

CITY OF EVANSTON, ILLINOIS

**SINGLE AUDIT ACT
SUPPLEMENTARY FINANCIAL
AND COMPLIANCE REPORT**

YEAR ENDED FEBRUARY 28, 2007

CITY OF EVANSTON, ILLINOIS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2007
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Lorraine H. Morton, Mayor, and
Members of the City Council
City of Evanston, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Evanston as of and for the year ended February 28, 2007, which collectively comprise the City of Evanston's basic financial statements and have issued our report thereon dated August 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Evanston's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Evanston's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Evanston's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the City of Evanston's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the City of Evanston's financial statements that is more than inconsequential will not be prevented or detected by the City of Evanston's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These deficiencies are items, 07-01, and 07-02.

To the Honorable Lorraine H. Morton, Mayor, and
Members of the City Council
City of Evanston, Illinois

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by City of Evanston's internal control over financial reporting. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies identified above, we consider items 07-01 and 07-02 to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Evanston's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City of Evanston's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Evanston's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Evanston's management, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Oak Brook, Illinois
August 27, 2007

Vulcher, Krause & Company, LLC



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Lorraine H. Morton, Mayor, and
Members of the City Council
City of Evanston, Illinois

Compliance

We have audited the compliance of City of Evanston with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended February 28, 2007. City of Evanston's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Evanston's management. Our responsibility is to express an opinion on City of Evanston's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Evanston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Evanston's compliance with those requirements.

As described in item 07-03 in the accompanying schedule of findings and questioned costs, the City of Evanston, did not comply with requirements regarding all the compliance requirements that are applicable to the Community Development Block Grant Program. Compliance with such requirements is necessary, in our opinion, for the City of Evanston, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Evanston, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2007.

Honorable Lorraine H. Morton, Mayor, and
Members of the City Council
City of Evanston

Internal Control Over Compliance

The management of City of Evanston is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Evanston's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Evanston's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of City of Evanston as of and for the year ended February 28, 2007, which collectively comprise the City of Evanston's basic financial statements and have issued our report thereon dated August 27, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Evanston's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City of Evanston's city council, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Vrinhov, Krause & Company, LLP

Oak Brook, Illinois
August 27, 2007

CITY OF EVANSTON, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2007

FEDERAL GRANTOR	FEDERAL CFDA NUMBER	PASS-THROUGH IDENTIFYING NUMBER	EXPENDITURES FOR THE FISCAL YEAR
Direct Programs - Grants			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grant *			
Entitlement year 21	14.218	B95-MC-17-0012	\$ 21,777
Entitlement year 22	14.218	B96-MC-17-0012	724
Entitlement year 27	14.218	B01-MC-17-0013	16,498
Entitlement year 28	14.218	B02-MC-17-0012	65,250
Entitlement year 29	14.218	B03-MC-17-0012	72,981
Entitlement year 30	14.218	B04-MC-17-0012	247,475
Entitlement year 31	14.218	B05-MC-17-0012	475,909
Entitlement year 32	14.218	B06-MC-17-0012	<u>1,945,789</u>
Total Community Development Block Grant			<u>2,846,403</u>
Emergency Shelter Block Grant	14.231	S07-MC-17-0012	<u>86,423</u>
Total Emergency Shelter Block Grant			<u>86,423</u>
Home Investment Partnership			
HOME Program	14.239	M00-MC-17-0218	84,843
HOME Program	14.239	M01-MC-17-0218	6,189
HOME Program	14.239	M03-MC-17-0218	11,271
HOME Program	14.239	M04-MC-17-0218	169,118
HOME Program	14.239	M05-MC-17-0218	17,924
HOME Program	14.239	M06-MC-17-0218	<u>38,881</u>
Total HOME Program			<u>328,226</u>
Total Department of Housing and Urban Development			<u>3,261,052</u>

* Denotes a Major Program

(Continued)

The accompanying notes are an integral part of this schedule.

