



MOKENA SCHOOL DISTRICT 159

Mokena, IL

SPECIFICATIONS

Request for Proposal for Audit Services

Fiscal Years 2021, 2022, 2023

Version 02/17/2021

MOKENA SCHOOL DISTRICT 159: District Profile

Mokena School District 159 (MSD159) is an elementary school district in Will County serving nearly all of Mokena, IL. There are three schools in the District, Mokena Elementary (PreK - 3rd), Mokena Intermediate (4th - 5th) and Mokena Junior High (6th - 8th). MSD159 current enrollment is 1,500 students. The District employees approximately 200 full-time staff along with many part-time employees.

Mokena School District 159 reports on the modified cash basis of accounting for revenues and expenditures.

MSD159 has achieved a balanced budget the past four fiscal years, has been rated by the ISBE in the Financial Recognition category for the past several years and currently maintains an approximate 55% operating fund balance to expenditure ratio. The District has a five-year collective bargaining agreement with the teachers' union (FY20-FY24) and a two-year collective bargaining agreement with the support staff union (FY21-FY22). MSD159 prepares and presents a comprehensive five-year financial plan each fiscal year. Based on current assumptions and conditions, the district is projected to maintain its healthy financial condition for at least the next five years. MSD159 relies heavily on local property tax revenue (87% of operating budget). State revenues only provide 8% of the operating budget and federal grants only provide 6% of the operating budget. Due to the source of funding, MSD159 would be significantly impacted by any future State property tax freeze legislation.

The District's Business Office has well trained, experienced staff who have been with the District for many years. The auditors' primary audit contact is the District's Accountant who has been with MSD159 for seven years and keeps excellent financial records and support. The District's CSBO is also highly involved in the annual audit process and also has many years of experience working in school finance and four years at MSD159.

The District's FY21 budget reflects \$21.7 million in total revenue and \$23.8 million in total expenditures (including \$1.8M of capital projects; however, excluding TRS on-behalf payments)

MSD159 partners with Skyward Financial for general ledger, accounts payable, accounts receivable, payroll, and personnel functions.

MSD159 operates activity accounts for 3 schools and the District Office.

MSD159 partners with FNBC Bank & Trust for banking services.

Why is MSD159 looking to switch auditors at this time?

MSD159 has partnered with Lauterbach and Amen for the past five audit years (FY16-FY20). The District has been very happy with the services received from Lauterbach and Amen. The only reason for switching auditors at this time is that the District wants to rotate auditors about every 5 years. The District had great experience with Lauterbach and Amen and would recommend them to other school districts. You will see as part of the prior work papers and reports that the District has had good audits without any significant findings.

Please see attached the district's most recent financial statements prepared by Lauterbach and Amen, LLP.

The District highly values the relationship with our auditors and is not only looking for a firm to simply state an opinion on the annual financial statements but to also be a strategic financial partner who will add value to the annual reporting and planning process. The District does look to the audit firm from time to time for various accounting questions. We have had great partners in the past who have helped the district navigate various complex financial questions.

The initial agreement for this request for proposals is for a three-year term. The District would look to extend the initial three-year term with board approval for at least two more years assuming the relationship was successful.

Audit RFP Timeline:

- Objective would be to have the Board award a contract at the April 17, 2021 Board Meeting. If more time is required, a contract may also be proposed for approval at the May 21, 2021 Board Meeting.
- RFP's will be sent to several firms the week of February 22nd.
- Questions from firms will be accepted and answers provided back to all firms during the first two weeks of March.
- Proposals from interested audit firms should be submitted by the first of April, 2021. No proposals will be accepted after Friday, April 2, 2021.
- The District would like to interview the highest ranked firms beginning the week of April 5, 2021 if possible.

Audit RFP Submission:

- You can mail and/or email your proposals to the District.
- Email address - shawt@mokena159.org. Please call the District Office at (708)342-4900 if you do not receive a confirmation within 24 hours of submission from the District stating that we received your proposal. Some emails get lost in SPAM or other filters.
- Mailing information below:

Dr. Teri Shaw
MSD159 Business Office
11244 Willowcrest Ln.
Mokena, IL 60448

Audit RFP Evaluation:

District Administration will review the information submitted by each firm and will select finalists for in-person interviews. After all interviews are complete and references spoken to, the District administrative team will propose the overall best option for the District to the Board.

