

July 20, 2017

Mr. Michael J. Mangin, Trustee
Village of Tinley Park
16250 South Oak Park Avenue
Tinley Park, IL 60477

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide to the Village of Tinley Park (Tinley Park).

OUR SERVICES AND RESPONSIBILITIES

We will assist with the Board of Trustees' assessment of fraud risk. The specific procedures to be performed are described in the attached scope.

There can be no assurance that such procedures will identify fraud that may exist. Therefore, at the conclusion of our engagement, we will request representation from you that the procedures performed are sufficient for your purposes. This engagement is not designed to prevent or discover errors, misrepresentations, fraud or illegal acts, and you agree we have no such responsibility.

Because of the limits in any internal control structure, errors, fraud, illegal acts or instances of noncompliance may occur and not be detected. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls or management may override the system. Our procedures will be performed on a test basis and cannot be relied upon to detect all errors or violations of laws, regulations or organization policy.

We will not make management decisions or perform management responsibilities, the responsibility for which remains with management and the Board of Trustees.

We will use and rely on information furnished by you, your employees and representatives and on information available from generally recognized public sources. We are not responsible for the accuracy and completeness of the information and are not responsible to investigate or verify it.

At the conclusion of our work, we will present our findings through a written report. We have been retained to provide the services described in the attached scope.

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We will not update our report for or disclose any event or circumstances after the date of our report.

If for any reason we are not able to complete our risk assessment, we may decline to issue a report as a result of this engagement.

Mr. Bryan Callahan will be the lead service provider for this engagement.

In addition, we may perform other services for you that are not covered by this engagement letter. You agree to assume full responsibility for the substantive outcomes of the services described above and for any other services we may provide, including any findings that may result. You also acknowledge these services are adequate for your purposes, and you will establish and monitor the performance of these services to ensure they meet management's objectives. Any and all decisions involving management responsibilities related to these services will be made by you, and you accept full responsibility for such decisions. We understand you have designated a management-level individual to be responsible and accountable for overseeing the performance of these services, and you have determined this individual is qualified to conduct such oversight.

ENGAGEMENT FEES

Our fees will be based on time expended; however, based upon the information you have provided, we have initially estimated our fees will be \$45,000. This is an estimate only and not a cap or guaranteed maximum. Our current rates are as follows:

<u>Position</u>	<u>Hourly Rates</u>
Consultant/Senior Consultant	\$135 - \$185
Manager/Senior Manager	\$185 - \$250
Director	\$250 - \$315
Partner	\$315 - \$435

BKD adjusts rates annually, typically on November 1st of each year. Therefore, the above rates are subject to change.

In addition, you will be billed travel costs, if any, as well as an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items. This fee estimate assumes that all information will be provided to us completely and expeditiously and that no unusual or unanticipated circumstances arise in our engagement. If unusual or unanticipated circumstances require us to expand the scope of our engagement, we will discuss this with you before beginning the additional work. For purposes of this agreement,

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it is assumed that expanding the scope of our engagement, including upon your request, will increase our anticipated fees. Throughout this engagement, we will monitor the time spent and notify you if and when it becomes apparent to us that our total fees may exceed our estimated fee.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. We will issue progress billings during the course of our engagement, and payment of our invoices is due upon receipt. Interest will be charged on any unpaid balance after 30 days at the rate of 10 percent per annum.

All outstanding invoices for services shall be paid prior to the delivery of any written report, any depositions of BKD personnel in connection with this engagement and trial testimony by BKD personnel. We reserve the right to withdraw from the engagement if our fees are not paid.

Our hourly rates are subject to at least annual adjustments. Because we do not know how long our services may be required, you will be responsible for fees at the hourly rates in effect at the time work is performed.

If testimony or deposition is required because of any subpoena, you shall be responsible for any additional time, fees and charges regardless of the issuing party.

In the event of a question or dispute about any invoice you receive, you agree to contact your BKD professional within 10 days of your receipt of the invoice. We will work with you to answer questions and address disputed issues as quickly as possible. For this engagement, the person to contact with respect to any such billing questions and issues is Mr. Bryan Callahan 317.383.4090.

OTHER ENGAGEMENT MATTERS AND LIMITATIONS

During the course of our engagement, it may be necessary for us to prepare written reports that support our conclusions. These reports are not to be published or used in any other manner other than noted above without the written consent of BKD (except as required by law).

As of the date of this letter, we are not aware of any conflicts of interest with any party. If we determine that a potential conflict of interest has arisen, we will immediately advise you so that a determination may be made by both of us as to whether we should continue to be engaged. If services are terminated as a result of a conflict of interest, or for any other reason, you agree to pay us for time expended to date. In addition, you will be billed travel costs, if any, as well as an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges,

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supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items.

