REQUEST FOR PROPOSALS
(Professional Services)

Professional Auditing Services

For the Fiscal Years Ending
April 30, 2019 - April 30, 2023 (5)

PROPOSALS MUST BE RECEIVED BY
10:00 a.m. on December 31, 2018

City of North Chicago
1850 Lewis
North Chicago, IL 60064

INTRODUCTION

General Information

The City of North Chicago is requesting proposals from qualified firms of certified public accountants to audit the City's financial statements for the fiscal year ending April 30, 2019 with the option to audit its financial statements for each of the four subsequent fiscal years. The continuation of the contract after each year is solely at the discretion of the City of North Chicago. These audits are to be performed in accordance with the provisions contained in this request for proposal.

There is no expressed or implied obligation for the City of North Chicago to reimburse responding firms of any expenses incurred in preparing proposals in response to this request.

Any inquiries concerning the request for proposals should be addressed to Daniela Partipilo, Acting Comptroller.

To be considered, your proposal must be received by Daniela Partipilo, Acting Comptroller at 1850 Lewis, North Chicago, IL 60064 by 10:00 a.m. on December 31, 2018.

During the evaluation process, the City of North Chicago reserves the right to request additional information or clarification from proposers or allow corrections of errors or omissions.

It is anticipated the selection of a firm will be completed and a contract awarded by January 21, 2019.

Terms of Engagement

The City of North Chicago does not want to entertain the RFP process on an annual basis. Therefore, the City requests that you provide a maximum "not to exceed" fee for a series of one year engagements for a total of five years. These fees should include all expenses.

At the end of year one engagement, the contract is considered automatically extended for one year unless the City notifies the independent auditor, in writing and not later than February 1st, of the fiscal year to be audited, that the City will not renew the engagement

Background Information

Please visit www. northchicago.org to view the City of North Chicago's 2018-19 Annual Budget and the April 30, 2018 CAFR. These documents provide general information about the City and its finances.

Scope of Work to be Performed

The City of North Chicago desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

The City of North Chicago also desires the auditor to express an "in relation to" opinion on the fair presentation of its combining and individual fund financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the introductory section of the report or its statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as governed by generally accepted auditing standards.

The auditor shall also be responsible for preparing, proofing and transmitting the State of Illinois Annual Financial Report.

The auditor will also be required to attend a City Council meeting to present and answer questions regarding the final audit.

Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements.
3. If the City meets the Single Audit requirements, a report on compliance and internal control over compliance applicable to each major federal program in compliance with OMB Circular A-133 (Single Audit).

In the required report(s) on internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant

deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to as the Management Letter. This independent auditor shall bring such matters to the attention of the City before issuance of the report for discussion.

The reports on compliance shall include all instances of noncompliance.

Irregularities and Illegal Acts

The auditors shall be required to make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the Chief of Staff and Acting Comptroller.

Working Paper Retention and Access to Working Papers

All working papers and reports must be retained at the auditor's expense, for a minimum of five years, unless the firm is notified in writing by the City of North Chicago of the need to extend the retention period. The auditor will be required to make any and all working papers available, upon request, to the City of North Chicago or its designees.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

DESCRIPTION OF THE GOVERNMENT

Principal Contact

The auditor's principal contact that will coordinate the assistance to be provided by the City of North Chicago to the auditor will be Daniela Partipilo, Acting Comptroller, 847.596.8622.

Background Information

The City of North Chicago, Illinois, is a home-rule municipality under the Illinois Constitution. It is located approximately 36 miles north of the Chicago "Loop" on the shores of Lake Michigan between Chicago and Milwaukee.

The City of North Chicago is proud of its racial and ethnic diversity. Today, it includes a wide range of cultures and races, including African Americans, Hispanic and Latinos, Asians, Native Americans and Pacific Islanders.

The City has been working to stabilize and strengthen its financial position and revitalize its downtown. Much of North Chicago is federal land and untaxable, making the tax burden on private residents among the highest in Illinois. The effort to resuscitate this once-thriving community were in full force when the City demolished all of the blighted factories and building on Sheridan Road, completed the environmental cleans, and created a "shovel-ready" site. The redevelopment efforts were then delayed due to the financial crisis of 2007-2010, but are, once again, in full force with the recent execution of a master development agreement and letters of intent from investors.

The City of North Chicago's fiscal year begins on May 1 and ends on April 30 of the following year. The City of North Chicago serves an incorporated area of approximately 15 square miles with a population of approximately 29,000.

The City of North Chicago provides a full range of public services to its citizens, including police and fire protection, street and public infrastructure maintenance, sanitary sewer collection, water utility, building and zoning permitting, inspection and code enforcement and public relations.

The City of North Chicago's Comptroller Office provides the budgetary, treasury, accounting, auditing, payroll, accounts receivable, utility billing, collections and accounts payable functions. The City of North Chicago's Comptroller Office has a staff of six full-time employees. The Acting Comptroller is a contracted position..