CITY OF EVANSTON, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2007

FEDERAL GRANTOR	FEDERAL CFDA NUMBER	PASS-THROUGH IDENTIFYING NUMBER	EXPENDITURES FOR THE FISCAL YEAR
DEPARTMENT OF JUSTICE			
OFFICE OF COMMUNITY ORIENTED POLICING SERVICES			
Title V Delinquency Program*	16.548	-	\$ 303,841
Justice Assistant Grant	16.592	2005-DJ-BX-1256	(5)
Justice Assistant Grant	16.592	2006-DJ-BX-0689	34,535
Law Enforcement Prosecutor Based Victim Assistance Grant	16.575	-	40,765
Community Service Prog Grant	16.523	-	<u>13,000</u>
Total Department of Justice			<u>392,136</u>
Pass-Through Programs - Grants and Loans			
ENVIRONMENTAL PROTECTION AGENCY			
OFFICE OF WATER *			
Passed through the Illinois Environmental Protection Agency Water Pollution Control Revolving Loan	66.458	-	<u>1,378,688</u>
Total Environmental Protection Agency			<u>1,378,688</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
STATE AND LOCAL PROGRAMS AND SUPPORT			
Passed through the Illinois Emergency Services and Disaster Agency Emergency Management Assistance Program	83.517	497-58830-440	<u>27,114</u>
Total Federal Emergency Management Agency			<u>27,114</u>
DEPARTMENT OF AGRICULTURE			
Summer Lunch Program	10.559	14-016-510P-00	<u>71,622</u>

* Denotes a Major Program

(Continued)

The accompanying notes are an integral part of this schedule.

CITY OF EVANSTON, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2007

FEDERAL GRANTOR	FEDERAL CFDA NUMBER	PASS-THROUGH IDENTIFYING NUMBER	EXPENDITURES FOR THE FISCAL YEAR
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PUBLIC HEALTH SERVICE - I			
OFFICE OF HUMAN DEVELOPMENT SERVICES			
Passed through Suburban Area Agency on Aging			
Ombudsman (Older Americans Act Title III B)			
Special Programs for the Aging	93.633	A13-119	\$ <u>46,592</u>
OFFICE OF MENTAL HEALTH SERVICES			
Evanston Project - SEED	98.230	1 U79 SM53999-03	<u>139,869</u>
Passed through State of Illinois Department of Human Services			
Family Planning	93.217	611G7095000	27,000
Family Planning	93.667	611G7095000	5,300
Family Planning	93.994	611G7095000	3,700
Family Planning	93.217	611G6095350	3,900
Family Planning	93.667	611G6095350	6,400
Family Planning	93.994	611G6095350	<u>3,700</u>
Total Family Planning			<u>50,000</u>
Total Public Health Service - I			<u>236,461</u>
HEALTH CARE FINANCING ADMINISTRATION			
PUBLIC HEALTH SERVICE - II			
Passed through State of Illinois Department of Human Services			
Family Case Management	93.667	611G6095300	11,500
Family Case Management	93.994	611G6095300	19,700
Family Case Management	93.994	511G5095300	<u>83,200</u>
Total Family Case Management			<u>114,400</u>
Passed through State of Illinois Department of Human Services			
Teen Pregnancy Prevention	93.994	611G7095000	20,800
Teen Pregnancy Prevention	93.994	611G6095230	<u>7,200</u>
Total Teen Pregnancy Prevention			<u>28,000</u>
Passed through State of Illinois Department of Human Services			
Teen Parent Services	93.667	611G6095000	8,900
Teen Parent Services	93.667	611G7095000	<u>24,550</u>
Total Teen Parent Services			<u>33,450</u>
* Denotes a Major Program			(Continued)

The accompanying notes are an integral part of this schedule.

CITY OF EVANSTON, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2007

FEDERAL GRANTOR	FEDERAL CFDA NUMBER	PASS-THROUGH IDENTIFYING NUMBER	EXPENDITURES FOR THE FISCAL YEAR
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
PUBLIC HEALTH SERVICE - II (Continued)			
Passed through State of Illinois Department of Public Health Oral Health Grant	93.994	63481083/73480151	\$ <u>4,183</u>
Family Case Management Administration Reimbursement	93.778	-	<u>166,613</u>
Total Public Health Service - II			<u>346,646</u>
Total Department of Health and Human Services			<u>583,107</u>
Passed through State of Illinois Department of Public Health			
Bio Terrorism Grants			
Bio Terrorism Preparedness	93.283	67181028/77181027	103,142
Cities Readiness Initiative (CRI)	93.283	67081020	41,766
Pandemic Flu Preparedness	93.283	67181124/77181122	<u>26,511</u>
Total Bio Terrorism Grants			<u>171,419</u>
Passed through State of Illinois Department of Public Health			
Public Health Program			
	93.006	-	<u>2,318</u>
Total Public Health Program			<u>2,318</u>
Passed through State of Illinois Department of Public Health			
Summer Food Inspection Program			
	10.559	-	<u>800</u>
Total Summer Food Inspection Grant			<u>800</u>
Passed through State of Illinois Department of Public Health			
Vector Prevention Grant			
	93.283	75380119	<u>3,000</u>
Total Vector Prevention Grant			<u>3,000</u>
Passed through State of Illinois Department of Public Health			
Beachwater Testing			
	66.472	75380151	<u>12,525</u>
Total Department of Health and Human Services			<u>773,169</u>
DEPARTMENT OF HOMELAND SECURITY			
Assistance to Firefighters Grant Program	97.004	EMW-2004-FG-12728	58,957
Citizen Corps Grant Program	97.067	-	<u>21,487</u>
Total Homeland Security			<u>80,444</u>
Total Federal Financial Assistance			\$ <u>5,984,225</u>
* Denotes a Major Program			(Concluded)

