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## MEMORANDUM

TO: Finance & Personnel Committee  
FROM: Joanie Baxter, Controller  
DATE: April 14, 2017  
SUBJECT: Acceptance of Audit Proposal

At the direction of the Finance & Personnel Committee, a Request for Proposals for Audit Services was made and sent to seven firms. One company indicated they would not be able to submit a proposal as they are not current on their continuing education for Single Audit which will be required for FY 17-18. Of the remaining six, two proposals were received. One from the incumbent company, Phillips-Salmi, LLC located in Washington and the other from Sikich Gardner & Co. out of Springfield. A three-year contract was requested with an option for two additional years. Quotes submitted were as follows:

	(optional)				
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
<b>Phillips-Salmi</b>					
Financial	25,600	25,600	25,600	25,600	25,600
Single Audit, if applicable	2,400	2,400	2,400	2,400	2,400
<b>Sikich</b>					
Financial	25,500	26,000	26,500	27,000	27,500
Single Audit, if applicable	4,000	4,100	4,200	4,300	4,400

City staff has been very pleased with the services provided by Phillips-Salmi and their principals over the years and would recommend continuing this relationship by approving the 3-year contract with optional 2-year extension as indicated above.

This matter will be reviewed with the Finance & Personnel Committee on April 17 and if they concur with the Staff recommendation, will be brought to the Council for consideration on April 17 as well.

Please contact me if you would have questions or would like additional information.

C: Jim Culotta, City Administrator  
Ellen Dingledine, Treasurer



**PHILLIPS, SALMI + ASSOCIATES, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF WASHINGTON, ILLINOIS**

**PROPOSAL TO PROVIDE PROFESSIONAL  
AUDITING SERVICES**

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**PHILLIPS, SALMI + ASSOCIATES, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

April 12, 2017

City of Washington, Illinois  
Attn: Joanie Baxter, CPA Controller  
301 Walnut Street  
Washington, IL 61571

Dear Mrs. Baxter,

Thank you for considering Phillips, Salmi + Associates, LLC to provide the financial statement audits of the City of Washington, Illinois. We have been your audit service provider for many years and welcome the opportunity to continue to serve your organization.

Phillips, Salmi + Associates, LLC is a public accounting firm located in Washington, Illinois. We bring a combined 60 years of governmental experience to our clients. This extensive knowledge with governmental entities not only enables us to perform the requested services, but we also provide valuable insights and recommendations to improve your City's operations.

We look forward to a positive response to our proposal and working with you in the future. Please contact us if you have any questions or would like more information.

Sincerely,

PHILLIPS, SALMI + ASSOCIATES, LLC

Aaron Phillips, CPA  
Principal

Lori Salmi, CPA  
Principal

## **WHAT YOU CAN EXPECT**

### **Firm Information**

Phillips, Salmi + Associates, LLC is a certified public accounting firm located at 112 South Main Street, Washington, Illinois. The firm was founded in 2010 by Aaron Phillips and Lori Salmi. Currently, our firm is comprised of two partners, one audit manager, four staff accountants and an administrative assistant. Our firm is committed to delivering high quality audit, taxation, and consulting services to governmental entities and nonprofit organizations at a reasonable fee. We accomplish this through timely service and turnaround between audit fieldwork and delivery of audited financial statements, providing value added business and accounting recommendations, and being available for consultation throughout the year.

### **Professional Memberships and Quality**

- American Institute of Certified Public Accountants (AICPA)
  - Governmental Audit Quality Center
  - Employee Benefit Plan Audit Quality Center
  - Not for Profit Section Member
- Illinois CPA Society

### **Client Service Providers**

In working with you, Aaron Phillips and audit manager Pam Gonigam will be actively involved as the City's client service providers. Lori Salmi will act as quality control reviewer and consultant on financial statement recognition and presentation matters. Aaron and Pam will be onsite at the City during audit fieldwork performing the necessary audit procedures. Our firm members have met all continuing educational requirements. Additional staff will be determined based on scheduling and engagement needs. All staff have been trained on how to audit computerized systems.

