



**Finance and Budget Committee  
Tuesday, October 11, 2022 6:00 PM  
Morton Civic Center Rm 2402**

**AGENDA**

Page

**1. CALL TO ORDER/DECLARATION OF A QUORUM**

**2. PUBLIC COMMENT**

**3. APPROVAL OF MINUTES**

- A. **Approval of the September 13, 2022 Finance & Budget Committee minutes** 3 - 5  
[Finance and Budget Committee - Sep 13 2022](#)

**4. CONSIDERATION**

- A. **Single Audit for FY 2021** 6 - 25  
Staff recommends Finance and Budget Committee review and place on file the Single Audit report for the fiscal year ending December 31, 2021. This report will be presented to the City Council on October 24.  
**For Action: Accept and Place on File**  
[Single Audit for FY 2021 - Attachment - Pdf](#)

**5. DISCUSSION**

A. **2023 Budget Discussion**

Staff will review major items in 2023 Proposed Budget.

**6. ADJOURNMENT**

**Draft**



City of  
**Evanston™**  
**MINUTES**

**Finance and Budget Committee**

**Tuesday, September 13, 2022 @ 6:00 PM**

Lorraine H. Morton Civic Center

**COMMITTEE MEMBER  
PRESENT:**

Shari Reiches, Resident, David Livingston, Resident, Leslie McMillan, Resident, Melissa Wynne, Councilmember, Clare Kelly, Councilmember, Jonathan Nieuwsma, Councilmember, and Devon Reid, Councilmember

**COMMITTEE MEMBER  
ABSENT:**

Bobby Burns, Councilmember

**STAFF PRESENT:**

Jessica Tapia, Finance Analyst, Hitesh Desai, Chief Financial Officer/Treasurer, and Clayton Black, Budget Manager

**1. CALL TO ORDER/DECLARATION OF A QUORUM**

**2. PUBLIC COMMENT**

- A. Doreen Price commented on how grants could be used for health, human services, and affordable housing for the vulnerable populations of Evanston.

**3. APPROVAL OF MINUTES**

- A. Approval of the August 9, 2022 Finance & Budget Committee Minutes

Minutes approved

Moved by Councilmember Kelly

Seconded by Councilmember Reid

**Ayes:** Committee Member Reiches, Committee Member Livingston, Committee Member McMillan, Councilmember Wynne, Councilmember Kelly, Councilmember Nieuwsma, and Councilmember Reid

**Carried 7-0 on a recorded vote**

**4. CONSIDERATION**

- A. Auditing Services Extension

**Draft**

Finance and Budget Committee  
September 13, 2022

Staff requests a recommendation by the committee to the City Council to extend an agreement with Sikich, LLP for three more years considering the current volatile market conditions and their vast experience in auditing government clients in Illinois. Sikich, LLP has agreed to perform this work with a 3% increase for 2022, 4% for 2023 and a 4% increase for 2024. Total payment for the 2022 audit (to be made in 2023) would be \$107,890 compared to \$103,740 for the 2021 audit.

Moved by Councilmember Kelly  
Seconded by Councilmember Reid

**Ayes:** Committee Member Reiches, Committee Member Livingston, Committee Member McMillan, Councilmember Wynne, Councilmember Kelly, Councilmember Nieuwsma, and Councilmember Reid

**Carried 7-0 on a recorded vote**

Item recommended to City Council by the Finance & Budget Committee

## 5. DISCUSSION

### A. GO Bond v/s Line of Credit for CIP projects

Staff was directed to present financing options for Capital Improvement Projects. Hitesh Desai, CFO received direction from City Council to obtain a 15 million dollar line of credit to be used for liquidity purposes in light of the property tax delay. CFO Desai anticipates that only 5 million of this would be used for that purpose and the remaining could be used for CIP. There were questions amongst the committee if staff is seeking monies in excess of the line of credit for CIP, but CFO Desai clarified that he would not need additional funding. CFO Desai also suggested that the city could draw upon the fund balance in the near future.

### B. Pension Actuarial Valuations

CFO Hitesh Desai shared pension actuarial reports with the committee members and commented that the actuarial report assumes a rate of return of 6.25%. Evanston City Council has historically adopted an assumed rate of return of 6.5% with most of Chicago suburban communities having similar rates. Councilmember Kelly would like to see 100% funding as opposed to the 90% funding required by state statute. CFO Desai said this would require an increase in the pension tax levy by about 3 to 4 million dollars. CFO Desai also commented on the status of the pension fund investment consolidations. Most of the Fire Pension boards have transferred assets, while most of the Police Pension boards are awaiting the outcome of pending litigation.

