity (or as directed by the Covered Entity, to those individuals who are the subject of the PHI (or their designees)), their PHI in the Designated Record Set. Business Associate shall make such information available in an electronic format where directed by the Covered Entity.
- (v) Disclosure Accounting. Business Associate shall make available the information necessary to provide an accounting of disclosures of PHI as provided for in 45 C.F.R. § 164.528 of the HIPAA Requirements by making such information available to the Covered Entity or (at the direction of the Covered Entity) making such information available directly to the individual.
- (vi) Amendment. Business Associate shall make PHI in a Designated Record Set available for amendment and, as directed by the Covered Entity, incorporate any amendment to PHI in accordance with 45 C.F.R. § 164.526 of the HIPAA Requirements.
- (vii) Right to Request Restrictions on the Disclosure of PHI and Confidential Communications. If an individual submits a Request for Restriction or Request for Confidential Communications to the Business Associate, Business Associate and Covered Entity agree that Business Associate, on behalf of Covered Entity, will evaluate and respond to these requests according to Business Associate's own procedures for such requests.

- (viii) Return or Destruction of PHI. Upon the termination or expiration of the Engagement Letter or this BA Agreement, Business Associate agrees to return the PHI to Covered Entity, destroy the PHI (and retain no copies) or if Business Associate determines that return or destruction of the PHI is not feasible, (a) continue to extend the protections of this BA Agreement and of the HIPAA Requirements to the PHI and (b) limit any further uses and disclosures of the PHI to the purpose making return or destruction infeasible.
- (ix) Availability of Books and Records. Business Associate shall make available to DHHS or its agents the Business Associate's internal practices, books and records relating to the use and disclosure of PHI in connection with this BA Agreement.
- (x) Termination for Breach.
 - (1) Business Associate agrees that Covered Entity shall have the right to terminate this BA Agreement or seek other remedies if Business Associate violates a material term of this BA Agreement.
 - (2) Covered Entity agrees that Business Associate shall have the right to terminate this BA Agreement or seek other remedies if Covered Entity violates a material term of this BA Agreement.
- (c) Information and Security Standards
 - (i) Business Associate will develop, document, implement, maintain and use appropriate Administrative, Technical and Physical Safeguards to preserve the Integrity, Confidentiality and Availability of, and to prevent non-permitted use or disclosure of, Electronic PHI created or received for or from the Covered Entity.
 - (ii) Business Associate agrees that with respect to Electronic PHI, these Safeguards, at a minimum, shall meet the requirements of the HIPAA Security Standards applicable to Business Associate.
 - (iii) More specifically, to comply with the HIPAA Security Standards for Electronic PHI, Business Associate agrees that it shall:
 - (1) Implement Administrative, Physical and Technical Safeguards consistent with (and as required by) the HIPAA Security Standards that reasonably protect the Confidentiality, Integrity and Availability of Electronic PHI that Business Associate creates, receives, maintains or transmits on behalf of Covered Entity. Business Associate shall develop and implement policies and procedures that meet the documentation requirements as required by the HIPAA Requirements;
 - (2) As also provided for in Section 4(a) above, ensure that any Business Associate Subcontractor agrees to implement reasonable and appropriate safeguards to protect the Electronic PHI;
 - (3) Report to Covered Entity any unauthorized access, use, disclosure, modification or destruction of PHI (including Electronic PHI) not permitted by this BA Agreement, applicable law or permitted by Covered Entity in writing ("Successful Security Incidents" or Breaches) of which Business Associate becomes aware. Business Associate shall report such Successful Security Incidents or Breaches to Covered Entity as specified in Section 4(d)(iii)(1);
 - (4) For Security Incidents that do not result in unauthorized access, use, disclosure, modification or destruction of PHI (including, for purposes of example and not for purposes of limitation, pings on Business Associate's firewall, port scans, attempts to log onto a system or enter a database with an invalid password or username, denial-of-service attacks that do not result in the system being taken off-line or malware such as worms or viruses) ("Unsuccessful Security Incidents"), aggregate the data and, upon the Covered Entity's written request, report to the Covered Entity in accordance with the reporting requirements identified in Section 4(d)(iii)(2);
 - (5) Take all commercially reasonable steps to mitigate, to the extent practicable, any harmful effect that is known to Business Associate resulting from any unauthorized access, use, disclosure, modification or destruction of PHI;
 - (6) Permit termination of this BA Agreement if the Covered Entity determines that Business Associate has violated a material term of this BA Agreement with respect to Business Associate's security obligations and Business Associate is unable to cure the violation; and
 - (7) Upon Covered Entity's request, provide Covered Entity with access to and copies of documentation regarding Business Associate's safeguards for PHI and Electronic PHI.
- (d) Notice and Reporting Obligations of Business Associate