Key points of discussion:

Please provide information in your proposal addressing each of the below key points. Many of these key points will be discussed further in the finalist interviews.

- 1) Transitioning to a new auditor can be a time consuming and complex process. Please provide information regarding how your firm goes about this year-one process. Please

explain what additional information and support will be needed compared to a regular audit year.

- 2) Please review MSD159's most recent 6/30/20 audit reports. Please provide feedback in regards to key points of interest that catch your attention. Do you see anything that concerns you or see anything that may be a challenge or change in regards to future reporting?
- 3) As noted, MSD159 reports on the modified cash basis of reporting. Do you feel that modified accrual accounting would be more appropriate for MSD159? Why or why not? If you feel modified accrual accounting is more appropriate, how would you feel if the district kept the modified cash basis and could you describe the process you would propose for switching to modified accrual? Could you list the advantages and disadvantages of either basis of accounting?
- 4) Some key points in regards to financial reporting specific to MSD159 include:
 - a. Modified cash basis of accounting
 - b. The summer check reporting process – the district processes all the summer checks prior to June 30, booking the related TRS and salary expenditures to June 30. The payroll files are held at the District and released to the bank over the summer (two in July and one in August). Our current modified cash basis financial reports back out the current summer checks and add in the prior summer checks. This creates a variance between our internal ledgers and budget reporting and the final audit reports. The variance is reconciled, identified and communicated each year.
 - c. Since the District uses the modified cash basis of reporting, the District is at risk for some variance in property tax revenue budgets due to the county payment timing near June 30th (levy splits 50/50, 48/52, etc.).
 - d. Trying to budget for TRS On-Behalf payments has been a challenge. The amount reported in the AFR significantly changes each year and the Budget vs Actual section of the financial report ends up with a large variance each year. This year, the District budgeted significantly more for TRS On-Behalf payments hoping to avoid the year-end unfavorable budget variance that spills throughout the financial report.
- 5) The District's current auditors have provided very thorough and helpful service. The current audit team prepares all of their own schedules and work papers. The current auditors prepare and send out the bank confirmations. The current auditors update the current year financial data in the MD&A (not preparing the MD&A but updating the dates and figures with the current MD&A). The current auditors fill out and complete the State AFR form (all tabs), populate the financial statement sections of the Annual Statement of Affairs, and complete the annual SEFA reports. The current auditors also submit the AFR to ISBE as well as prepare hard copies for the ROE. Will your firm also complete these tasks or do you have the client spend the time to fill out many of these items?
- 6) Which Partner in your firm would be assigned to MSD159?
- 7) Would you please describe the audit team that will be assigned to MSD159?

- 8) Based on what you know about MSD159, how many days of field work do you anticipate the audit taking (i.e.: 3 days of preliminary audit in June, 5 days of audit work in the field in July, 2 additional days of field work for the Single audit in July)?
- 9) MSD159 typically schedules preliminary fieldwork for June and final fieldwork for mid to late July. Draft reports are typically provided in late August. The final reports are usually nearly complete by mid-September, with final reports complete by the first week of October. Would you be able to follow this timeline?
- 10) Please clearly list your proposed fees for each year of the contract. The fees should include all work needed to meet the needs of the agreement, including the need for a Single Audit.
- 11) Please verify and explain how your firm meets the requirements and expectations set forth in this request for proposal. Please also note any other requirements that your firm meets that may not be noted in this request for proposal.
- 12) Please provide the name, school district, email address and phone number of the best person to contact regarding a reference for at least three other school districts similar to MSD159 that your firm has recently worked with.
- 13) Please send a copy of a final 6/30/20 Annual Financial Report that you prepared for a school district similar to MSD159.
- 14) All proposals must be accompanied by a signed statement that the auditing firm is willing and able and does maintain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- 15) Please provide information verifying that your firm is in good standing with the below regulatory agencies and provide proof of each:
 - Illinois Department of Financial and Professional Regulation
 - (status information directly from IDFPR website)
 - Illinois CPA Society
 - Illinois State Board of Education
 - (provide most recent peer review letter on file with ISBE)
 - Provide an overview of your firm, size, location and experience of the firm. State whether or not the firm is independent from the District.
 - Provide the firm's license number to practice in the State of Illinois.
 - State whether or not the firm and its proposed audit staff meet the continuing professional education requirements of the General Accountability Office's Government Auditing Standards.
 - Express whether or not the firm or its partners or shareholders have been subject to any disciplinary action of the State of Illinois, the Illinois CPA Society or the AICPA.