### C. Status of General Fund Balance

Budget Manager, Clayton Black presented a General Fund Balance status update. The City of Evanston instituted a 16.66% General Fund Balance reserve policy while some of the comparable communities are in the range of 20-40% fund balance reserves. Staff recommends Evanston increase their fund balance policy to 20%. As of July 31, 2022, revenues are at 70% of budget and expenses are at 56%. Committee member Reiches asked staff if this is typical for the City. CFO Hitesh Desai responded and said large amounts

**Draft**

Finance and Budget Committee  
September 13, 2022

of revenues like building permits come during the summertime. Budget Manager Clayton Black expects the City to finish the year with around a 7 million dollar General Fund operating surplus. This is largely due to certain taxes trending high and expenses remaining low because of widespread vacancies in various departments. Chair Livingston stated the revenues are trending higher due to inflation and the City may not see these kinds of higher revenues in the future.

D. 2023 Key Budget Calendar dates

Staff went over key budget dates with the committee. Several members asked about when the Finance & Budget committee would be able to review the document. Staff will be posting budget on October 10, 2022.

E. Status on property taxes

CFO Desai stated the staff is not aware of any specific timeline on the mailing of second instalment of property tax bills.

**6. ADJOURNMENT**



## Memorandum

To: Members of the Finance and Budget Committee  
From: Hitesh Desai, Chief Financial Officer/Treasurer  
Subject: Single Audit for FY 2021  
Date: October 11, 2022

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Recommended Action:

Staff recommends Finance and Budget Committee review and place on file the Single Audit report for the fiscal year ending December 31, 2021. This report will be presented to the City Council on October 24.

Council Action:

For Action: Accept and Place on File

Summary:

The Single Audit is the audit of Federal Grants money received/spent by the City of Evanston. The Single Audit Act and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires entities that expend equal to or in excess of \$750,000 in federal awards in a fiscal year to have an audit performed in accordance with the Single Audit Act. Since the City of Evanston expended more than \$750,000 in federal awards for the Fiscal Year 2021, our Auditors, Prado & Renteria / Sikich, LLP, carried out the single audit. During 2021, \$8.5 million was expended, according to the enclosed audit report. The audit report has to be issued within nine months of the end of the fiscal year.

The Finance division and other operating departments and auditors have completed the Single Audit. Once again, the auditors have expressed an unmodified opinion, meaning our financial reports fairly state the City's financial position with respect to the City's Federal programs.

Attachments:

[FY2021 Single Audit Report](#)

**CITY OF EVANSTON, ILLINOIS  
Single Audit Report**

**For the Year Ended December 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Daniel Biss, Mayor and  
Members of the City Council  
Evanston, Illinois

### **Report on the Audit of the Schedule of Expenditures of Federal Awards**

#### *Opinion*

We have audited the accompanying Schedule of Expenditures of Federal Awards of the City of Evanston, Illinois (City), for the year ended December 31, 2021 and the related notes (the financial statement).

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the City for the year ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule of Expenditures of Federal Awards section of our report. We are required to be independent of the City of Evanston, Illinois and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Schedule of Expenditures of Federal Awards*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibilities for the Audit of the Schedule of Expenditures of Federal Awards*

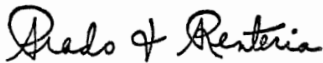
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Evanston, Illinois' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Chicago, Illinois  
September 28, 2022