The City of North Chicago has approximately 150 full-time and 23 part-time employees. The City has an annual budget of approximately $46.3 million. The City's annual budget document is located on its website, www. northchicago.org .

Fund Structure

The City of North Chicago uses the following fund types in its Comprehensive Annual Financial Report (CAFR):

Fund Types	Number of Individual Types
General Fund	1
Special Revenue Funds	8
Motor Fuel Tax	
CDBG (Community Block Grant)	
Federal Forfeiture	
E911 Fund	
Seized Drug Money	
TIFs	
Sheridan Crossing	
Downtown Redevelopment	
Skokie Highway	
Debt Service Funds	4
2014A	
2007C	
2007A	
2007B	
Capital Improvement Fund	1
Enterprise Fund	1
Water, Sewer, Refuse	
Internal Funds	2
Dental & Vision	
Retiree Premium	
Special Revenue Fund	1
North Chicago Public Library	

The City of North Chicago's day-to-day transactions are conducted with the aid of a computerized governmental accounting system. The computer hardware is IBM AS/400. The financial accounting software is supported by Affiliated Computer Systems (ACS) software for Cash Receipts, General Ledger, and Utility Billing. The City uses Paylocity to process all payroll.

Pension Plans

The City of North Chicago participates in the following pension plans:

1. Police Pension Fund
2. Fire Pension Fund
3. Illinois Municipal Retirement Fund

Lauterbach & Amen, LLP provides accounting services for the Police and Fire Pension Funds. The City of North Chicago Pension Funds use independent actuaries to determine the City's required contribution to its Police and Fire Pension Funds. Zabinski Consulting Services provides auditing services to the respective funds.

Financial Reporting

The City of North Chicago will provide individual fund statements and supporting schedules for all adjustments and footnotes.

In previous fiscal years, the financial report was prepared by the Acting Comptroller with assistance from the auditing firm. For purposes of this proposal, the City of North Chicago requests that the cost to prepare the financial report by the auditing firm be included in the Attachment B – Schedule of Audit & Professional Fees as an optional cost.

Report preparation, editing, printing and supplies including covers, dividers, and spines shall be the responsibility of the auditor. The Letter of Transmittal, Management's Discussion and Analysis and necessary letterhead will be provided by the City of North Chicago.

The auditor shall reproduce up to 20 copies of the Comprehensive Annual Financial Report and 20 copies of the supporting reports including the Management Letter. Additionally, a copy of the report along with any additional reports shall be provided to the City of North Chicago in electronic form (pdf).

While the final responsibility for the financial statements rests with the City of North Chicago, the City of North Chicago expects that the auditor possess and demonstrate sufficient expertise

in governmental accounting and reporting to assure that all reporting requirements are met.

Demonstration of governmental accounting expertise shall be supported by membership, either current or past, in various governmental accounting and auditing committees and task forces of the Illinois CPA Society or AICPA.

Reasonable support can also be shown by appointment to the Special Review Committee for the Governmental Finance Officers Association's Comprehensive Annual Financial Report program.

TIME AND REPORT REQUIREMENTS

Audit Calendar

The City of North Chicago has a fiscal year end of April 30. The auditors must be able to meet the following essential dates for the fiscal year audit.

The City of North Chicago will have all preliminary records for audit and all management personnel available to meet with the firm's personnel at an agreed upon schedule. However, the following dates must be met:

- Fieldwork completed by August 31st each year.
- Draft report including financial statements, notes and all required supplementary schedules and statistical data completed by September 15th each year.
- All final printed and bound reports distributed to the City by October 15th each year. The Acting Comptroller shall complete the review of the draft report as expeditiously as possible. It is expected that this process will be completed within two weeks. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports.

The final reports must be received by October 15th. Failure to deliver the final reports by this date may result in a 15% reduction of the audit fee.

Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Daniela Partipilo, Acting Comptroller. The City of North Chicago will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

Comptroller's Office and Clerical Assistance

The Comptroller Office staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations.

The Acting Comptroller and Financial Analyst will be the primary provider of assistance in preparing necessary materials for the auditors with some assistance coming from other City staff. The City also performs all its own fiscal year end journal entries in an effort to eliminate audit adjustments. The City will also provide adjusted trial balances. The City will prepare the audit confirmations also.

The successful auditing firm is to provide a list of requested information to be prepared by City staff at least one month prior to the end of the audited fiscal year. For the Fiscal Year 2018-19 audit, however, this list shall be given to the City as soon as possible after the contract is awarded.

Work Area, Telephones, Photocopying and Fax Machines

The City of North Chicago will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to the internet, photocopier and a fax machine. However, computers, printers, calculators, office supplies and other office machines are to be furnished by the independent auditor. The firm will not be allowed to utilize City Hall space to perform work for other clients.

Report Preparation

Although the City has prepared the draft report in the past, the City is requesting the cost of the auditors' preparation as a separate line item in the completed proposal.

