



# Oak Park Elementary School District 97

970 Madison ▪ Oak Park ▪ Illinois ▪ 60302 ▪ ph: 708.524.3000 ▪ fax: 708.524.3019 ▪ www.op97.org

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**TO:** Dr. Albert G. Roberts, Superintendent of Schools

**FROM:** Therese M. O'Neill, Assistant Superintendent for Finance & Operations

**RE:** Appointment of Audit Firm

**DATE:** March 18, 2014

As has been the District's practice with its professional contracts, after 5-years, we prepare an RFP (Request for Proposal) to test the respective market for the competitiveness and quality of work to be performed. McGladrey LLP has served Oak Park District 97 since August 2009. The attached RFP was prepared, the appropriate legal notice (see attached) was published on February 7, 2014 announcing receipt of such RFP was due Monday, March 3, 2014. Four firms requested the RFP:

- McGladrey LLP
- Wipfli, LLP
- Clifton Larson Allen
- CSB & Associates, LLC

On March 3, 2014, only one RFP was received – from McGladrey LLP. In reaching out to two of three firms inquiring why they had not submitted a response, here are their reasons:

**Wipfli, LLP:** "I had intended to send you a letter informing you that we will not be proposing on the RFP. My apologies. Yes, you are correct that we will not be submitting a bid, but we will absolutely consider bidding next time around."

**Clifton Larson Allen:** "In reading through your qualification requirements, I didn't feel we would meet those completely. While I work with several school districts I do not work with any that work towards the IASBO award."

FORC (Finance Oversight Review Committee) reviewed the audit process followed and receipt of the lone response and fully supported recommending to the Board of Education acceptance of the McGladrey proposal. In their response, McGladrey was holding their fee for the fiscal year 2014 audit at the same fee as last year and increasing the last two years by 5% respectively. In discussing this percentage with them, and in concert with our projection assumptions of expenses increasing by no more than 2.5%, they have graciously reduced their stated fees for FY 2015 and FY 2016 to 2.5%.

Attached you will find McGladrey's full response to the RFP as well as the adjusted fee schedule page.

tmo  
attachments (3)

## Fees

Our goal is to provide high-quality, reliable service at reasonable fees. Based on our understanding of your needs, our estimated fees are as follows.

Summary of deliverables	Fees <sup>1</sup>		
	2014	2015	2016
Financial Audit (inclusive of SELF, CLIC, Internal Control Evaluation, & Student Activity Report)	\$45,500	\$46,650	\$47,800
OMB Circular A-133 Single Audit Report and Data Collection Form*	\$ 8,000	\$ 8,200	\$ 8,400
<b>Total</b>	<b>\$53,500</b>	<b>\$54,850</b>	<b>\$56,200</b>

\*The fee quote above includes the Federal Single Audit, and assumes that two major programs will be tested for each year ended June 30. For each additional major program requiring testing we will charge \$3,250 - \$3,750, depending on the complexity of the program. We will discuss with management if the need arises to test additional major programs prior to performing that testing for agreement.

### Significant changes in your business

Significant changes in the nature and scope of your business will result in annual professional fee increases. Significant changes may include the addition of new locations, businesses or lines of business; unpreparedness on the part of the District; material changes in financial reporting; an unusual number of adjustments to the financial statements; and changes in the scope of work due to regulations, audit and accounting standards, or income tax laws.

### Fee assumptions

Any proposed fees are based on the following assumptions:

- Assistance will be supplied by the District personnel, including preparation of requested schedules and analyses of accounts before we commence fieldwork.
- There will be no significant number of audit adjustments (defined as more than 10 audit-related adjusting entries) to the financial statements required.
- There will be no significant changes in the nature and scope of the audit. Significant changes in the nature and scope of the audit could include, among other matters, a complex equity structure, including the issuance of warrants or new option programs; other conversion features or embedded derivatives; or consolidation of variable-interest entities under FASB ASC 810, Consolidation.
- We will receive complete tax workpapers, including any apportionment information.

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<sup>1</sup> Out-of-pocket costs, including travel and lodging, are billed at actual cost in addition to the fee quoted above. Billings are prepared monthly and are due upon submission.

# **REQUEST FOR PROPOSAL**

## **District Auditing Services**



**Oak Park Elementary School District 97**

**Proposals Due:**

**Monday, March 3, 2014  
1:00 p.m.**

**Sealed Proposals must be returned to:**

**Therese M. O'Neill  
Assistant Superintendent for  
Finance & Operations  
District 97 Administration Center  
970 West Madison Street  
Oak Park, IL 60302  
708-524-7623  
([toneill@op97.org](mailto:toneill@op97.org))**

## INTRODUCTION

Oak Park District 97 is inviting independent Certified Public Accounting firms licensed in the State of Illinois to submit a proposal to provide District Auditing Services. District 97 is desirous of entering into a contract that is minimally for a three-year period (2013-14, 2014-15 and 2015-16 fiscal years) with the opportunity to extend for an additional two years (2016-17 and 2017-18).

The citizens of Oak Park District 97 support eight elementary and two middle schools. The District provides public education to students in Oak Park who reside within its boundaries which resides within the county of Cook and the State of Illinois. The District's student population is approaching 6,000 and is a culturally rich and diverse community.

Total revenues for all governmental funds for the fiscal year ended June 30, 2013 were \$91,721,518 and total expenditures for all governmental funds for the fiscal year ended June 30, 2013 were \$91,927,913. The Illinois State Board of Education utilizes a School District Financial Profile for assessing a school district's financial stability and health. The overall score for District 97 was 3.8 out of a possible 4.0. This score places the District in the "RECOGNITION" category for financial strength.

All responses to this request must be received no later than 1:00 p.m. on Monday, March 3, 2014. Qualifications received after this date and time shall be returned unopened.

## RESPONSE DATE

Ten (10) bound copies of your proposal must be received at the District 97 Administration Center (c/o Therese M. O'Neill) **no later than 1:00 p.m. on Monday, March 3, 2014.** It is the sole responsibility of the respondent to ensure that Oak Park District 97 receives its response by the time and date noted above. Electronic or facsimile transmission of the response is not acceptable.

## DISTRICT 97 RESPONSES TO QUESTIONS FROM RESPONDENTS

Questions or requested clarifications regarding the requirements of this RFP must be addressed to Therese M. O'Neill, Assistant Superintendent for Finance & Operations **no later than 1:00 p.m. on Monday, February 17, 2014.** The Assistant Superintendent for Finance & Operations will provide a written email response that identifies every question submitted along with District 97's answer to every respondent who requests a copy and who transmits his/her email address to Therese M. O'Neill ([toneill@op97.org](mailto:toneill@op97.org)) **prior to 1:00 p.m. on Tuesday, February 18, 2014.** The intent of this procedure is to ensure that every respondent knows each question and District 97's response. District 97 will not respond to any

question(s) received *after the established deadline of 1:00 p.m. on Tuesday, February 18, 2014.*

## **AWARD OF CONTRACT**

Oak Park District 97 reserves the right to waive any and all requirements of this RFP if it determines that such waiver is in the best interests of Oak Park District 97. Upon evaluation of the proposals from interested firms, District 97 will identify firms who will be interviewed by FORC (Finance Oversight & Review Committee). District 97 will then attempt to negotiate a contract with the highest ranked firm. If that negotiation is not successful, District 97 will move to negotiate with the second firm and so on.