**CITY OF EVANSTON, ILLINOIS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Identifying Number	Award Date	Passed-Through to Subrecipients	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>					
Passed through the Illinois State Board of Education Child and Adult Care Food Program	10.558	ISBE 21-4226-00 - 05-016-510P-00	Jan 1, 2021 -Dec31, 2021	N/A	60,275
Passed through the Illinois State Board of Education Summer Food Service Program for Children	10.559	ISBE 21-4225-00 - 05-016-510P-00	May 1, 2021 -Sep 19, 2021	N/A	164,879
<b>Total Department of Agriculture</b>					<u>225,154</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Community Development Block Grants/Entitlement Grants					
Entitlement year 43	14.218	B17MC-170012	October 31, 2017		14,514
Entitlement year 44	14.218	B18MC-170012	July 31, 2018		30,000
Entitlement year 45	14.218	B19MC-170012	July 22, 2019	353,278	408,060
Entitlement year 46	14.218	B20MC-170012	August 21, 2020		323,692
Entitlement year 47	14.218	B21MC-170012	August 3, 2021	283,576	996,868
Sub-Total Community Development Block Grants/Entitlement Grants				636,854	1,773,134
COVID-19 Community Development Block Grants/Entitlement Grants					
Entitlement year 46	14.218	E20MW-170012	December 10, 2020	224,862	544,789
Sub-Total COVID-19 Community Development Block Grants/Entitlement Grants				224,862	544,789
Emergency Solutions Grant Program	14.231	E19MC-170012	July 22, 2019	8,198	13,299
Emergency Solutions Grant Program	14.231	E20MC-170012	August 21, 2020	111,045	118,833
Emergency Solutions Grant Program	14.231	E21MC-170012	August 3, 2021	26,939	26,939
Total Emergency Solutions Grant Program				146,182	159,071
COVID-19 Emergency Solutions Grant Program	14.231	E20MW170012	July 17, 2020	507,215	512,485
Home Investment Partnerships Program	14.239	M18-MC-170218	July 31, 2018	61,848	119,581
Home Investment Partnerships Program	14.239	M19-MC-170218	July 22, 2019	31,142	85,153
Home Investment Partnerships Program	14.239	M20-MC-170218	August 21, 2020	129,493	301,658
Home Investment Partnerships Program	14.239	M21-MC-170218	August 3, 2021	8,612	38,200
Total Home Investment Partnerships Program				231,094	544,592
ARRA - Neighborhood Stabilization Program	14.256	S10-MC-170012	January 14, 2010	N/A	9,445
<b>Total Department of Housing and Urban Development</b>					<u>3,543,516</u>
<b>DEPARTMENT OF TRANSPORTATION</b>					
Passed through Illinois Department of Transportation Highway Planning and Construction	20.205	HSIP # 202001007	August 30, 2019	N/A	32,932
Highway Planning and Construction	20.205	C91-306-91	November 13, 2020	N/A	256,073
Total Highway Planning and Construction					289,005
Passed through Illinois Department of Transportation State and Community Highway Safety	20.600	200HS210019	July 30, 2020	N/A	87,791
State and Community Highway Safety	20.600	200HS220057	August 19, 2021	N/A	8,693
Total State and Community Highway Safety					96,484
<b>Total Department of Transportation</b>					<u>385,489</u>
<b>DEPARTMENT OF TREASURY</b>					
COVID-19 Coronavirus State/Local Fiscal Recovery Funds (CSLFRF)*	21.027	Duns #146170910	March 11, 2021	N/A	3,066,540
COVID-19 Coronavirus State/Local Fiscal Recovery Funds (CSLFRF)*	21.027	COE Resolution 91-R-21	March 11, 2021	N/A	850,000
<b>Total Department of Treasury</b>					<u>3,916,540</u>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>					
Passed through the Illinois Department of Public Health Beach Monitoring and Notification Program Implementation	66.472	05380404H	February 25, 2020	N/A	15,098
<b>Total Department of Environmental Protection Agency</b>					<u>15,098</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Passed through Age Options Special Programs for the Aging Title III, Part B Grants For Supportive Services & Senior Centers	93.044	CSFA # 402-03-0027	October 1, 2021	N/A	10,000
Passed through the Illinois Department of Public Health Public Health Emergency Preparedness	93.074	1017180027I	July 31, 2020	N/A	55,906
Public Health Emergency Preparedness - Cities Readiness Prep	93.074	1017580003I	November 17, 2020	N/A	43,873
Total Public Health Emergency Preparedness					99,779
Immunization Cooperative Agreements Vaccines for Children	93.268	05080028H	November 15, 2019	N/A	1,600
Strengthening Public Health Systems and Services thru National Partnerships to Improve and Protect the Nation's Health	93.421	2020-100394	November 25, 2020		37,444
Passed through Public Health Institute of Metropolitan Chicago HIV Prevention Activities - Health Dept Based	93.940	not available	January 28, 2022	N/A	11,042
<b>Total Department of Health and Human Services</b>					<u>159,866</u>

