



Lake County Illinois

Legislation Text

File #: 08-0782, Version: 1

Contract # 24171 - Professional Audit Services for Lake County - Change Order #5 - Three (3) Year Contract Extension

- In 2004, Lake County entered into a three (3) year contract with extensions Virchow, Krause & Company, Madison, Wisconsin to perform professional audit services.
- A number of Change Orders have been approved during the intervening period based on new reporting requirements.
- Lake County must comply with new Risk Assessment Standards (SAS 112) which become effective for the FY08 audit. These services are outside the scope of the contract. Staff discussions with other units of government indicate the additional audit work to comply with RAS costs between 15-30% of the total audit fee.
- The FY 08 audit will be conducted in the final renewal option year beginning December 1, 2008
- Virchow Krause & Company has proposed a 12% increase spread over a three-year period in exchange for a two-year extension to the contract.
- These changes were not reasonably foreseeable at the time the contract was signed, are germane to the original contract. This change order is in the best interests of the County and authorized by law.
- The proposed fees for a three year renewal would be as follows:
Proposed fiscal year 2008 contract: \$180,300
Proposed fiscal year 2009 contract: \$192,900
Proposed fiscal year 2010 contract: \$206,400

TO: Chair, Financial and Administrative Committee

FROM: Gary L. Reis, Purchasing Agent

DATE: October 1, 2008

RE: Contract # 24171 - Professional Audit Services for Lake County - Change Order #5

1. Effective November 2004, Lake County entered into a three-year contract with two one-year renewal periods with Virchow, Krause & Company, Madison, Wisconsin to perform professional audit services for Lake County in the amount of \$373,500.
2. In September, 2005, Change Order #1 was approved for FY04 audit services outside the scope of the contract in the amount of \$30,000 and Change Order #2, which incorporated the Virchow, Krause & Company Standard Engagement letter into the contract at no increase in cost.
3. In May, 2006, Change Order #3 was approved to include the Public Building Commission and Lake County Forest Preserve District County financial statements for the FY05 audit at a cost of \$12,000.00.

4. In January, 2007 Change Order #4 was approved to include the Public Building Commission, Lake County Forest Preserve, and the Emergency Telephone Systems Board's County financial statements for the FY06 audit at a cost of \$27,000.00.
5. The FY07 audit fee was \$168,500.00, plus \$6,800.00 for ETSB.
6. The FY 08 audit will be conducted in the final renewal option year beginning December 1, 2008.
7. Lake County must comply with new Risk Assessment Standards (SAS 112) which become effective for the FY08 audit. These services are outside the scope of the contract. Staff discussions with other units of government indicate the additional audit work to comply with RAS costs between 15-30% of the total audit fee.
8. Virchow Krause & Company has proposed a 12% increase spread over a three-year period in exchange for a two-year extension to the contract.
9. Their proposed fees for a three year renewal would be as follows:

Proposed fiscal year 2008 contract (approx 3% inflation, plus 4% SAS 112):
\$180,300
Proposed fiscal year 2009 contract (approx 3% inflation, plus 4% SAS 112):
\$192,900
Proposed fiscal year 2010 contract (approx 3% inflation, plus 4% SAS 112):
\$206,400
10. Virchow, Krause & Company is the logical firm to provide these audit services as they are currently performing the audit services. Additionally, if Lake County sent this out to bid, Lake County would pay for the new audit risk assessment standard for FY2008 with Virchow, Krause & Company, plus would have to pay for the RAS with any new auditor that may be chosen from a new bid when any new auditor would begin a new audit Agreement with Lake County. Thus Lake County could be paying an additional amount of approximately \$25,000.00.
11. These changes were not reasonably foreseeable at the time the contract was signed, are germane to the original contract. This change order is in the best interests of the County and authorized by law.
12. In accordance with Article 8, section 101 (1) of the Lake County Purchasing Ordinance, it is hereby requested that the Purchasing Agent be authorized to negotiate and enter into Contract Modification Change Order #5 to extend the current agreement for a two-year period in the estimated amount above, charging the costs thereof to account 101-1000010-71110 -000-000-000-00000 with Virchow, Krause & Company, Madison, Wisconsin.