The accompanying notes are an integral part of this schedule.

CITY OF EVANSTON, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 – SCOPE OF REVIEW

The City of Evanston, Illinois, (City) is a governmental entity established under Illinois State Statutes. The City has had a single audit performed for its fiscal year ended February 28, 2007, pursuant to the Single Audit Act of 1984, as amended. The Environmental Protection Agency has been designated as the City's oversight agency for this single audit.

Programs Subject To Single Audit

All federal financial awards have been included in the Schedule of Expenditures of Federal Awards.

The City also receives grant awards solely funded by the state of Illinois or private sources. These funds are not included in the Schedule of Expenditures of Federal Awards.

Pursuant to the Single Audit Act, a major federal program is one whereby the total expenditures are equal to the larger of \$300,000 or (b) 3% of the City's total federal program expenditures (less loans received). All programs for the City with expenditures greater than \$300,000 were considered Type A programs.

Total federal program expenditures (less loan received of \$1,378,688)	\$ 4,605,537
3% of total federal program expenditures	138,167
Greater of above or \$300,000	300,000

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the modified accrual basis of accounting. Revenue is recognized either when received or once reimbursable expenditures have been incurred. Expenditures are recognized when incurred.

NOTE 3 – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT YEAR 32

The CDBG Entitlement Year 32 receipts include \$148,618 of program income generated through collection of prior years' loans. The balance of receipts are from letter of credit drawdowns. The CDBG expenditures for the year include expenditures of this program income. Program income is not included in the award amount.

NOTE 4 – HOME INVESTMENT PARTNERSHIP – MC04-MC170218

The Home Investment Partnership receipts include \$43,725 of program income generated through collection of prior years' loans. The balance of receipts are from letter of credit drawdowns. The Home Investment Partnership expenditures for the year include expenditures of this program income. Program income is not included in the award amount.

CITY OF EVANSTON, ILLINOIS

NOTES TO BASIC FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 5 – FEDERALLY PURCHASED COMMODITIES

The City receives federally purchased vaccine passed through the Illinois Department of Public Health. The approximate cost of the vaccine provided to eligible patients is included in the Schedule of Expenditures of Federal Awards. For the State of Illinois fiscal year ended June 30, 2007, the Department advises that the cost of vaccine shipped to the City was \$23,039. The vaccine was provided to eligible patients in the City's public health clinic.

NOTE 6 – LOANS RECEIVABLE OUTSTANDING

The city had the following loan receivable balances outstanding at February 28, 2007.

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Home Program	14.239	\$ 2,690,489
Community Development Block Grant	14.218	\$ 1,470,889

CITY OF EVANSTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED FEBRUARY 28, 2007

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(s) identified not considered to be material weaknesses?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(s) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

	<u> X </u> yes	<u> </u> no
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Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Development Block Grants (CDBG)	14.218
Capitalization Grants For Clean Water State Revolving Funds	66.458
Title V Delinquency Program	16.548

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

CITY OF EVANSTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED FEBRUARY 28, 2007

Section II-Financial Statement Findings

- Finding number:** 07-01
- Criteria:** The City must have functioning internal controls over external financial reporting.
- Condition:** Material audit entries were required for the financial statements to be properly stated as of February 28, 2007.
- Context:** During the course of our audit, it was necessary to make material adjustments to the financial statements in relation to the sale of an asset within the Sherman Avenue Garage Fund, and the transfer of that asset from Governmental Activities to the Sherman Avenue Garage Fund.
- Effect:** Management was unaware of material errors to their financial statements.
- Cause:** This finding was caused by insufficient internal controls over the external financial reporting process. The material transaction was not researched for the proper accounting of the intra-entity transfer.
- Recommendation:** We recommend that management evaluate their internal controls over financial reporting and develop controls to prevent and detect material misstatements in the financial records. Management might consider seeking additional training in this area.
- Management Response:** We concur that the asset for the Sherman Garage should have been presented in the Sherman Garage Fund. During the construction in process phase of the garage, the asset was correctly accounted for in the Washington National Tax Increment Capital Projects Fund and categorized under the governmental activities section for financial reporting purposes. After the completion of the garage, a transfer of the completed asset became necessary which was inadvertently incorrectly recorded.