## **SCOPE OF WORK**

Oak Park District 97 is requesting an audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the district as of and for the years ending June 30, 2014, 2015 and 2016. However, the initial contract will be for one year only, with new contracts signed each year at the fee level quoted in this proposal. The Board reserves the right to review/adjust/or cancel the contract each year at its discretion. It is understood that if the operations of the district change significantly during the first three-year period, the audit fee may be renegotiated.

The financial statements will be presented in accordance with the financial reporting model described in GASB Statement No. 34 and include schedules and statistical tables provided in the District's Comprehensive Annual Financial Report. All audits shall be made by independent auditors in accordance with U.S. generally accepted audited standards and *Government Auditing Standards*. In addition, the audit of the District needs to be based upon the additional requirements of the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

In addition, the District requires an audit of the Illinois Annual Financial Report. The auditor shall assist the District in preparing the Annual Financial Report Form.

The District further requires the following reports:

- SELF (Worker's Compensation) Report
- CLIC (Collective Liability Insurance Cooperative) Report
- Separate Activity Fund Report
- Evaluation of the Internal Control System
- Evaluation of the Health Insurance Fund

The District also requires the following “non-attest” services:

- Assistance in calculating accrual balances
- Assistance in calculating capital asset and related depreciation
- Assistance in preparing financial statements.

## **SERVICES REQUIRED**

The auditor shall prepare the following printed and bound reports:

- Supplementary schedules consistent with prior year’s report.
- Consult with School District 97 staff, as requested, for the preparation of the MD & A (Management Discussion & Analysis).
- Annual Financial Report (ISBE 50-35) for the District to be prepared for submission to the Illinois State Board of Education (ISBE).
- Student Activity Report consistent with prior year’s report.
- Annual Federal Compliance Section Report (Single Audit) for the District consistent with prior year’s report.
- Data Collection Form (SF-SAC) consistent with prior year’s report.
- Auditor Signature on SELF Audited Payrolls for the year.
- Management Letter for the District.
- All additional reports, as may be required to be submitted, to the Illinois State Board of Education (ISBE) and any other regulatory agencies under the Single Audit Act.
- The audit firm will be available from time to time to answer questions as they arise.
- Provide audit entries to reconcile cash basis accounting to modified accrual reporting standard.

Tentative drafts of all reports shall be submitted to the Assistant Superintendent for Finance & Operations prior to final preparation. A meeting shall be held to review these tentative drafts within ten (10) days after their receipt. The final audit reports shall be completed and filed to ISBE by October 15 of each year unless, by mutual agreement, a later date is determined.

The auditor shall be required to prepare and submit a Management Letter in connection with the audit. 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.

Audit work papers shall remain in the custody of the auditor; however, the Assistant Superintendent for Finance & Operations 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 the fiscal years 2014, 2015, and 2016 for a period of up to 5 years after the audits have been completed.

Following the completion of the audit, the firm will be available to meet with the Board of Education for review of the audit and the Management Letter. Board meetings are usually at 7:00 p.m. on the second and fourth Tuesdays of each month. The review of the audit report is at a Board meeting to be mutually determined.

## **QUALIFICATIONS**

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

- The audit shall be conducted under the supervision of a licensed Certified Public Accountant experienced and knowledgeable in Illinois school district auditing. The senior field auditor must have three to five years of actual experience in supervising a school district audit. Senior field auditor must be on site during audit.
- The firm must have demonstrated efforts to keep its staff current in the industry and in governmental organizations by active participation in such organizations.
- The firm must be members of the AICPA, the AICPA's Government Audit Quality Center, and the Illinois CPA Society.
- The firm must meet the continuing professional education requirements of *Government Auditing Standards*.
- The firm must provide a copy of its most recent peer review report.
- The auditor does not have a record a 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.
- The firm must provide the names, titles, addresses, and phone numbers of **at least 3 school district clients** for whom the firm has performed audits within the last 2 years **similar in scope and reporting as those required by Oak Park District 97.**
- The firm must have existing engagements with at least ten (10) Illinois public school districts.

## **FEES**

The proposal shall contain a maximum fee for the fiscal year in accordance with the detailed description of services required. Firms have the flexibility to propose whatever method of compensation that would be to the best mutual benefit of the District and the firm. An equitable adjustment in the proposed fee shall be negotiated if the cost or 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 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. The fee proposal is for a three-year proposal.

### **Three Year Quote: Oak Park District 97**

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Single Audit			
Student Activity Report			
Financial Audit (inclusive of SELF, CLIC & Internal Control Evaluation			
<b>TOTAL *</b>			

\*Subject to completion and submission to ISBE (Illinois State Board of Education) by October 15 of each given year.

### **ASSISTANCE AVAILABLE TO PROPOSERS**

School District 97 has an excellent staff who will be invaluable to the selected firm. In past years, School District 97 staff will present the auditor with an accurate schedule of investments and a general ledger, on a monthly basis, and is in balance. Invoices and all schedules will be readily available and in a format that will be conducive to accomplishing a thorough and efficient audit.

McGladrey LLP was engaged to perform the District's annual audit for the year ended June 30, 2013.

The District's Business Office closes and balances all accounts at year-end. The District's accounting system is operated on a fund basis using the cash basis of accounting. For the 2014 audit, the District contemplates an accounting system for payroll and benefits using the modified accrual basis of accounting. The financial statements are converted to the modified accrual basis of accounting for the annual audit only. Property tax revenues received in May and June are considered current revenues. Copies of trial balances and assistance from the Business Office staff will be available to the selected firm.

### **EVALUATION OF PROPOSALS**

The proposals will be reviewed and evaluated by the Assistant Superintendent for Finance & Operations, the School Treasurer, and the members of FORC (Finance Oversight & Review Committee). The top candidates may be invited to participate in oral interviews. The proposals will be evaluated on the following criteria:

- Understanding of the audit engagement.
- Accessibility and ability to respond to District needs in a timely manner.
- Acceptability of audit approach.



- References of firms.
- Qualifications and technical experience of firm in Illinois school district audits.
- Qualifications of assigned individuals in Illinois school district audits.
- Experience and knowledge in working with ISBE (Illinois State Board of Education).
- Experience and knowledge of GASB Statement 34,
- Audit schedule.
- Fees.