We will use and rely on information furnished by you and on information available from generally recognized public sources.

Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We can be compelled to provide information under legal process. In addition, we may be requested by regulatory or enforcement bodies to make certain workpapers available to them pursuant to authority granted by law or regulation. You agree that we have no legal responsibility to you in the event we provide such documents or information pursuant to legal process.

You agree to indemnify and hold harmless BKD and its personnel from any claims, liabilities, costs and expenses relating to our services under this agreement, except to the extent determined to have resulted from the intentional or deliberate misconduct of BKD personnel.

Any liability of BKD and its personnel to you is limited to the amount of the fee you paid for this engagement as liquidated damages.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

Either of us may terminate these services at any time. Both of us must agree, in writing, to any future modifications or extensions. If services are terminated, you agree to pay us for time expended to date. In addition, you will be billed travel costs, if any, as well as an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items.

If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on heirs, successors and assigns of you and BKD.

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We may from time to time utilize third-party service providers, *e.g.*, domestic software processors or legal counsel, or disclose confidential information about you to third-party service providers in serving your account. We remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information. In the event we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider.

We will, at our discretion or upon your request, deliver financial or other confidential information to you electronically via email or other mechanism. You recognize and accept the risk involved, particularly in email delivery, as the Internet is not necessarily a secure medium of communication as messages can be intercepted and read by those determined to do so.

You agree you will not modify these documents for internal use or for distribution to third parties. You also understand that we may on occasion send you documents marked as draft and understand that those are for your review purpose only, should not be distributed in any way and should be destroyed as soon as possible.

Any time you intend to reference our firm name in any manner in any published materials, including on an electronic site, you agree to provide us with draft materials for our review and approval before publishing or posting such information unless publishing or posting such information is required by the rules of civil procedure, court order, or otherwise required by law.

BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, unlike the partners in a general partnership, the partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, including by way of indemnification, contribution, assessment or otherwise, for any debts, obligations or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract or otherwise. We are an independent accounting firm allowed to use the name "Praxity" in relation to our practice. We are not connected by ownership with any other firm using the name "Praxity," and we will be solely responsible for all work carried out by us on your behalf. In deciding to engage us, you acknowledge that we have not represented to you that any other firm using the name "Praxity" will in any way be responsible for the work that we do.

We will be pleased to discuss this letter with you and look forward to the opportunity of serving you. If the above arrangements are acceptable to you, please sign the enclosed copy of this letter

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and return it to us. If the signed copy you return to us is in electronic form, you agree that such copy shall be legally treated as a "duplicate original" of this agreement.

BKD, LLP

BKD, LLP

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

VILLAGE OF TINLEY PARK

BY *Michael J. Mangin*
Michael J. Mangin, Trustee

DATE *7/20/2017*

**Village of Tinley Park
Attachment to Engagement Letter
Scope of Risk Assessment Procedures**

PHASE 1: PLANNING

- ▶▶ Obtain and analyze existing documentation related to accounting procedures and controls
- ▶▶ Gain an overall familiarity with the Village by obtaining and analyzing financial statements to make a preliminary assessment of fraud risk
- ▶▶ Discuss specific management concerns
- ▶▶ Perform a risk assessment survey of the Village's employees by department
- ▶▶ Obtain data and perform data analytics on areas most susceptible to fraud prior to going on-site (vendor payments, payroll, cash receipts)
- ▶▶ Develop a list of the areas considered to be the highest risk for fraud, based on the above, resulting in a disciplined and targeted approach during fieldwork (agreed to by the Trustees)

PHASE 2: ON-SITE ASSESSMENT

- ▶▶ Interview key individuals involved in the accounts payable, purchasing, payroll and cash receipts cycles (or others identified during Phase 1) to understand how processes work and help management identify potential gaps
- ▶▶ Observe certain individuals perform their duties as necessary, to clarify our understanding of how the accounts payable, expense reimbursement, payroll or cash receipts processes work
- ▶▶ Perform a walkthrough of selected transactions and documents in key areas as necessary to clarify our understanding of how controls and processes operate

PHASE 3: ANALYSIS AND DEVELOPMENT OF RECOMMENDATIONS

- ▶▶ Reporting on each fraud risk or weakness identified and recommendations for management's consideration to address each finding
- ▶▶ Samples of certain policies you might consider adopting as part of an overall fraud avoidance plan
- ▶▶ Recommendations to improve efficiency as noted during the course of work to identify fraud risks
- ▶▶ Recommendations for additional antifraud controls or processes for your consideration

Estimated professional fees for this engagement will be \$45,000.

After management has had an opportunity to read and provide comments, a final report would be issued. If desired, we would be available to present the final report in person to management and the Board of Trustees or finance committee.