Lori Salmi began her career in the Chicagoland area at a large firm with a niche in the governmental and the nonprofit industries. Lori's past governmental experience includes park districts, municipalities, counties, and police and fire pension funds. In 1996, Lori moved to back Central Illinois and over the years, Lori's responsibilities grew to include being the client service shareholder on audits of municipalities, school districts, libraries, and police and fire pension funds here in Central Illinois.

Aaron Phillips has worked in public accounting for over fifteen years, and his governmental experience includes managing various audits of municipalities and other governmental entities. Aaron's duties center on supervising the day to day operations and planning and coordinating the audit with management and the council of the governing boards.

Pam Gonigam has worked in public accounting for over ten years. She has significant governmental auditing experience as well as an expertise in employee benefit plan audits. This experience includes providing audit services for over 50 different plans, including several defined benefit plans.

Additional background information about each appears at the end of this proposal.

## SCOPE OF SERVICES

We understand the City is seeking an independent accounting firm to perform an audit of the financial statements for the years ending April 30, 2017, 2018, 2019 with the option of retaining services for the years ending April 30, 2020 and 2021, in accordance with the generally accepted auditing standards We will perform the audit in accordance with the government auditing standards and provisions of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, formerly known as OMB Circular A-133, “Audits of States and Local Governments, and Nonprofit Organizations” and the Single Audit Act of 1984, as applicable.

For the City audit, we will:

- Issue a report on:
  - Fair presentation of the financial statements in conformity with generally accepted accounting principles.
  - “In-relation-to” opinion of the combining and individual fund statements and schedules.
  - Limited procedures involving required supplemental information required by GASB as mandated by generally accepted auditing standards.
- Draft the financial statements and notes, including the Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information, for City personnel to review.
- Provide a formal letter summarizing our audit responsibilities in accordance with Statement on Auditing Standards.
- Provide a formal letter summarizing internal control deficiencies, if deemed significant.
- Preparation of the Annual Financial Report to the Comptroller of the State of Illinois.
- Preparation of the Independent Auditor’s Report on Compliance with Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.
- Assist with implementation of any new governmental accounting principles that may become effective during the period we are contracted for audit services
- Preparation of the Schedule of Expenditures of Federal Awards, if applicable.
- Preparation of the Single Audit Data Collection Form (SF-SAC) for reporting on Audits of States, Local Governments, and Nonprofit Organizations, if applicable.

In addition to the services required as part of the proposal, we will also provide the following services as part of our basic fee:

- Prepare calculations and propose adjusting journal entries for government-wide financial statements. In 2015, there were 26 calculations/journal entries to convert the fund financials to the required government-wide presentation.
- Major fund determination calculation for financial statement presentation
- Provide a template for the completion of the management discussion and analysis (MD&A) portion of the financial statements, including the preparation of historical trend analysis and graphs for inclusion in the MD&A.

## FEE STRUCTURE

We are pleased to present our proposal to perform the audit of the City of Washington, Illinois for the years ending April 30, 2017, 2018 and 2019 with the option of retaining our services for the years ending April 30, 2020 and 2021. This fee is based on anticipated cooperation from your personnel. If unexpected circumstances require significant additional time, we will discuss it with you before we incur such costs. Should the City be required to have a single audit performed in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, this work will be performed at an additional fee of \$2,400.

	Annual City Financial Statement Audit	Single Audit, if applicable
April 30, 2017	\$ 25,600	\$ 2,400
April 30, 2018	25,600	2,400
April 30, 2019	25,600	2,400
April 30, 2020	25,600	2,400
April 30, 2021	25,600	2,400

Should your organization request and we agree to perform other services, our fees would be based on our discounted hourly rates ranging based upon staff experience ranging from \$65 to \$150 per hour.

Included in our fees we are available for routine telephone calls from your personnel throughout the year, not just during the time of our audit.