Firms submitting proposals will be informed of the District's selection by May 1, 2014 providing the Board of Education acts on the audit selection at its scheduled April 29, 2014 meeting.

*The District reserves the right to reject any and all proposals submitted, and to ask for more details or further clarification of any proposal, and select the proposal that best meets the needs of the District.*

## **INSTRUCTIONS FOR SUBMITTED PROPOSALS**

*All proposals must be submitted no later than Monday, March 3, 2014 at 1:00 p.m. and should be directed to:*

Ms. Therese M. O'Neill  
Assistant Superintendent for Finance & Operations/School Treasurer  
Oak Park District 97  
970 West Madison Street  
Oak Park, IL 60302

Ten (10) copies of the proposal are to be provided.

Questions regarding the proposal may be addressed to Therese M. O'Neill at [toneill@op97.org](mailto:toneill@op97.org) or 708-524-7623.

## **PROPOSAL FORMAT**

Responses to the RFP must be organized in accordance with the outline delineated below:

1. **Title Page**: include the firm's name, address, and name and telephone/fax number of contact person.
2. **Table of Contents**: include a table of contents identifying sections and/or page numbers.
3. **Letter of Transmittal**: briefly state your understanding of the work to be done and make a positive commitment to perform the work within the time period specified.

State name/s of the person(s) who will be authorized to make representations for the firm, their titles, addresses and telephone numbers.

4. **Scope and Timing of Proposed Services:** express understanding of the scope and timing of the work to be performed as well as the reports to be delivered and the District's requested timing of delivery of the reports. Provide the level of assurance your firm is proposing with respect to the Auditor's Opinions.

In past years, interim work was performed during the month to end of month in June or the beginning of July with final field work performed by the end of July or beginning of August, with concluding visits in early September. It is expected that this schedule would be followed in 2014, 2015 and 2016 as well as the subsequent two fiscal years.

5. **Scope of Proposed Internal Control Evaluation**

6. **Profile of the Firm**

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 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.

Describe the firm's external quality review process and results and provide a copy of the firm's most recent Peer Review Report.

7. **Approach**

Describe the firms's approach, including risk management, for the audit services.

Express agreement to meet the requirements of the engagement as stated in the Scope of Audit and Services Required sections of this proposal. Provide descriptions of the audit approach, and illustrations of procedures to be employed.

Provide a tentative schedule for performing key phases of the audit and estimated number of hours for each level of staff necessary to complete each phase of the audit.

8. **Summary of Firm's Qualifications**

Describe the firm's experience, reputation and skills to provide the services requested. Identify the supervisory level personnel who will work on the proposed services, including staff from other than the local office. Resumes for each supervisory person to be assigned to the audit should be included.

Describe the firm's staffing approach to provide quality service and continuity of personnel.

Provide results from client surveys for the past three years.

Provide a list of school districts that are similar in scope and reporting for which the firm has provided similar service. Please provide a list of clients who may be contacted for references.

9. **Additional Information**

Since data not specifically requested must not be included in the foregoing sections, give any additional information considered *essential* to the proposal in this section. If there is not additional information, please note: ***"There is no additional information."***

# Chicago Tribune

## CERTIFICATE OF PUBLICATION

Chicago Tribune Company hereby certifies that it is the publisher of the Chicago Tribune; that the Chicago Tribune is an English language newspaper of general circulation, published daily in the City of Chicago, County of Cook and State of Illinois; that the Chicago Tribune has been so published continuously for more than one year prior to the date of first publication mentioned below and is further a newspaper as defined in Ill. Rev. Stat. Ch. 100, SS 5 & 10; that the undersigned is the duly authorized agent of the Chicago Tribune Company to execute this certificate on its behalf; and that a notice of which the annexed is a true copy was printed and published in said newspaper (1) times(s) and on the following dates:

**Starting 02/07/14 and Ending 02/07/14**

the first publication being on the earliest of said dates and the last publication being on the latest of said dates.

Executed at Chicago, Illinois this 07TH day of February, 2014.

CHICAGO TRIBUNE COMPANY



By \_\_\_\_\_

A handwritten signature in black ink, appearing to read "Brigid K. Furney", written over a horizontal line.

Chicago Tribune - [chicagotribune.com](http://chicagotribune.com)

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1717663 BUSINESS OFFICE

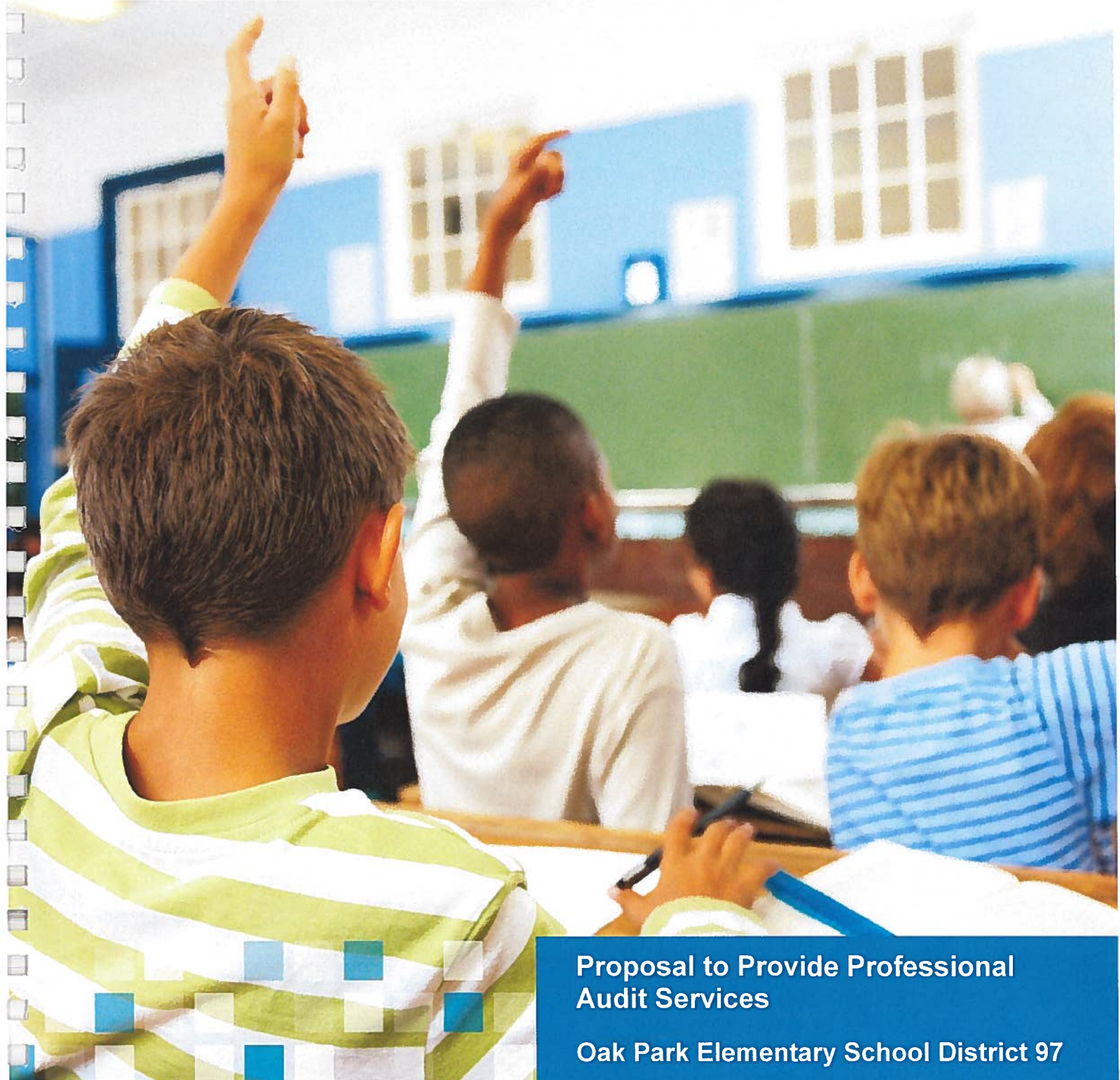
**LEGAL NOTICE  
REQUEST FOR PROPOSAL (RFP)  
Audit Services**