PROPOSAL REQUIREMENTS

A. General Requirements

Submission of Proposal and Scheduling On-Site Inspections
Firms interested in submitting a proposal must do so by 10:00 a.m. on December 31, 2018. The Acting Comptroller will be available to discuss City operations until that date and conduct on-site inspections for interested proposers by appointment.

B. Inquiries

Inquiries concerning the request for proposals should be made to:

Daniela Partipilo, Acting Comptroller
City of North Chicago
1850 Lewis
North Chicago, IL 60064
847.596.8622

C. Submission of Proposals

Schedule

Five (5) copies of the proposal shall be submitted to the office of the Acting Comptroller and clearly marked "Audit RFP" **on or before 10:00 a.m. Monday, December 31, 2018.** Any proposal received after this date and time will be refused.

Although not mandatory, should any proposing firm wish to discuss this proposal with the City of North Chicago's Acting Comptroller, this is allowed. However, please note all information given in such an interview will also be given to all known recipients of this request for proposal.

Required Items

Items that need to be included with the proposal at a minimum include the following:

1. A description of the firm and its relevant prior experience with municipal clients.

2. A current listing of the firm's Illinois municipal clients along with an indication as to which clients have received the GFOA Certificate of Achievement.

3. A description of the relevant background and experience of the proposed audit team.

4. Names, addresses, and telephone numbers of persons who may be contacted for references. These references should be relevant to municipal audit engagements.

5. The hourly rates for staff assigned to the engagement as well as the total maximum inclusive fees for the years ended April 30, 2019 through April 30, 2023 (See Attachment B).
   For purposes of your response, the maximum inclusive fees should be broken down into the following categories: (1) the base audit including preparation of the Management Letter; and, (2) preparation of the CAFR.

6. The completion of the Vendor Questionnaire (Attachment C).

D. Evaluation Procedures

Proposals will be evaluated by the Comptroller's Office to determine which proposal best meets the requirements of the City. Evaluation factors include, but are not limited to technical expertise, qualifications, references, experience of the firm (and audit team), success in securing and maintaining the Certificate of Achievement in Excellence in Financial Reporting for their clients, staff knowledge of the auditors' professional reputation within the government arena, as well as the fee.

After all proposals are evaluated, the Comptroller's Office will conduct interviews with a select number of firms whose proposal best meets the requirements of the City.

During the evaluation process, the Comptroller's Office reserves the right, where it may serve the City of North Chicago's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions.

Submission of a proposal indicates acceptance by the firm of the conditions contained in this Request for Proposal, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of North Chicago and the firm selected.

Staff will make their recommendation to the City Council, who will make the final decision. The Acting Comptroller, Chief of Staff and Mayor may interview finalists prior to final recommendation to the City Council.

It is anticipated the selection of a firm will be completed by no later than January 21, 2019.

Attachment A - Audit Workpapers Prepared by City of North Chicago

Accounts Payable Schedules, Including Retainages
Accounts Receivable Listing by Fund
Accrued Interest Payable
All Board Minutes
All Confirmations
Bank Reconciliations
Billed & Unbilled Water & Sewer Accounts Receivable
Budget
Commitment List
Debt Schedule Analysis
Deposit Listing
Fixed Assets
Fund Balance Designations
IMRF/FICA Expenditures
Interfund Schedules
Investment Schedules
Organization Chart
Payroll, Vacation & Sick Leave Accruals
Revenue/Receivable Detail for the following:
Court Fines
Franchise Fees
Food & Beverage Tax
Grants
Income/Use Tax
Intergovernmental
Motor Fuel Tax
Property Tax
Reimbursement Receivable
Rental Income
Replacement Tax
Sales Tax
Telecommunication Fees
Utility Tax
Video Gaming Tax
Trial Balances

Attachment B- Schedule of Audit & Professional Fees

Maximum Fees (Audit Year)	**Base Audit**	**Preparation of CAFR**	**Single Audit***
All Inclusive Fee for 2019	$_____	$_____	$_____
All Inclusive Fee for 2020	$_____	$_____	$_____
All Inclusive Fee for 2021	$_____	$_____	$_____
All Inclusive Fee for 2022	$_____	$_____	$_____
All Inclusive Fee for 2023	$_____	$_____	$_____

*if necessary

Schedule of Hourly Rates

Personnel	Rate
Partners	_____
Managers	_____
Supervisors	_____
Seniors	_____
Staff	_____
	_____
Other (specify)	

Please separate costs for Library and for (3) TIF Funds. Use separate sheets, if needed.

Attachment C-Vendor Questionnaire

Firm Name _____

Contact Person _____

Address _____

_____

_____

Phone Number _____

When Organized _____

Where Organized _____

Licensed in Illinois? YES NO (circle one)

Number of years in practice _____

Has the firm ever refused a contract? YES NO (circle one)
If yes, please submit details _____

Has the firm ever defaulted on a contract? YES NO (circle one)
If yes, please submit details _____

Where is your nearest office to City North Chicago?
_____