CITY OF EVANSTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED FEBRUARY 28, 2007

Section II-Financial Statement Findings

Finding number:	07-02
Criteria:	The City must have written policies and procedures over internal controls.
Condition:	The City did not have adequate documentation of internal control policies and procedures.
Context:	During the course of our audit, it was noted that there were no written policies and procedures over internal control for each major financial transaction areas of the City.
Effect:	Lack of documentation of internal controls contributes to the risk that loss of key employees would lose key business processes. Without written policies and procedures, there is also a lack of continuity and effectiveness of operations. This could lead to possible misstatements of the financial records.
Cause:	This was caused by incomplete documentation of internal controls over the major financial transaction areas.
Recommendation:	We recommend that management document the internal control policies and procedures for the major financial transaction areas.
Management Response:	We concur that written detailed procedures are needed for each responsibility involving a major financial transaction area. It is our intent that policies and procedures will be developed over time for key areas.

CITY OF EVANSTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED FEBRUARY 28, 2007

Section II-Financial Statement Findings

B. Compliance Findings

None Reported

Section III-Federal Award Findings and Questioned Costs

<u>Finding</u>	<u>CFDA#</u>	<u>Program</u>	<u>Questioned Costs</u>
07-03	14.218	Community Development Block Grant	None

Finding / Noncompliance

Wages should be monitored to insure that the provisions of the Davis-Bacon Act are met. The City could not locate support for three of the thirty two disbursements tested to show that Davis-Bacon Act monitoring took place and that the wage requirements were met. Subsequent testing determined that prevailing wage rates were met or exceeded in all instances tested. Support for the monitoring should be maintained for at least three years. The City should develop standard procedures for record retention that include the amount of time to keep the files (a minimum of three years) and what information should be maintained in those files.

Management Response

Due to personnel turnover in the CDBG division, there were some Davis-Bacon records which were not in the City's possession. This will be corrected in future years.

CITY OF EVANSTON, ILLINOIS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED FEBRUARY 28, 2007

<u>Finding</u>	<u>CFDA#</u>	<u>Program</u>	<u>Questioned Costs</u>
06-01	14.218	Community Development Block Grant	None

Finding/Noncompliance

Wages should be monitored to insure that the provisions of the Davis-Bacon Act are met. The City could not locate support for two of the thirteen disbursements tested to show that Davis-Bacon Act monitoring took place and that the wage requirements were met. Subsequent testing determined that prevailing wage rates were met or exceeded in all instances tested. Support for the monitoring should be maintained for at least three years. The City should develop standard procedures for record retention that include the amount of time to keep the files (a minimum of three years) and what information should be maintained in those files.

Corrective Action Taken: Documents are now retained in accordance with corrective action plan described in 07-01.

CITY OF EVANSTON, ILLINOIS

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED FEBRUARY 28, 2007

Identifying Number: 07-01

Audit Finding: The City did not apply the Davis-Bacon Act to three items selected for testing which required the Davis-Bacon Act.

Corrective Action Taken: After last year's finding, the City put procedures in place to ensure that the City is in compliance with the Davis-Bacon Act. The items selected for testing and could not be located, were incurred before the 06-01 corrective action plan was enacted. The contractors for the three items selected for review in this year's audit state that copies of certified timesheets and worker compensation were provided to the City as required; however, those documents could not be located in the City's files when requested by the auditor. The City believes that the documents were received and reviewed for compliance, but is unable to verify this as the staff person who created and implemented the procedure is no longer employed by the City of Evanston. Duplicate copies of invoices and relevant timesheets were obtained by the contracts for the three items in question and were found to be in compliance with the appropriate wage decisions. The City Finance staff has discussed the importance of reviewing timesheets and retaining the required documentation as well as any documents of finding and corrective action required with the new CDBG Grants Administrator. The CDBG Grants Administrator has established written procedures that identify individual responsible for ensuring tracking that the requirements of the Davis-Bacon Act are satisfied by project and has established a new system to document the process. These procedures were incorporated in the CDBG Grants Administration Procedure Manual to ensure continuity of Davis-Bacon Compliance processes and provide transparency in the event of future staffing changes.