Oak Park Elementary School District 97 will receive sealed Requests for Proposal (RFP) for Audit Services at the District's Administrative Offices - 970 West Madison Street - Oak Park, IL (60302) until 1:00 p.m. on Monday, March 3, 2014.

The Request for Proposal (RFP) document may be obtained from Therese M. O'Neill, Assistant Superintendent for Finance & Operations - Administration Building - 970 West Madison Street - Oak Park, IL (60302) - [toneill@op97.org](mailto:toneill@op97.org), commencing Friday, February 7, 2014.

The Board of Education reserves the right to waive any informalities, qualifications or irregularities, and/or reject any and all Requests for Proposal (RFP), when, in its opinion, such action will serve the best interest of the Board of Education of Oak Park Elementary School District 97.

Sheryl Marinier  
Board Secretary



## Proposal to Provide Professional Audit Services

Oak Park Elementary School District 97

March 3, 2014

### McGladrey LLP

One South Wacker Drive, Suite 800  
Chicago, Illinois 60606

Registration Number: 066-003346



### Contact:

John George, Partner  
312.634.4402 - Office  
312.634.5523 - Fax  
[john.george@mcgladrey.com](mailto:john.george@mcgladrey.com)

Assurance ■ Tax ■ Consulting

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McGladrey LLP

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March 3, 2014

Ms. Therese M. O'Neill  
Assistant Superintendent for Finance & Operations  
District 97 Administration Center  
970 West Madison Street  
Oak Park, Illinois 60302

Dear Ms. O'Neill:

We welcome this opportunity to submit our proposal for audit services for Oak Park Elementary School District 97 (the "District"). Based on our years of serving the District and our knowledge and insights of school districts, we think McGladrey LLP, with its client-oriented philosophy and its highly qualified local professionals, can continue to offer the District a service package uniquely tailored to your needs.

We have *industry experience* relating specifically to your organization. You will be served by a local team of professionals from the Chicago office trained in serving school districts of your size and type. We have *extensive experience in serving local governmental clients*. We currently perform audits and provide accounting and management services for over 100 school districts, cities, villages and other governmental entities. We believe our client service focus will continue to provide you with *efficient and effective* audit and management advisory services. We will work with your people and your systems to the fullest extent possible to keep our time and our fees as low as possible.

We understand the need to provide *continuity in the client service team* that works with our clients. Barring unforeseen circumstances, we will retain our engagement team on future engagements. We realize the investment our clients make over time to help us better understand their organization, people and goals. Like your investment in us, we invest our people in you.


We recognize the value of *timely service*. We would schedule our audit according to your plan and deliver our service in a timely fashion to meet your needs as well as the filing requirements of the Illinois State Board of Education.

McGladrey LLP is distinct from others in that we have a *very strong client service philosophy* which is illustrated by the high degree of partner/director involvement in our engagements. We believe in personal service, yet we have the resources of a national accounting and consulting firm.

We are hopeful the contents of our proposal will provide you with the necessary information to evaluate our qualifications to continue as a partner in your success. We are grateful for the years of service with the District and we look forward with great enthusiasm to continue working with you in the future. We are proud to include you among our clients.

Sincerely,

  
John George  
Partner

  
Kelly Kirkman  
Director



# Scope and timing of proposed services

## Scope of work

McGladrey LLP has established high standards and controls to ensure a quality audit. We understand that the scope of services to be provided to the District will include:

1. An audit of the basic financial statements of the District for the years ending June 30, 2014, 2015, and 2016, including preparation of the following:
  - a. Financial Statements, including Statement of Cash Receipts and Disbursements of the Activity Funds
  - b. Annual Financial Report Form ISBE 50-35.
  - c. SELF (Worker's Compensation) Report
  - d. CLIC (Collective Liability Insurance Cooperative) Report
  - e. Management letter to the Board of Education.
2. An audit of the District's Schedule of Expenditures of Federal Awards and the issuance of reports for the "Federal Financial Compliance Section" (Form ISBE 62-18) as required by the guidelines established by the AICPA and the Illinois State Board of Education, OMB Circular A-133 and *Government Auditing Standards*. This also includes the Data Collection Form.

Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act as amended; the provisions of OMB Circular A-133, Audits of State and Local Governments; OMB's Compliance Supplement titled "Uniform Requirements for Grants to State and Local Governments;" the AICPA Audit Guide, "Audits of State and Local Governmental Units" and the Illinois State Board of Education publication, "Guide to Auditing and Reporting for Illinois Public Local Education Agencies." Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as the District's compliance with laws and regulations. We will review and test the District's internal control system and accounting procedures. We will prepare a management letter relating to our recommendations for correcting any observed weaknesses in internal control and improving operational procedures.

The audit firm will be available throughout the course of the fiscal year to answer general accounting/auditing questions as they arise.

## Client-service relationship

Our client-service relationship with the District will be based on certain nonnegotiable principles, including:

- An outstanding client service experience, focused on efficient and well-coordinated services
- Commitment to completing work within the agreed-upon time frame, assuming your preparation of requested schedules and other supporting documentation before we commence fieldwork and assuming no unforeseen technical issues

- Staffing of the engagement team based on industry-specific qualifications and technical experience
- Hands-on approach to planning, with management meetings and conference calls held routinely to discuss changes to the business, industry issues, new accounting pronouncements, etc.
- Fees that are reasonable based on the scope of work
- Transparent approach to billing, with clear communication and an emphasis on avoiding surprises

## Milestones and timing

Based on your needs for this project, we have developed the following timeline in connection with the services.