## AUDIT TIMELINE

The audit timeline will be mutually agreed upon with the City. Below is an approximation of when we would expect to complete the following audit activities:

Event	Timeframe	Hours & Fee	Person(s) Assigned
<b>I. Preliminary Planning</b> During this phase of the audit, we would meet with representatives of the City to discuss the approach to be taken during the audit, focusing on areas of particular concern to the City, as well as areas of high audit risk, and develop the time schedule for completing the subsequent phases of the audit.	May/June	10 hours \$100/hour	Partner & Manager
<b>II. Preliminary Fieldwork</b> During this phase of the audit, we would develop an understanding and documentation of the City's accounting controls using the City's accounting procedures manual and by interviewing staff of the City to document the flow of transactions. In addition, we may perform testing of controls and transactions at this time. Sample sizes and selections would be determined at this phase.  In addition, we would review all minutes from the meetings of the City council; review all ordinances adopted by the City during the year; review any debt agreements entered into during the year and analyze any other unique transactions entered into by the City.  Upon completion of this phase, we would finalize all necessary confirmations the City will prepare; review all proposed client assisted work papers and the timing of preparation by the City; develop our audit programs for the next phase of the audit; and prepare a schedule for the remainder of the audit.	July	30 hours \$100/hour	This phase would be completed by one or both partners, manager, and one to two professional staff.
<b>III. Fieldwork</b> During this phase of the audit, we would complete all of our substantive testing of account balances and prepare a draft of the City's financial statements. The City would need to have the trial balance closed and this phase of the audit will need to start no later than the 3 <sup>rd</sup> week of July to meet the completion date of September 30 <sup>th</sup> .	July/August	200 hours \$100/hour	This phase would be completed by one or both partners, manager, and one to two professional staff.



**IV. Workpaper and Report Review**

During this phase of the audit, the identified key audit areas and drafts of all financial reports will be reviewed by the non-engagement partner as part of our internal control procedures.

August/  
September

40 hours  
\$150/hour

This phase will be completed in accordance with our Quality Control policies.

**V. Drafts to the City**

We will deliver a draft of the annual financial report by September 23rd. The draft will be discussed and reviewed with City representatives as deemed necessary.

September

5 hours  
\$150/hour

This phase would be completed by the engagement partner and/or manager.

**VI. Completion of Audit**

Upon approval of the drafts by the City, we will present the signed, bound copies of the annual financial report, the management letter and the additional reports described in this proposal by September 30th.

September

3 hours  
\$150/hour

This phase would be completed by the engagement partner.

## EXPERIENCE IN AUDITING GOVERNMENTAL CLIENTS

The following is a list of audit engagements performed by Phillips, Salmi + Associates during the last five years which are similar to the engagement proposed for the City of Washington, Illinois. These engagements were led by Aaron Phillips.

### **Governmental Entity**

### **Contact**

City of Canton, Illinois

Dan Bender, CPA – Outside consultant/  
budget director

(309) 495-8841

[Dan.bender@claconnect.com](mailto:Dan.bender@claconnect.com)

City of Farmington, Illinois

Kent Kowal – Mayor

(309) 245-2011

[kowalkent@gmail.com](mailto:kowalkent@gmail.com)

The Firm's current audit client base consists of the following:

- 5 Municipalities
- 8 School Districts
- 2 Fire Departments
- 2 Park Districts
- 1 Library
- 11 Non-Profit Organizations
- 2 Other entities subject to Governmental Accounting Standards
- 11 Benefit Plans

## **BIOGRAPHICAL INFORMATION**

### **Lori R. Salmi, CPA**

#### ***Managing Partner***

Lori provides accounting, auditing and advisory services to clients in small businesses, local government, nonprofit organizations, and employee benefit plans. In addition to working closely with her clients, Lori has responsibility for the day-to-day operations of the firm.

Lori received her bachelor's degree from Illinois State University and has more than 25 years of public accounting experience. Prior to forming Phillips, Salmi + Associates, LLC in 2010, Lori was the assurance department head and shareholder at a certified public accounting firm in the Peoria, Illinois area.