\*Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**CITY OF EVANSTON, ILLINOIS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Identifying Number	Award Date	Passed-Through to Subrecipients	Federal Expenditures
<b>DEPARTMENT OF HOMELAND SECURITY</b>					
Emergency Management Performance Grants	97.042	Duns #074390907	November 19, 2021		36,505
<b>Total Department of Homeland Security</b>					<u><u>36,505</u></u>
<b>INSTITUTE OF MUSEUM &amp; LIBRARY SERVICES</b>					
Passed thru Office of Sec of State - IL State Library Grants to States					
Project Next Generation ( PNG )	45.310	22-3024-PNG	July 8, 2020	N/A	26,249
2021 Per Capita - General Operations	45.310	AC1842204	June 21, 2021	N/A	109,867
On the Road to Recovery RTR: Transforming Library Spaces	45.310	22-6073-RTR	October 7, 2021	N/A	13,080
National Leadership Grants					
COVID-19 Grants For Museums & Libraries	45.312	CAGML-247937-OMLS-20	September 24, 2020	N/A	76,619
<b>Total Institute of Museum &amp; Library Services</b>					<u><u>225,814</u></u>
<b>NATIONAL SCIENCE FOUNDATION</b>					
Passed thru Northwestern University Office of Community Education and Human Resources					
2021 Computer Science For All- Data In Motion	47.076	2031467	September 28, 2021	N/A	500
RETTL: Coding in Concert -Music & Code	47.076	1837661	July 31, 2018	N/A	16,568
2020 Smart and Connected Communities	47.076	SP0048483	January 1, 2020	N/A	21,663
Passed thru Evanston/Skokie District #65					
2020 STEAM ambassadors	47.076	CNC-1831865	October 1, 2020	N/A	1,200
<b>Total National Science Foundation</b>					<u><u>39,931</u></u>
<b>Total Expenditures of Federal Awards</b>					<u><u>\$ 8,547,913</u></u>

\*Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**CITY OF EVANSTON, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

**NOTE 1 – REPORTING ENTITY**

This report on Federal Awards includes the federal awards of the City of Evanston, Illinois. The reporting entity for the city is based upon criteria established by the Governmental Accounting Standards Board (GASB).

The City of Evanston is the primary government according to GASB criteria. On April 30, 2014, the Township was discontinued and dissolved following the March 18, 2014 general election vote taken by the registered voters of the Evanston Township. Pursuant to 60 ILCS 1/27-15 and 1/27-20, effective 12:00 a.m. May 1, 2014, the City of Evanston assumed all rights, powers, assets, property, obligations and duties of the Evanston Township, including the responsibilities of providing the services that were previously provided by the Township. Beginning May 1, 2014, the functions of the Township are reported along with the City.

**NOTE 2 – BASIS OF PRESENTATION**

The accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance.

**NOTE 3 – SUBRECIPIENTS**

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City of Evanston provided federal awards to subrecipients as follows:

Program Title	Assistance Listing Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$322,137
COVID-19 Community Development Block Grants	14.218	\$539,579
Emergency Solutions Grant Program	14.231	\$146,182
COVID-19 Emergency Solutions Grant Program	14.231	\$507,215
Home Investment Partnerships Program	14.239	\$231,094

**CITY OF EVANSTON, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

**NOTE 4 – PROGRAM INCOME**

The City of Evanston received the following program income amounts for the year ended December 31, 2021. The balances of receipts are from letter of credit drawdowns for the program. The program expenditures for the year include expenditures of this program income.

Program Title	Assistance Listing Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$172,476
Home Investment Partnerships Program	14.239	\$35,955
ARRA- Neighborhood Stabilization Program	14.256	\$16,683

**NOTE 5– NOTES RECEIVABLE OUTSTANDING**

The City of Evanston has several notes receivable outstanding as of December 31, 2021. These loans are for various uses. The Community Development Block Grants/Entitlement Grants Loan funds a number of programs to make decent housing available and affordable to low- and moderate-income families, and to help low- and moderate-income residents maintain their property. The Home Investment Partnerships Program Loan provides loans to housing developers to acquire, rehab or construct housing for low- and moderate-income households.

Program Title	Assistance Listing Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$1,961,593
Home Investment Partnerships Program	14.239	\$4,983,978

The notes receivable balances are not subject to continuing OMB Uniform Guidance compliance requirements.

**CITY OF EVANSTON, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

**NOTE 6– LOANS PAYABLE OUTSTANDING**

The City of Evanston has the following loans payable outstanding as of December 31, 2021. These loans are from The Capitalization Grants for Drinking Water and Clean Water State Revolving Funds. Projects funded were the sewer lining at Emerson and Davis streets, rehab of large diameter sewers and rehab of the Cleveland street sewer.

Program Title	Assistance Listing Number	Amount
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$759,302
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$760,613

The loan payable balances are not subject to continuing OMB Uniform Guidance compliance requirements.

**NOTE 7 – NONCASH ASSISTANCE**

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City of Evanston did not receive any noncash assistance during the year ended December 31, 2021.

**NOTE 8 – FEDERAL INSURANCE**

The City of Evanston had no federal insurance for the year ended December 31, 2021.

**NOTE 9 – INDIRECT COST RATE**

The City of Evanston has not elected to use the 10% de minimis indirect cost rate.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Daniel Bliss, Mayor and  
Members of the City Council  
Evanston, Illinois

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Evanston, Illinois (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.