Milestones	Timing
<b>Audit services</b>	
Preliminary planning meeting with management	April
Preliminary fieldwork	May 19 – May 23
Final fieldwork	August 4 – August 22
Closing meeting with management	Last day of final fieldwork
Delivery of draft financial statements, internal control communications and other communications	No later than September 19
Meeting with management to review and provide comments on financial statements and other communications	No later than September 26
Audit results presentation to Board of Education	Early October
Issue final reports and letters	October 15

# Firm profile

## The Firm

McGladrey LLP is the fifth largest U.S. provider of assurance, tax and consulting services, with more than 6,700 professionals and associates in 75 cities nationwide. We are the largest professional services firm focused on the middle market.

The Firm is properly licensed to practice public accounting in Illinois under Registration Number 066-003346. The Firm meets the independence, continuing professional education and other requirements of the Standard of Audit of Government Organizations, Programs, Activities and Functions, 1988 revision, published by the U.S. General Accounting Office.

McGladrey is also a member of RSM International, the seventh largest global network of independent accounting, tax and consulting firms.

Our key personnel assigned to this engagement currently are properly licensed to practice in the state of Illinois.

## Our firm mission and values

McGladrey is committed to being the first-choice adviser to middle-market leaders. Our core values—respect, integrity, teamwork, excellence and stewardship—are the foundation of how we interact with clients and each other.

## Independence

McGladrey is not currently aware of any existing relationships between our firm and your company or trustees or employees of your company that would impair our independence or objectivity. Potential relationships between our firm and your company that could impair our independence or objectivity include, but are not limited to, the following:

- Our professionals having a direct financial interest in a client or a material indirect financial interest in a client
- Our professionals having a loan to or from a client, or an officer, director or principal stockholder of a client
- A member of a professional's immediate family or a close relative being employed in positions of significant influence with a client or an audit-sensitive position with a client
- Our professionals receiving from a client a gift or a discount that is not available to a regular consumer
- Our professionals serving as an officer or director for a client

## Quality control

Our non-SEC audit practice is subject to the triennial peer review requirements of the American Institute of Certified Public Accountants. As specifically required by the standards for such reviews and our membership in the AICPA Governmental Audit Quality Center (GAQC), a representative sample of the approximately 1,000 audits that are performed annually in accordance with Government Auditing Standards, including approximately 600 single audits, were selected for review.

McGladrey's system of quality control for the accounting and auditing practice applicable to non-SEC issuers in effect for the year ended April 30, 2013, was subject to peer review by the firm of BKD LLP, a GAQC member firm. That review included a representative sample of university, government and nonprofit engagements. Under the peer review standards, firms can receive a rating of pass, pass with deficiency(ies), or fail. McGladrey received a peer review rating of pass.

BKD, LLP's report is included in *Appendix D*.

## **Professional development**

McGladrey is dedicated to providing our professionals both personal development and career advancement opportunities.

We have in place multiple programs and initiatives to enhance their knowledge and skills, including general and industry-specific continuing professional education and professional development activities. In addition, our partners are evaluated, in part, on their effectiveness in training and developing subordinates.

Each professional is responsible for ensuring his or her curriculum complies with firm and professional guidelines—with oversight provided by our regulatory compliance group.

To encourage self-development, our professionals have online access to professional standards promulgated by the Financial Accounting Standards Board, Governmental Accounting Standards Board, the AICPA (including Auditing Standards Board pronouncements and Industry Audit Guides), U.S. Government Accountability Office and the Public Company Accounting Oversight Board.

Our manuals are revised and updated on a periodic basis and made available to all assurance services personnel through electronic databases. Each professional receives our newsletter of professional developments on a bi-weekly basis.

Professional development policies, curriculum (required and elective) and schedule are determined annually based upon strategic direction provided by the Assurance Learning Advisory Council.

## **Workpaper retention**

All working papers and reports will be retained, at our expense, for a minimum of five (5) years, unless we are notified in writing by Oak Park Elementary School District 97 of the need to extend the retention period.

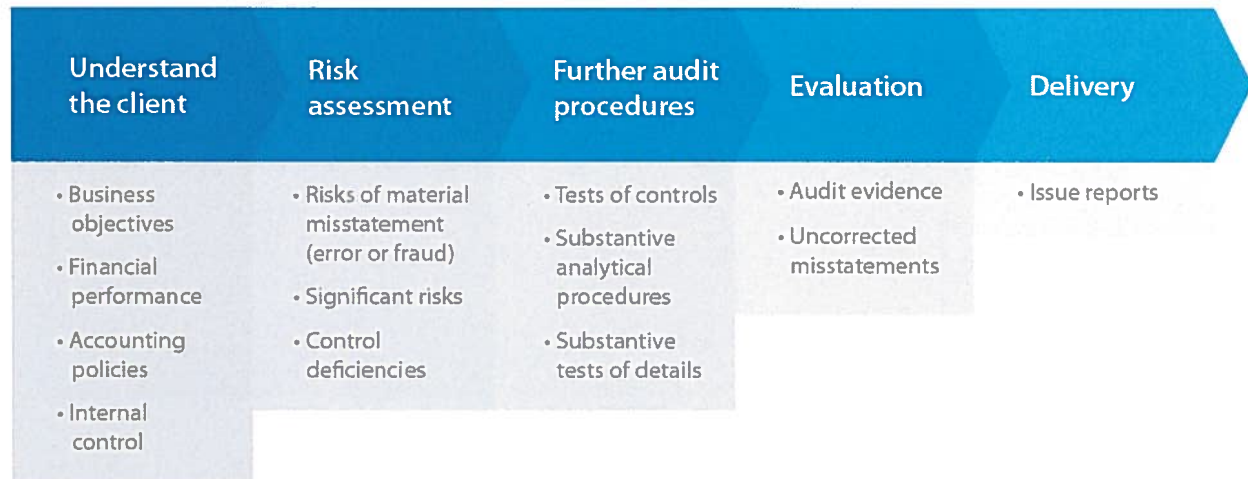
## Audit approach

Our audit approach is based on early audit planning and preliminary fieldwork, ongoing and straightforward communications with management, and a high level of involvement by team leadership in all phases of the audit.

In serving the District, we will continue to work with you to address and resolve issues, new accounting standards, and changes in your business throughout the year—rather than waiting until year-end. A no-surprises audit is always our goal.

When possible, we will complete the majority of our audit procedures on-site, including reviews. We find that “turning the lights out” on the audit when we leave our clients’ offices promotes efficiency, as well as overall satisfaction with the audit process.