Disclose any enforcement action to which the firm has been subject to during the last three years or which are currently in progress.

- 16) Please make a statement verifying that your firm understands and meets the requirements and expectations commonly needed by all Illinois school districts and specifically MSP #159 as set forth in this RFP (see below Requirements / Expectations).
- 17) Please make note of and discuss in detail any questions or concerns you have with any portion of this RFP and/or the following “Requirements/Expectations (Summary)” section.
- 18) If you are interested in submitting a proposal, please let Dr. Teri Shaw, MSD159 CSBO know as soon as possible. Please let me know about when you think you will have the proposal ready and I will look for your proposal in the mail or email. If you are not interested in submitting a proposal at this time, please let me know of your intention not to submit a proposal and if possible, could you let us know why you do not want to submit a proposal at this time.

Requirements / Expectations (Summary):

MSD159 needs an audit firm that is qualified and approved to complete the needed annual audits required by all local, state and federal agencies. The reports and processes completed by the audit firm must comply with all current and future regulations, ensuring that MSD159 has the information required by the various agencies that collect information from the District.

Listed below are various specifications compiled by several Illinois school Districts seeking to verify that the proposals submitted meet the needed requirements and expectations of the District.

Requirements / Expectations (Detailed Compilation):

Scope:

The annual audit shall consist of an examination of the individual and combined financial statements conducted in accordance with generally accepted auditing standards and shall include a review of accounting procedures and the system of internal accounting control to ensure that there is effective control over revenues, expenditures, assets, and liabilities and that there is a proper accounting of resources, liabilities, and accounting operations.

The audit shall consist of tests of compliance with requirements of the applicable state and federal laws and regulations of material effect on the financial statement.

The examination shall be sufficient in scope so as to render an opinion on the fairness of the representations contained in the individual and combined balance sheets and related statements of revenue and expenditures, and changes in fund equity for the year ended in accordance with generally accepted accounting principles for state and local governments.

The District is on the modified cash basis of accounting. All reports should be presented in accordance with GASB34. Please see attached the District's most recent 6/30/20 Annual Financial Report.

MSD159 does receive more than \$750K in federal funds in some years and must complete a separate single audit. Please see enclosed SEFA (primary federal grants over \$750K are IDEA, Title I, NSLP).

Services Required:

The audit is to include an examination of the financial statements of all funds and account groups of the District and the examination shall be made in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants. The auditor shall also perform tests of the compliance as required by the Office of Management of the Budget, and render a separate opinion of the financial statements and tests of compliance. The auditor shall also perform tests of the compliance with the Uniform Grant Guidance as required by the Office of Management of the Budget and render a separate opinion of the financial statements and tests of the compliance with the Uniform Grant Guidance.

Please see the 6/30/20 financial statements prepared for the district by Lauterbach and Amen., LLP. The District's audit is very similar in scope each year and all services, reports, sections, etc. would likely remain the same.

The audit staff of the proposing firm must perform all audit work; no audit work is to be performed by subcontractors.

