

**AGREEMENT #12039  
FOR PROFESSIONAL CONSULTING SERVICES  
For LAKE COUNTY  
CONTRACT MODIFICATION #1**

This contract modification entered into by and between Lake County, (hereafter referred to as the "County") and Crowe Horwath LLP (hereinafter "Consultant"), One Mid America Plaza Suite 700, Oak Brook, IL 60522

**SECTION 1. AGREEMENT DOCUMENTS**

The Agreement Documents have been added to Agreement 12039 executed between Lake County and the Contractor.

- A. The Contractor's Utility Billing Internal Audit Project Change Order Request Letter dated May 13, 2013 EXHIBIT B

**SECTION 2. STATEMENT OF WORK**

Please refer to Contractors change order request dated April 12, 2013 noted as Exhibit B for detailed change order request for completed audits and future audits identified within.

**SECTION 4. AGREEMENT PRICE**

- A. The County will pay the Contractor a fee a not to exceed amount of \$311,625.83 for deliverables identified in the Contractor's The Contractor's Utility Billing Internal Audit Project Change Order Request Letter dated May 13, 2013 EXHIBIT B. The Contractor will bill the County not more than once per month for the tasks described in the Scope of Services are defined below:

Except for the provisions outlined above, the remainder of the contract shall remain in full force and effect.

**Crowe Horwath LLP**

**Lake County**

\_\_\_\_\_

\_\_\_\_\_

Print Name: \_\_\_\_\_

RuthAnne Hall

Print Title: \_\_\_\_\_

Purchasing Agent

Date \_\_\_\_\_

Date \_\_\_\_\_



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May 13, 2013

Mr. Nazer M. Uddin, Manager of Budget & Finance  
 Lake County Public Works Department  
 650 W. Winchester Road  
 Libertyville, IL 60048

**RE: Utility Billing Internal Audit Project Change Order Request**

Dear Mr. Uddin,

Pursuant to the Crowe's Agreement dated May 8, 2012 with Lake County Public Works Department to provide six village utility audits annually, Crowe is requesting a change order to accommodate the following additional services:

1. Services requested by the County in addition to those covered by the audit program
2. Additional time and services needed to complete the audit program as a result of delays experienced at the municipalities

In accordance with Crowe's Agreement dated April 12, 2012, Crowe has provided audit services to the first phase of the Utility Billing Audit, including audits of the following villages in Lake County: Hainesville, Grayslake, Buffalo Grove, Gurnee, Lincolnshire, and Lake Zurich.

As a result of additional out of scope requests in the audit process, requested investigation into specific findings at each village, and several inefficiencies experienced at the villages during fieldwork, we have re-estimated the project fees for the services provided to date and the future audits for the next phase.

Crowe has provided detail to Lake County Public Works on specific services provided at each village, along with fee detail and observations and findings for each village. Please also refer to the attached Executive Summary for an overview of several of findings at the first six village audits, as well as explanation of inefficiencies and obstacles faced at the villages. Included below is a summary of the requested services outside the standard audit program scope.

**Additional Services Rendered (beyond original scope, at the County's request)**

Crowe worked with the County to develop a standard base audit program including assumptions for onsite fieldwork days, testing sample, processes, etc. Standard audit fees do not include circumstances that arise under which we must perform additional work, and thus, require additional billings for our services, such as performing procedures outside the standard audit period of July 1, 2010 – June 30, 2012, or further investigating specific issues once detected. The following additional services were conducted during the first set of audits:

- **Hainesville (Audit 1):**
  - Audited connection fees outside of the agreed-upon review period (reviewed back to 2006 - over 3 additional years outside the audit period).
- **Grayslake (Audit 2):**
  - Performed more extensive testing, process mapping, reporting, and fieldwork.

- **Buffalo Grove (Audit 3):**
  - Performed more extensive testing, process mapping, reporting, and fieldwork due to findings detected in the first testing sample. Also conducted additional testing focused around the switch from flat rate to consumption billing.
  
- **Gurnee (Audit 4):**
  - Audited additional payments made to the County and recalculated correct amount owed (for May 2012 and Nov 2012, which included over \$318,000 worth of 'extra' payments).

**Budget Request for Contract Modification**

Included below are the actual fees associated with each of the six audits conducted to date, as well as a revised budget for the final set of thirteen audits. Please note that we have calculated fees at our agreed-upon discounted rate.

**1. Completed Audits - first six village audits**

The original contract for this set of audits was a total of \$54,000. We are requesting an additional \$43,125.83 to cover the additional cost.

Completed Audits	Cost
Hainesville	\$27,748.00
Grayslake	\$15,233.50
Buffalo Grove	\$20,904.44
Gurnee	\$12,366.05
Lincolnshire	\$11,873.84
Lake Zurich (estimate)	\$9,000.00
<b>TOTAL AUDIT COST</b>	<b>\$97,125.83</b>
<b>ORIGINAL BUDGET</b>	<b>\$54,000.00</b>
<b>DIFFERENCE</b> (\$97,125.83 - \$54,000.00)	<b>\$43,125.83</b>

**2. Future Audits - final thirteen village audits**

Based on knowledge and experienced gained on the first set of audits, as well as revising the strategy to accommodate flexibility to investigate findings as they arrive, we have revised the future per audit cost with the following budget modification.

Budget Request	
Per Audit	\$15,000.00
<b>TOTAL COST</b> <b>(13 audits)</b>	<b>\$195,000.00</b>

### 3. Summary

<b>Total Budget Request</b>	
<b>Phase I Development of Audit Program (completed and paid)</b>	\$19,500.00
<b>Phase II Audits:</b>	
<b>(1) Completed six audits</b>	\$97,125.83
<b>(3) Future thirteen audits (\$15,000 each)</b>	\$195,000.00
<b>TOTAL MODIFIED BUDGET REQUEST</b>	<b>\$311,625.83</b>

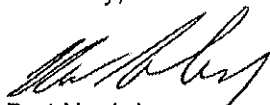
#### **Proposed Budget Assumptions**

Based on the experience gained in the municipal audits thus far, we have implemented efficiencies and our team is striving to conduct all audits at and below budget. We can achieve this by reinforcing the following necessary circumstances:

- Requested materials must be provided to the audit team the week prior to scheduled onsite fieldwork. The audit team will follow-up with the Village one week earlier to confirm onsite plans and materials
- Materials requested must be provided in an electronic format – Excel, Word, searchable PDF, etc. in order to conduct data analysis efficiently
- The audit team will notify the County the Friday before scheduled onsite if requested materials have not been provided, or if they have not been provided in an electronic format. Based on the information available, we will inform the County of the estimated audit cost and request confirmation to proceed and/or further direction from the County.
- When the audit team encounters significant findings or inefficiencies, the County is contacted to direct the team on a next step decision.
- The budget summarized above includes services and procedures agreed upon in the municipal utility billing audit program. This does not include detailed investigative work to find a specific dollar amount of damages owed to the County or support contract negotiations for cost recovery with the villages.

We appreciate the opportunity to be of service to the Lake County Public Works Department. We will continue to work with the County to communicate issues as they arise at the municipalities that might impact the cost. Please call me at (630) 706-2071 or e-mail me at [bert.nuehring@crowehorwath.com](mailto:bert.nuehring@crowehorwath.com) if you have any questions.

Sincerely,



Bert Nuehring  
Engagement Partner  
Crowe Horwath LLP