We communicate with you frequently throughout the audit process to avoid surprises at the end. Our audit process involves the following steps:



- **Understand the client.** Learn as much as possible about your organization and operations through discussions with management and examination of relevant business processes and controls.
- **Risk assessment.** Assess risk to determine where material misstatements or fraud could exist in significant account balances, classes of transactions, financial reporting and disclosures. We then develop and deploy audit procedures to address these risks.
- **Further audit procedures.** Determine the nature, timing and extent of tests of controls and substantive procedures given the risks identified and controls as we understand them. Based upon audit evidence, consider if additional substantive procedures beyond those initially planned should be applied to respond to a revised risk assessment.
- **Evaluation.** Evaluate the sufficiency and appropriateness of the audit evidence obtained, assess final risk, and discuss identified known or likely misstatements with management to determine if adjustments are needed to the financial statements.
- **Delivery.** Issue a report on the financial statements, report to the Board of Education and, if applicable, communications of material weaknesses and significant deficiencies.



## **No surprises**

In serving the District, we will communicate with you frequently throughout the audit process and throughout the year to address and resolve issues, new accounting standards, and changes in your organization.

## **National Professional Standards Group**

McGladrey's National Professional Standards Group leads our firm's audit, attest and assurance services. The professionals in our national office:

- Provide added experience to your engagement team when addressing extremely complex accounting or reporting issues
- Develop and maintain the policies, procedures and tools to allow our partners and staff to efficiently serve our clients
- Communicate new and emerging professional standards, along with guidance to the engagement teams on related implementation issues
- Develop and deliver continuing professional education for our professionals

Many of the professionals in our National Professional Standards Group are members of standard-setting bodies and other professional committees and organizations. Our firm currently has representation on the Center for Audit Quality Professional Practice Executive Committee, SEC Regulations Committee, AICPA Professional Ethics Executive Committee, AICPA Board of Directors, PCAOB Standing Advisory Group, and GAO Advisory Council on Government Auditing Standards, among others.

## **Single audit experience**

A substantial number of our public sector clients receive federal funds and require a single audit in accordance with OMB Circular A-133. Our team of professionals possesses comprehensive knowledge of accounting requirements, federal procurement regulations and cost-accounting standards and their impact on non-profits organizations.

As a firm, we have performed hundreds of single audits and have received extensive training in governmental accounting, auditing and financial reporting. In addition, they receive specialized training on the compliance requirements of OMB Circular A-133 and the use of the related compliance supplements.

The engagement team brings in-depth knowledge of OMB Circular A-133, federal acquisition regulations and OMB Circular A-122, as interpreted by government auditors, positioning them to assist you in areas such as the following:

- Advise on allowable costs
- Interface and mediate with pertinent agencies in each step of an award process
- Defend your organization from allegations by audit agencies with regard to compensation, allowable costs and allocation, and timekeeping policies
- Review allocation of fringe expenses
- Review allocation of expenses among fringe, G & A, and overhead expense pools and the propriety of the bases over which they are allocated
- Compare proposed rates with actual rates and analyze variances
- Recommend the best presentation and timing of indirect rate structure revisions

- Prepare impact analysis of rate changes based on existing and projected contract revenue
- Perform proactive government audit risk assessments, including evaluation of compensation, uncompensated overtime, timekeeping practices, capitalization and expense policies, and other issues as necessary

We will deliver more than just an interpretation of the rules and regulations as they exist. Our professionals will give Organization Name insight into how the federal government operates, removing the burden of having to train staff in the intricacies of government grant accounting, tax and federal regulations.

# Engagement team

## Engagement team members

The following professionals have the qualifications and experience to handle your needs for this engagement and are committed to exceeding your expectations.

Team member	Role and value to company	Qualifications
<b>John George</b> Partner 312.634.4402 john.george@mcgladrey.com	<i>Client service coordinator.</i> As your client service coordinator, John will be responsible for your complete satisfaction with the services we provide. He will serve as your primary contact on day-to-day matters, keep you informed about our progress, and promptly address your questions and concerns.	<ul style="list-style-type: none"><li>• Audit partner for:</li><li>• Schaumburg Community Consolidated School District No. 54</li><li>• Indian Prairie Community Unit School District 204</li></ul>
<b>Kelly Kirkman</b> Director 312.634.4007 kelly.kirkman@mcgladrey.com	<i>Audit director.</i> As audit director, Kelly will have responsibility for the overall quality of the audit. She will be responsible for ascertaining that professional and regulatory standards have been complied with throughout the engagement.	<ul style="list-style-type: none"><li>• Audit partner for:</li><li>• Matteson Elementary School District No. 162</li><li>• Maine Township High School District 207</li></ul>
<b>David Paul</b> Manager 312.634.4416 david.paul@mcgladrey.com	<i>Audit manager.</i> David will make the determination of specific audit steps, communicate strengths and weaknesses of financial information to the audit partner and monitor all phases of the audit to promote timely completion.	<ul style="list-style-type: none"><li>• Audit manager for:</li><li>• Alsip, Hazelgreen and Oak Lawn School District 126</li><li>• Evergreen Park Elementary School District 124</li></ul>



## Staff continuity

We recognize the impact staffing changes have on clients and are committed to maintaining continuity and team stability as much as possible.

Our policy is to maintain the integrity of the client service team from year to year. While we cannot guarantee that every member of the service team will return each year, we provide staffing consistency whenever possible.

Although McGladrey has a low turnover rate by national standards, we know how to minimize disruption when necessary. If a change in key personnel should arise, partners and directors on your account will transfer specific knowledge about the District to new team members, helping to bridge any gaps and avoid interruptions in the performance of services.

While turnover rates fluctuate from year to year, McGladrey's employee attrition rates have historically been low by industry standards—a trend we are strongly committed to continuing. Because excellent client service begins with engaged, knowledgeable employees, we support a variety of career development programs and initiatives that promote work-life balance, fulfilling personal lives and overall job satisfaction.

## Fees

Our goal is to provide high-quality, reliable service at reasonable fees. Based on our understanding of your needs, our estimated fees are as follows.

Summary of deliverables	Fees <sup>1</sup>		
	2014	2015	2016
Financial Audit (inclusive of SELF, CLIC, Internal Control Evaluation, & Student Activity Report)	\$45,500	\$47,800	\$50,200
OMB Circular A-133 Single Audit Report and Data Collection Form*	\$ 8,000	\$ 8,400	\$ 8,800
<b>Total</b>	<b>\$53,500</b>	<b>\$56,200</b>	<b>\$59,000</b>

\*The fee quote above includes the Federal Single Audit, and assumes that two major programs will be tested for each year ended June 30. For each additional major program requiring testing we will charge \$3,250 - \$3,750, depending on the complexity of the program. We will discuss with management if the need arises to test additional major programs prior to performing that testing for agreement.