Lori is a member of the American Institute of Certified Public Accountants (AICPA) and the Illinois CPA Society. She has served on the Illinois CPA Society's Peer Review Report Acceptance Committee and the Nonprofit Organizations Committee.

Lori, her husband Bill, and their two children live in Washington. Lori's outside interests include youth hockey programs, traveling and golfing with her family.

### **Aaron Phillips, CPA**

#### ***Client Service Partner***

Aaron provides accounting, auditing and tax advisory services to clients in construction, manufacturing, retail, local governments, nonprofit organizations and employee benefit plans. He received his bachelor's degree from Bradley University, and has more than 15 years of public accounting experience.

Aaron leads the tax and small business consulting areas of the firm and is a member of the AICPA tax section. Regularly consulting with small businesses and their owners on accounting and tax matters, Aaron seeks to develop and implement client specific strategies to minimize tax obligations over the long term.

Outside of tax season, Aaron works closely with local governments and non-profits providing audit services. In conjunction with the firm's core values, Aaron is regularly working at the client's office providing services. This face-to-face interaction facilitates the firm's focus on providing clients value added communication.

Aaron and his wife, Jamie, live in Washington and spend most of their time with their two children. Most nights and weekends the family can be found at their children's extracurricular activities. They also enjoy outdoor activities, such as camping, and spending time with extended family and friends. Aaron also manages crop production of his family farming operation in Bureau County.

## **Pam Gonigam, CPA**

### ***Audit Manager***

Pam provides auditing and advisory services to clients in small businesses, local government, nonprofit organizations, nursing homes and employee benefit plans.

Pam graduated from Morton High School and received her bachelor's degree from Bradley University. She has more than 12 years of public accounting experience. Prior to joining Phillips, Salmi + Associates, LLC in 2015, Pam was an assurance manager at one of the top ten certified public accounting firms in the nation.

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

Pam's community involvement includes serving as a trustee for the local library district and performing treasurer duties for her church.

Pam and her husband Bob live on the family farm near Ohio, Illinois. Pam's interests include traveling, hiking and biking.

## AUDITOR'S QUALIFICATIONS

April 12, 2017

City of Washington, Illinois  
Attn: Joanie Baxter, CPA Controller  
301 Walnut Street  
Washington, IL 61571

Dear Mrs. Baxter,

This letter certifies the following:

1. Phillips, Salmi + Associates, LLC is properly licensed for public practice as a certified public accounting firm. Lori Salmi, CPA, Aaron Phillips, CPA and Pam Gonigam, CPA are properly licensed for public practice as certified public accountants.
2. Phillips, Salmi + Associates, LLC meets the independence and other requirements of *Government Auditing Standards*, including having completed continuing professional education programs in governmental accounting and auditing.
3. Phillips, Salmi + Associates, LLC belongs to and participates in a qualified peer review program that includes a review of the governmental audits performed by the firm.
4. Phillips, Salmi + Associates, LLC does not have a record of substandard audit work.
5. Phillips, Salmi + Associates, LLC agrees to a waiver of confidentiality to the results of an ethics investigation if the work relating to the audit is referred to a professional organization for disciplinary action.

Sincerely,

PHILLIPS, SALMI + ASSOCIATES, LLC



Aaron Phillips, CPA  
Principal



Lori Salmi, CPA  
Principal



**GUTHOFF MEHALL ALLEN & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**System Review Report**

August 13, 2014

To the Members  
Phillips, Salmi & Associates, LLC  
and the Peer Review Committee of the Illinois CPA Society

We have reviewed the system of quality control for the accounting and auditing practice of Phillips, Salmi & Associates, LLC. (the firm) in effect for the year ended December 31, 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* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Phillips, Salmi & Associates, LLC in effect for the year ended December 31, 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*. Phillips, Salmi & Associates, LLC has received a peer review rating of *pass*.

*Guthoff Mehall Allen & Company, P.C.*

Guthoff Mehall Allen & Company, P.C.