Qualifications:

Proposals will be accepted from firms with demonstrated experience and competency in school district auditing. The minimum qualifications for firms submitting proposals are:

- 1. The audit shall be conducted under the supervision of a licensed Certified Public Accountant experienced and knowledgeable in Illinois school district auditing. An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Illinois. The senior field auditor must have three to five years' actual experience in supervising a school district audit. The senior field auditor must be on-site during the audit.*
- 2. The firm must have demonstrated efforts to keep its staff current in the industry and in governmental organizations.*
- 3. Must provide the names, titles, addresses, and phone numbers of at least three school district clients for whom the firm has performed audits within the last two years similar in scope and reporting as those required by MSD159.*

4. *The firm must have an existing engagement with at least five other school districts.*
5. *The auditor does not have a record of substandard work. The proposal must disclose any enforcement action to which the firm has been subject during the past three years or which is in progress.*
6. *Assurance must be given that during the course of the life of the contract there will be some continuity in the assignment of the audit staff. It is to the mutual interest of the District and the audit firm that there not be dramatic changes in audit staff every year.*
7. *All proposals must be accompanied by a signed statement that the auditing firm is willing and able and does maintain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.*
8. *The District may hold interviews to determine the best candidate to provide audit services.*

Expectations:

1. *The selected auditor shall conduct the examination and prepare reports in a manner to follow the requirements of:*
 - *The current Illinois Audit Guide for public schools*
 - *The Office Management and Budget Circular A-102, audit requirements to satisfy all state and federal reports.*
2. *The selected auditor shall present the audit at a regularly scheduled meeting of the Board of Education (next tentatively scheduled presentation date is October 20, 2020).*
3. *The selected auditor shall keep the District apprised of any and all changes in accounting and reporting requirements.*
4. *The selected auditor shall perform special projects and/or audits as assigned, but no additional charges or billing in excess of the proposed fee shall be incurred without the written consent of either the MSD159 CSBO or designee.*
5. *The selected auditor shall serve as a resource and be available for consultation on accounting and internal control issues throughout the fiscal year.*
6. *No part of the audit, except the printing, may be subcontracted.*
7. *Records of the District shall be audited on site at a space provided by the District and records shall be returned to the District office from which the material was provided.*
8. *The selected auditor will prepare the financial report/statements, complete and populate the State AFR forms (all tabs), updated and populate the data sections of the MD&A, prepare and send out the bank confirmations and attorney letters, complete and fill out the annual SEFA, complete the fixed asset rollover using general ledger data provided by the District and the annual appraisal reports, will create and complete all applicable audit work papers, populate*

the financial section of the annual statement of affairs, will provide an auditor letter for IDEA Maintenance of Effort purposes explaining how the district reports certain expenditures in order for the District to meet compliance, will summarize and present proposed journal entries, will make all needed calculations and research in regards to debt related reporting in the financial statements and will file all reports with ISBE and Federal Audit Clearing House before the due dates.

9. *The District Business Office shall close and balance all accounts at year-end. The District's accounting system is operated on a fund balance. Copies of trial balances and assistance from the Business Office staff will be available to the selected firm. All proposed adjustments to financial statements will be discussed with the MSD159 CSBO and will be posted only if material to the financial statements.*
10. *The selected auditor is required to use a comprehensive audit plan and, to the extent permissible, must review this plan with the District. The plan should cover the study and evaluation of the internal controls and the test of records to the extent necessary by the degree of such reliance. It is assumed that many of the tests will be conducted by a sampling of the records maintained in the files. It is understood that the auditor is responsible for the auditing procedures that in his or her professional judgment must consider the materiality of the audit area, the relation to specific standards and the relation to expressing an opinion on the statements as a whole. District officials should be consulted when such judgments result in a disproportionate amount of effort being expended on a particular subject.*
11. *The selected auditor will maintain regular contacts and meetings with the district administrators and other personnel including but not limited to:*
 - *Engagement planning meeting*
 - *Progress reports*
 - *Closing review meeting*
 - *Changes that would affect the reporting requirements of the school district*
 - *Sharing of innovative methods and procedures that may warrant district investigation and/or consideration*
 - *Other method of regular communications containing information with specific benefit to school districts*

Reports Required:

The auditor shall prepare:

- A. *Tentative drafts of all reports shall be submitted to the MSD159 CSBO prior to the final preparation. A meeting shall be held to review these tentative drafts with the school district. The final audit report shall be completed no later than October 1st each year. The auditor shall prepare the Annual Financial Report (ISBE 50-35), General-purpose financial statements, combining statements, and individual fund statements; supplementary schedules consistent with prior years.*
 1. *Final reports to be sent to client in electronic format*
 2. *Fifteen (15) final bound copies by October 10, each fiscal year.*
- B. *Management Letter to the Board of Education: The purpose of the letter shall be to make known recommendations of the auditor, which if implemented, would in the auditor's opinion, increase efficiency, improve internal accounting control and assist in effective*

accounting procedures. All comments and recommendations shall be discussed with, and a draft of the letter provided to, the MSD159 CSBO prior to issuance.

- 1. Final report to be sent to client in electronic format*
- 2. Fifteen (15) final printed copies by October 10, each fiscal year.*

C. All reports required to be submitted to the Illinois State Board of Education and any other regulatory agencies under the Single Audit Act of 1984, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of OMB Circular A-128 Audit of State and Local Governments.

D. All audit work papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the District of the need to extend the retention period. Audit work papers shall remain in the custody of the auditor; however, the District and succeeding independent auditors shall be given access to audit work papers and shall have the right to copy such work papers pertaining to audits for a period up to five years after the audits have been completed.

Proposed Fee Provisions:

Notes: An equitable adjustment in the proposed fee shall be negotiated if the cost of the time required for performance of the audit service is increased or decreased pursuant to a change in scope of the audit requested by the District or required by State or Federal regulations. Also, proposals shall contain provisions to the effect that in the event disclosures in the audit indicate extraordinary circumstances, which warrant more intensive and detailed services, the firm shall provide all pertinent facts relative to the extraordinary circumstances together with the firm's estimate of the cost of additional services to the School District that is subject to negotiated agreement prior to commencing with the work.

Contracts Termination Provisions:

The District may terminate this contract at any time for any reason by giving at least sixty (60) days' notice in writing to the auditor. If the contract is terminated by the District as provided herein, the auditor will be paid a fair amount as negotiated with the District for the work completed as of the date of termination.

Auditor Interview Questions

- 1) Do you have any questions or concerns regarding the RFP specifications, terms and conditions?
- 2) What type of extra information will you request from the District with this being the first year of the relationship?
- 3) What are the most common internal control and other process improvements you recommend as part of the first year?

- 4) How do you communicate internal control and other process improvements you recommend as part of the first year? Who receives this communication and in what form? Is there discussion with management before the recommendations are finalized?
- 5) How does your firm review the audit work and ensure that final reports are highly accurate and reliable?
- 6) What advantages and disadvantages can you identify in regards to the size of your firm?
- 7) Do you have any feedback or concerns regarding the District's past financial reports or current operations?
- 8) Management relies on its audit firm to prepare audited financial statements in accordance with GASB Statement 34. Will you report this fact as a finding each audit year? Do you have any school district clients that have implemented closing procedures that include steps to accumulate and record GASB Statement 34 conversion adjustments? How do you address and communicate this issue?
- 9) MSD159 currently reports on the modified cash basis of reporting. Do you feel that modified accrual accounting would be more appropriate for MSD159? Why or why not? If you feel modified accrual accounting is more appropriate, how would you feel if the district kept the modified cash basis and could you describe the process you would propose for switching to modified accrual? Could you list the advantages and disadvantages of either basis of accounting?
- 10) Which work papers and other supporting schedules do you expect the client to prepare?
 - a. SEFA, MD&A (updating dates, compiling totals and subtotals from body of the financial report, updating charts, etc.), bank confirmations, legal confirmations, State AFR workbook tabs, fixed asset roll forward, etc.
- 11) Which Partner in your firm would be assigned to MSD159?
- 12) Would you please describe the audit team that will be assigned to MSD159? How likely is it that the team will remain in place for a few years?
- 13) If a potential finding is identified, what is the process used to resolve the issue if at all possible before noting the finding in the final audit report or other communications?