### Significant changes in your business

Significant changes in the nature and scope of your business will result in annual professional fee increases. Significant changes may include the addition of new locations, businesses or lines of business; unpreparedness on the part of the District; material changes in financial reporting; an unusual number of adjustments to the financial statements; and changes in the scope of work due to regulations, audit and accounting standards, or income tax laws.

### Fee assumptions

Any proposed fees are based on the following assumptions:

- Assistance will be supplied by the District personnel, including preparation of requested schedules and analyses of accounts before we commence fieldwork.
- There will be no significant number of audit adjustments (defined as more than 10 audit-related adjusting entries) to the financial statements required.
- There will be no significant changes in the nature and scope of the audit. Significant changes in the nature and scope of the audit could include, among other matters, a complex equity structure, including the issuance of warrants or new option programs; other conversion features or embedded derivatives; or consolidation of variable-interest entities under FASB ASC 810, Consolidation.
- We will receive complete tax workpapers, including any apportionment information.

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<sup>1</sup> Out-of-pocket costs, including travel and lodging, are billed at actual cost in addition to the fee quoted above. Billings are prepared monthly and are due upon submission.

Should it be necessary to extend the scope of our services due to unpreparedness on the part of the District, significant accounting assistance requiring multiple adjusting journal entries, or other significant changes in the nature and scope of the engagement, we will bill for these additional services based on our standard hourly rates. We will contact you to discuss these items before proceeding with the out-of-scope work.

Our acceptance of this engagement is subject to completion of our acceptance procedures.

## References

Name of organization	Contact information	Work performed
<b>Indian Prairie School District No. 204</b>	Ms. Molly Zientarski Controller 630.375.3070	<ul style="list-style-type: none"> <li>• Audit</li> </ul>
<b>Maine Township High School District 207</b>	Ms. Mary Kalou Business Manager 847.692.8025	<ul style="list-style-type: none"> <li>• Audit</li> <li>•</li> </ul>
<b>Matteson Elementary School District No. 162</b>	Ms. Jeree Ethridge Business Manager 708.748.0100	<ul style="list-style-type: none"> <li>• Audit</li> </ul>
<b>Schaumburg Community Consolidated School District No. 54</b>	Ric King Assistant Superintendent, Business Services 847.357.5000	<ul style="list-style-type: none"> <li>• Audit</li> <li>• CAFR</li> </ul>

## Additional resources for the District

### Publications and webcasts

As our client, the District will continue to have access to a variety of technical and advisory publications that cover information about current events and changes in laws and regulations.

The following are examples of communications available to you:

- ***Financial Reporting Insights***. A biweekly resource for recent financial reporting developments and practice issues.
- ***MUSE*** - A bimonthly publication that keeps nonprofit and governmental entities abreast of the latest industry news and information. It features topics such as risk assessment, benchmarking and audit committee effectiveness.
- **Educational webcasts and seminars**. We offer frequent virtual and in-person presentations on topics of importance to our clients.



### Accounting research

McGladrey offers our clients access to online research through CCH's Accounting Research Manager at our discounted rate. This web-based tool includes the *FASB Accounting Standards Codification* and guidance on many other accounting standards and applications.

## Additional information

There is no additional information we wish to present.

# Appendices

## Appendix A—Engagement team biographies

## **John George**

Partner, Assurance Services  
McGladrey LLP  
Chicago, Illinois  
john.george@mcgladrey.com  
312.634.4402



### **Summary of Experience**

John George is a general services partner with McGladrey's Great Lakes practice. He works within the nonprofit and governmental industry groups. He has significant experience with units of local government and nonprofit organizations and spends a majority of his time serving clients in the public sector.

John has been involved in governmental and nonprofit organization auditing and consulting since 1990. His client responsibilities include numerous school districts, municipalities, park and library districts as well as nonprofit organizations. Through his experience, John has gained extensive knowledge of various federally assisted programs and compliance auditing in accordance with OMB Circular A-133.

He has assisted clients and other organizations in the following areas:

- Internal control systems evaluations and reviews
- Planning related issues
- Budgeting
- Cash management and cash forecasting
- Assistance with personnel searches for accounting and financial personnel

### **Relevant Experience**

- Oswego School District 308
- Thornton High School District 205
- Chicago Public Schools
- Elgin School District U-46
- Schaumburg School District 54
- Indian Prairie School District 204
- Aurora East School District 131
- New Trier School District 203
- Worth Township Treasurers Office
- 14 Related Worth Township School Districts
- Community High School District 218
- Orland Park School District 135

### **Professional Affiliations and Credentials**

John is a member of the Illinois CPA Society, the American Institute of Certified Public Accountants (AICPA), the Illinois Governmental Finance Officers Association (GFOA), and the Illinois Association of School Business Officials (IASBO). He has served on the Illinois CPA Society Government Executive Committee and as a reviewer for the Illinois CPA Society Government Report Review Course and firm training courses in governmental auditing and accounting. He has also assisted in multiple successful GFOA Certificate of Achievement submissions over the course of his career.

### **Education**

John is a graduate of University of Illinois at Chicago where he obtained a Bachelor of Science degree in Accounting.



## **Kelly Kirkman**

Director, Assurance Services  
McGladrey LLP  
Chicago, Illinois  
kelly.kirkman@mcgladrey.com  
312.634.4407



### **Summary of Experience**

Kelly Kirkman is a general services director with McGladrey's Great Lakes practice. She joined the firm in 2000 and is responsible for managing audit and attest engagements.

Kelly has been involved in serving clients in the nonprofit and public sector for the majority of her time with the Firm. Her focus has been on auditing school districts and nonprofit organizations, such as associations and membership organizations. She also has substantial experience in the public sector with units of local government, such as municipalities, school districts and special districts. She has extensive knowledge in auditing various federally assisted programs and compliance auditing in accordance with OMB Circular A-133, the Department of Education, the Illinois State Board of Education, the Department of Commerce and Economic Opportunity and several other funding agencies.

In addition to her client work, Kelly is active in the recruitment, training, scheduling, and development of accounting staff members. She is also an active member of the Great Lakes Women's Leadership Group, whose mission is to significantly improve the recruitment, retention, development, and leadership paths of women.

### **Relevant Experience**

- Matteson School District No. 162
- Chicago Public Schools
- Niles Township Treasurer
- Southland College Preparatory Charter School
- Maine Township District No. 207
- Maine Township Special Education Cooperative
- North Suburban Educational Region for Vocational Education

### **Professional Affiliations and Credentials**

Kelly is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants (AICPA) and the Illinois CPA Society.

### **Education**

Kelly is a graduate of the University of Illinois - Champaign where she earned a Bachelor of Science degree in accountancy.

**David Paul**

Manager, Assurance Services  
McGladrey LLP  
Chicago, Illinois  
david.paul@mcgladrey.com  
312.634.4416

**Summary of Experience**

David is a manager in McGladrey's Nonprofit Practice Group with over five years of auditing experience. His client base primarily includes social service organizations, associations, and other general nonprofit organizations. He has experience in auditing various federally assisted programs and compliance auditing in accordance with OMB Circular A-133.

