

SANGAMON COUNTY, ILLINOIS

ORDINANCE
NUMBER 20-2

**AN ORDINANCE RENEWING THE ENGAGEMENT CONTACT WIT SIKICH, LLP
FOR AUDIT SERVICES FOR THE VILLAGE OF CHATHAM**

DAVE KIMSEY, Village President
AMY DAHLKAMP, Village Clerk

KRISTEN CHIARO
ANDREW DETMERS
BRETT GERGER
RYAN MANN
MATT MAU
PAUL SCHERSCHEL
Village Trustees

Published in pamphlet form by authority of the President and Board of Trustees of the Village of Chatham
on January 28th 2020

Sorling Northrup – 1 N. Old State Capitol Plaza, Suite 200, Springfield, IL 62705

ORDINANCE NO. 20 - 2

**AN ORDINANCE RENEWING THE ENGAGEMENT CONTACT WIT SIKICH, LLP
FOR AUDIT SERVICES FOR THE VILLAGE OF CHATHAM**

WHEREAS, the Village of Chatham (hereinafter “Village”) is an Illinois Municipal Corporation existing and operating under the Illinois Municipal Code and the laws of the State of Illinois; and

WHEREAS, Sikich, LLP has been performing audit services for the Village; and

WHEREAS, in February, 2017 Sikich responded to a Request for Proposal and outlined professional services and deliverables which it has since provided to the Village; and

WHEREAS, On December 18, 2019, Sikich provided an option to renew the engagement contract for the years ending April 30, 2020, 2021, and 2022; a true and correct copy of which is attached hereto as **Exhibit A**; and

WHEREAS, the Village wishes to renew the engagement contract provided by Sikich; and,

WHEREAS, the President and Board of Trustees of the Village have determined it to be in the best interest of the Village to renew the engagement contract under the terms of the proposal attached hereto as **Exhibit A**.

NOW THEREFORE, BE IT ORDAINED by the President and Board of Trustees of the Village of Chatham, Sangamon County, Illinois, as follows:

Section 1. Recitals. The foregoing recitals shall be and are hereby incorporated into and made a part of this Ordinance as if fully set forth in this Section 1.

Section 2. Renewal of Contract. Sikich proposal to renew the engagement contract attached hereto as **Exhibit A** shall be, and is hereby, approved. The Village President and Clerk

are hereby authorized to execute any documents as required by law or necessary to complete the actions contemplated therein.

Section 3. Severability. In the event that any section, clause, provision, or part of this Ordinance shall be found and determined to be invalid by a court of competent jurisdiction, all valid parts that are severable from the invalid parts shall remain in full force and effect.

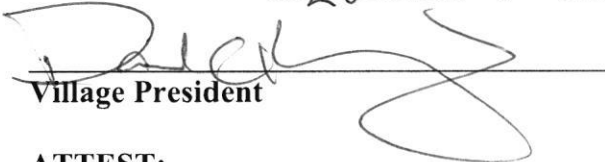
Section 4. Repeal and Savings Clause. All Ordinances or parts of Ordinances in conflict herewith are hereby repealed; provided, however, that nothing herein contained shall affect any rights, action, or causes of action which shall have accrued to the Village of Chatham prior to the effective date of this Ordinance.

Section 5. Effectiveness. This Ordinance shall be in full force and effect from and after its passage, approval, and publication in pamphlet form as provided by law.

SO ORDAINED this 28th day of January, 2020, at Chatham, Sangamon County, Illinois.

	AYE	NAY	ABSTAIN	ABSENT
KRISTEN CHIARO	X			
ANDREW DETMERS	X			
BRETT GERGER		X		
RYAN MANN	X			
MATT MAU	X			
PAUL SCHERSCHHEL		X		
DAVE KIMSEY				
TOTAL	4	2		

APPROVED this 28th day of January, 2020.


 Village President

ATTEST:


 Village Clerk

EXHIBIT A
SIKICH AUDIT EXTENSION PROPOSAL



3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

December 18, 2019

Sherry Dierking, Chief Fiscal Officer
Village of Chatham
116 E. Mulberry
Chatham, IL 62629

RE: Audit Extension Proposal

Dear Ms. Dierking:

We appreciate the opportunity to work with the Village of Chatham. In response to your request for a fee proposal to renew the engagement contract for the audit services for the Village of Chatham, we hereby submit our proposal fee, for all professional services and deliverables specified in the original Request for Proposal dated February, 2017, for the years ending April 30, 2020, 2021, and 2022:

Fiscal Year Ending April 30,	2020	2021	2022
Audit *	\$ 27,250	\$ 28,000	\$ 28,750
CAFR Prep	\$ 1,000	\$ 1,000	\$ 1,000
GATA in-relation opinion **	\$ 500	\$ 525	\$ 550
Total	\$ 28,750	\$ 29,525	\$ 30,300

* Includes Illinois Comptroller's Annual Financial Report, Management Letter, and GFOA Certificate Responses. Assumes no TIF compliance audit will be required.