***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

## Report on Internal Control over Compliance

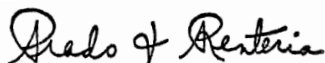
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chicago, Illinois  
September 28, 2022

**CITY OF EVANSTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2021**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

Financial Statements

- 1) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
- 2) Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported
- 3) Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

Federal Awards

- 1) Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(ies) identified?   X   Yes \_\_\_\_\_ None reported
- 2) Type of auditors’ report issued on compliance for major federal programs: **Unmodified**
- 3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes \_\_\_\_\_ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

Dollar threshold used to distinguish between type A and type B Programs:           \$750,000          

Auditee qualified as low risk auditee?   X   Yes \_\_\_\_\_ No

**CITY OF EVANSTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2021**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.



**CITY OF EVANSTON, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2021**

- C. The *City of Evanston Purchasing Manual* requires the collection of three written quotes for any purchase between \$2,500 and \$25,000 purchased with federal grant funds, a formal bid process (Bid, RFP, RFQ) for any purchase \$25,000 or above purchased with federal grant funds, and a justification memo for a sole source purchase for any amount above \$2,500 purchased with federal grant funds.
- D. The *City of Evanston Purchasing Manual* requires that for purchases above \$2,500 but less than \$10,000, approval signature must be obtained from the Department Director. All purchases above \$10,000 require approval signature from the City Manager. Purchases above \$25,000 must also be approved by the City Council.
- E. Per Title 2 CFR section 180.300, participant entering into a covered transaction must verify that the person with whom it intends to do business is not excluded or disqualified by:
  - (a) Checking SAM Exclusions; or
  - (b) Collecting a certification from that person; or
  - (c) Adding a clause or condition to the covered transaction with that person.
- F. Title 2 CFR section 200.303 states the following regarding internal control:

“The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with law, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

***Condition/Context:***

- 1. We tested six purchase orders totaling \$1,144,862. Our procedures revealed the following:
  - a. One (1) purchase order totaling \$12,463 was a purchase greater than \$2,500 but less than \$25,000, and for which the City of Evanston did not obtain the required three quotations nor did the purchase meet the criteria for a sole source purchase.
  - b. For five (5) purchase orders tested, documentation demonstrating that suspension and debarment searches were performed could not be provided by the City of Evanston, Sourcewell or Suburban Purchasing Cooperative (External Procurement service providers).
  - c. The City of Evanston’s procurement policies do not include processes pertaining to monitoring and review procedures of procurement processes conducted by external procurement service providers to ensure compliance with all applicable procurement policies.

**CITY OF EVANSTON, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2021**

***Cause:***

The City of Evanston's procurement policies do not include processes pertaining to monitoring and review procedures of procurement processes conducted by external procurement service providers to ensure compliance with all applicable procurement policies, and where policies are in place for internal procurement they are not being followed.

***Effect:***

City of Evanston is not in compliance with Title 2 of the *Code of Federal Regulations* (CFR) Part 200 and the requirements outlined in the City of Evanston Purchasing Manual as it relates to purchases above \$2,500. Additionally, the effect of noncompliance can result in questioned costs.

***Recommendation:***

We recommend that City of Evanston:

- a. Implement structures to monitor external procurement service providers to ensure their procurement methods comply with applicable federal compliance requirements.
- b. Expand Purchasing Manual to include policies and procedures for usage of external awards/contracts and suspension and debarment searches.
- c. Communicate and re-enforce its procurement policies and procedures to ensure compliance with applicable requirements.

***Views of Responsible Officials:***

The purchasing department will ensure further communication and re-enforcement of the procurement policies in the City of Evanston Purchasing Manual. Program Management will revise the policies as applicable. In addition, City of Evanston will consider the implementation of further controls (to include monitoring and review controls).

**CITY OF EVANSTON, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2021**

**SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.





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**MANAGEMENT'S CORRECTIVE ACTION PLAN  
CITY OF EVANSTON, ILLINOIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Finding 2021-001**  
**Federal Agency:**

**Procurement, Suspension and Debarment**  
U.S. Department of the Treasury

**Federal Program:**

21.027 Coronavirus State and Local Fiscal Recovery Funds  
(SLFRF)

**Questioned Cost:**

N/A

*Corrective Action:* We agree with the auditor's comments, and actions stated in the recommendation. The purchasing department will ensure further communication and re-enforcement of the procurement policies in the City of Evanston Purchasing Manual. Program Management team will revise the policies as applicable. In addition, City of Evanston will consider the implementation of further controls (to include monitoring and review controls).

*Contact Person:* Hitesh Desai, Chief Financial Officer

*Anticipated Completion Date:* December 31, 2022