**Representative Experience**

- Alsip, Hazelgreen and Oak Lawn School District 126
- Chicago Public Schools
- Chicago Ridge School District 127.5
- Evergreen Park Elementary School District 124
- Illinois State Toll Highway Authority
- Metropolitan Water Reclamation District of Greater Chicago
- Midlothian Public Library
- Oak Park Public Schools District 97
- Ridgeland Public School District 122
- Worth School District 127
- Worth Township Trustees of Schools

**Professional Affiliations and Credentials**

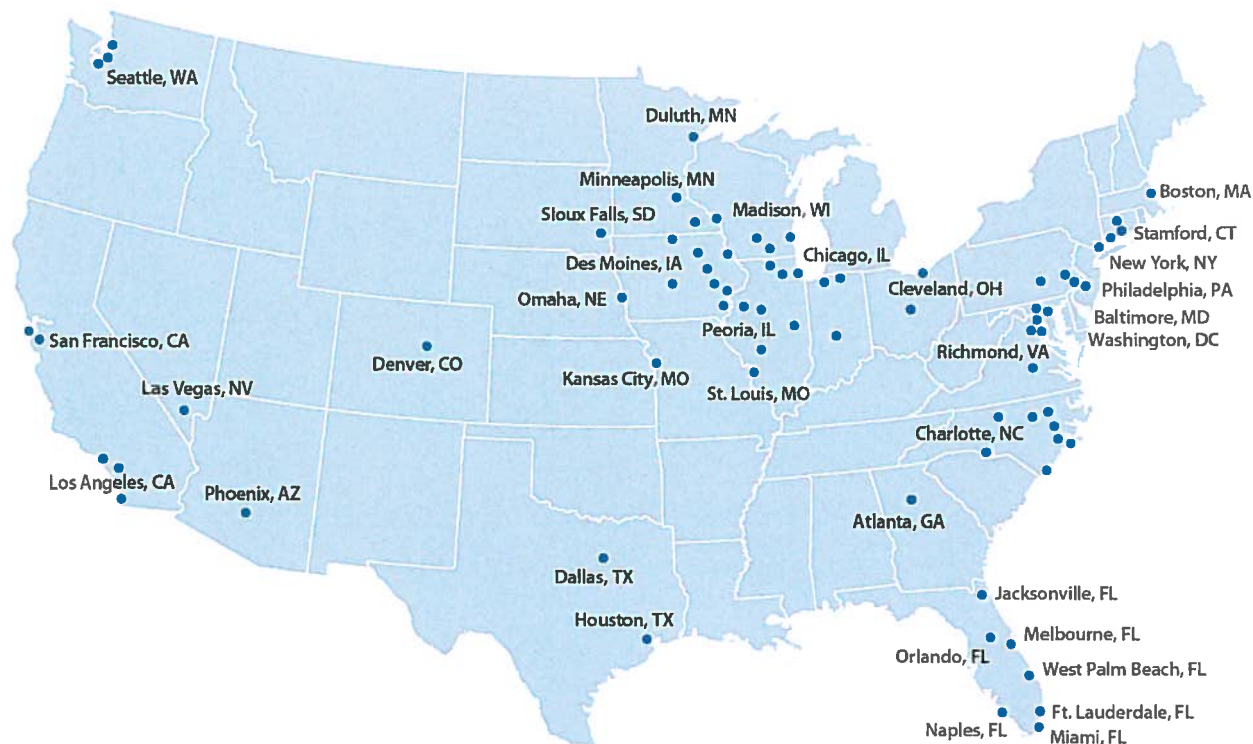
David is a certified public accountant and a member of the American Institute of Certified Public Accountants (AICPA).

**Education**

David received her Master's and Bachelor's degrees in accounting from University of Iowa.

## Appendix B—About McGladrey

McGladrey is a leading provider of assurance, tax and consulting services focused on the middle market. We guide our clients through complex business challenges by understanding their needs and bringing together the right team to address them.



100+  
countries



32,500  
professionals



700+  
offices



\$4B  
in global fees

With more than 6,700 people in 75 U.S. cities—and access to more than 32,000 people in 100 countries through our membership in RSM International—we can handle your needs wherever in the world you do business.

## Appendix C—School District client listing

Following is a list of most of our current school district and related clients in the Chicagoland area:

### Worth Township

Ridgeland School District 122  
Oak Lawn-Hometown School District 123  
Evergreen Park School District 124  
Atwood Heights School District 125  
Alsip, Hazelgreen and Oak Lawn Elementary  
School District 126  
Worth School District #127  
Chicago Ridge School District 127.5  
Palos Heights School District 128  
District 130 Public Schools  
Community High School District 218\*  
Oak Lawn Community High School District 229  
A.E.R.O. Special Education Cooperative  
Eisenhower Special Education Cooperative  
Moraine Area Career System

### Maine Township

Maine Township High School District 207  
Maine Township Special Education Cooperative  
North Suburban Educational Region for Vocational  
Education

### Rich Township

Career Preparation Network  
Matteson School District 162\*

### Other Schools and Districts

Schaumburg Community Consolidated School  
District 54\*  
Evanston / Skokie School District 65  
Oak Park Elementary School District 97  
Aurora East School District 131  
Cook County School District 143  
Indian Prairie Community Unit School District 204\*  
Thornton Township High School District 205  
Oswego Community School District 308\*  
Chicago Public Schools\*  
New Trier Township High School District 203\*  
Orland School District 135\*  
Crete-Monee School District 201-U  
Elgin School District U-46  
Niles Township Treasurer  
Niles Township District for Spec. Ed. 807

*\*Received IASBO CAFR Certificate of Excellence in prior years.*

## Appendix D—Peer review report

## System Review Report

To the Partners of  
McGladrey LLP  
and the National Peer Review Committee  
of the American Institute of Certified  
Public Accountants Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of McGladrey LLP (the "firm") applicable to non-SEC issuers in effect for the year ended April 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of McGladrey LLP applicable to non-SEC issuers in effect for the year ended April 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. McGladrey LLP has received a peer review rating of *pass*.

*BKD, LLP*

December 4, 2013



## Peer Review Program

Administered by the National Peer Review Committee

American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

December 19, 2013

Joseph Michael Adams, CPA  
McGladrey LLP  
1 S Wacker Dr Ste 800  
Chicago, IL 60606

Dear Mr. Adams:

It is my pleasure to notify you that on December 12, 2013 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2016. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Betty Jo Charles  
Chair, National Peer Review Committee  
nprc@aicpa.org 919 402-4502

cc: John Mark Edwardson; Andrew V. Lear

Firm Number: 10046712

Review Number 347652

Letter ID: 850189