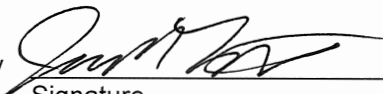
- (i) Notice of Non-Compliance with the BA Agreement. Business Associate will notify Covered Entity within 30 calendar days after discovery, any unauthorized access, use, disclosure, modification or destruction of PHI (including any successful Security Incident) that is not permitted by this BA Agreement, by applicable law or permitted in writing by Covered Entity, whether such non-compliance is by (or at) Business Associate or by (or at) a Business Associate Subcontractor.
- (ii) Notice of Breach. Business Associate will notify Covered Entity following discovery and without unreasonable delay but in no event later than 30 calendar days following discovery, any Breach of Unsecured Protected Health Information, whether such Breach is by Business Associate or by Business Associate Subcontractor.
 - (1) As provided for in 45 C.F.R. § 164.402, Business Associate recognizes and agrees that any acquisition, access, use or disclosure of PHI in a manner not permitted under the HIPAA Privacy Rule (Subpart E of 45 C.F.R. Part 164) is presumed to be a Breach. As such, Business Associate shall (i) notify Covered Entity of any non-permitted acquisition, access, use or disclosure of PHI and (ii) assist Covered Entity in performing (or at Covered Entity's direction, perform) a risk assessment to determine if there is a low probability that the PHI has been compromised.
 - (2) Business Associate shall cooperate with Covered Entity in meeting the Covered Entity's obligations under the HIPAA Requirements and any other security breach notification laws. Business Associate shall follow its notification to the Covered Entity with a report that meets the requirements outlined immediately below.
- (iii) Reporting Obligations.
 - (1) For Successful Security Incidents and Breaches, Business Associate – without unreasonable delay and in no event later than 30 calendar days after Business Associate learns of such non-permitted use or disclosure (whether at Business Associate or at Business Associate Subcontractor) – shall provide Covered Entity a report that will:
 - a. Identify (if known) each individual whose Unsecured Protected Health Information has been or is reasonably believed by Business Associate to have been accessed, acquired or disclosed;
 - b. Identify the nature of the non-permitted access, use or disclosure including the date of the incident and the date of discovery;
 - c. Identify the PHI accessed, used or disclosed (e.g., name; social security number; date of birth);
 - d. Identify what corrective action Business Associate (or Business Associate Subcontractor) took or will take to prevent further non-permitted accesses, uses or disclosures;
 - e. Identify what Business Associate (or Business Associate Subcontractor) did or will do to mitigate any deleterious effect of the non-permitted access, use or disclosure; and
 - f. Provide such other information, including a written report, as the Covered Entity may reasonably request.
 - (2) For Unsuccessful Security Incidents, Business Associate shall provide Covered Entity, upon its written request, a report that:
 - a. identifies the categories of Unsuccessful Security Incidents as described in Section 4(c)(iii)(4),
 - b. indicates whether Business Associate believes its (or its Business Associate Subcontractor's) current defensive security measures are adequate to address all Unsuccessful Security Incidents, given the scope and nature of such attempts and
 - c. if the security measures are not adequate, the measures Business Associate (or Business Associate Subcontractor) will implement to address the security inadequacies.
- (iv) Termination.
 - (1) Covered Entity and Business Associate each will have the right to terminate this BA Agreement if the other Party has engaged in a pattern of activity or practice that constitutes a material breach or violation of Business Associate's or the Covered Entity's respective obligations regarding PHI under this BA Agreement and, on notice of such material breach or violation from the Covered Entity or Business Associate, fails to take reasonable steps to cure the material breach or end the violation.

- (2) If Business Associate or Covered Entity fail to cure the material breach or end the violation after the other Party's notice, Covered Entity or Business Associate (as applicable) may terminate this BA Agreement by providing Business Associate or Covered Entity written notice of termination, stating the uncured material breach or violation that provides the basis for the termination and specifying the effective date of the termination. Such termination shall be effective 60 days from this termination notice.
- (v) Continuing Privacy and Security Obligations. Business Associate's and Covered Entity's obligation to protect the privacy and security of the PHI it created, received, maintained or transmitted in connection with services to be provided under the Engagement Letter and this BA Agreement will be continuous and survive termination, cancellation, expiration or other conclusion of this BA Agreement or the Engagement Letter. Business Associate's other obligations and rights, and Covered Entity's obligations and rights upon termination, cancellation, expiration or other conclusion of this BA Agreement, are those set forth in this BA Agreement and/or the Engagement Letter.

IN WITNESS WHEREOF, the Parties have signed this BA Agreement on the dates indicated below.

BAKER TILLY VIRCHOW KRAUSE, LLP

City of Urbana

By  _____
Signature

By _____
Signature

Joseph M. Lightcap
Print Name

Print Name

Title Partner

Title _____

Date Signed 1/14/19

Date Signed _____