** The GATA in-relation opinion fees will only be billed for the fiscal years in which the services are applicable. The GATA in-relation opinion is required for fiscal years in which State and Federal expenditures are in excess of \$300,000.

The fees assume that the Village will provide the auditors with electronic copies of adjusted trial balances by individual funds, a year-to-date general ledger with details of postings to all accounts, subsidiary ledgers that agree or are reconciled to the general ledger and will prepare certain schedules of account analysis and confirmations of account balances.

The fees quoted are based on an understanding that the Village's organization structure and fund composition will not substantially change during the audit period and there are no major issues that we would encounter that have not been identified to date.

In accordance with Government Auditing Standards, if the Village requires additional services that requires the Village to oversee, review, and approve the services performed, these services would be considered "non-audit services". Fees for these non-audit services would be billed at the following rates, subject to change each January 1.

HOURLY RATES

Effective January 1, 2019

Partners	\$	300
Directors		265
Senior Managers		235
Managers		195
Senior Staff		150
Staff		135

We appreciate the opportunity to present this proposal, which is a firm and irrevocable offer for ninety (90) days and look forward to continuing to serve the Village.

Sincerely,
Sikich LLP



Chad A. Lucas, CPA
Partner

This letter correctly sets forth the understanding of the Village of Chatham.

By:  _____

Title: President

Date: 1-28-2020



BEST PRACTICE

Audit Procurement

BACKGROUND:

The Government Finance Officers Association (GFOA) has long recommended that state and local governmental entities obtain independent audits of their financial statements, and single audits, if required based on the entity's use of federal or state grant funds, performed in accordance with the appropriate professional auditing standards. Properly performed audits play a vital role in the public sector by helping to preserve the integrity of the public finance functions, and by maintaining citizens' confidence in their elected leaders.

RECOMMENDATION:

GFOA makes the following recommendations regarding the selection of auditing services:

- The scope of the independent audit should encompass not only the fair presentation of the basic financial statements, but also the fair presentation of the financial statements of individual funds and component units. Nevertheless, the selection of the appropriate scope of the independent audit ultimately remains a matter of professional judgment. Accordingly, those responsible for securing independent audits should make their decision concerning the appropriate scope of the audit engagement based upon their particular government's specific needs and circumstances, consistent with applicable legal requirements.
- Governmental entities should require in their audit contracts that the auditors of their financial statements perform their audits in accordance with the audit standards promulgated in the U.S. Government Accountability Office's Government Auditing Standards. Government Auditing Standards, also known as Generally Accepted Government Auditing Standards (GAGAS), provide a higher level of assurance with regard to internal control than Generally Accepted Audit Standards (GAAS), which are fully incorporated into GAGAS.
- Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year.
- Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. While there is some belief that auditor independence is enhanced by a policy requiring that the independent audit firm be replaced at the end of each multiyear agreement, unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory audit firm rotation

counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Where audit firm rotation does not result from this process, governments may consider requesting that senior engagement staff, such as engagement partners and senior managers, be rotated to provide a fresh perspective. Except in cases where a multiyear agreement has taken the form of a series of single-year contracts, a contractual provision for the automatic renewal of the audit contract (e.g., an automatic second term for the auditor upon satisfactory performance) is inconsistent with this recommendation.

- Professional standards allow independent auditors to perform certain types of nonaudit services for their audit clients. Any significant nonaudit services should always be approved in advance by a governmental entity's audit committee. Furthermore, governmental entities should routinely explore the possibility of alternative service providers before making a decision to engage their independent auditors to perform significant nonaudit services.
- The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor's ability to perform a quality audit. Price should not be allowed to serve as the sole criterion for the selection of an independent auditor, rather an independent auditor should have a demonstrated commitment to the state and local government audit practice.

Notes:

Contract Issues for Governmental Audits - The AICPA State and Local Government Expert Panel and GFOA worked together to develop this joint article intended to educate both governments and their auditors about clauses in contracts and engagement letters in the governmental environment that may not meet AICPA professional standards and that may create uncertainty about the auditor's independence.

References:

- *CPA Audit Quality: A Framework for Procuring Audit Services*, U.S. Government Accountability Office, August 1987.
- *Governmental Accounting, Auditing and Financial Reporting (GAAFR)*, Stephen J. Gauthier, GFOA, 2012.