

CITY OF EVANSTON, ILLINOIS
Single Audit Report

For the Year Ended December 31, 2022

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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, 2022 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, 2022, 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, 2023

CITY OF EVANTSON, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Identifying Number	Award Date	Passed-Through to Subrecipients	Federal Expenditures
DEPARTMENT OF AGRICULTURE					
Passed through the Illinois State Board of Education Child and Adult Care Food Program	10.558	ISBE 22-4226-00 - 05-016-510P-00	Feb 3, 2022 - Nov 8, 2022	N/A	50,813
Passed through the Illinois State Board of Education Summer Food Service Program for Children	10.559	ISBE 22-4225-00 - 05-016-510P-00	Jul 1, 2022 - Aug 29, 2022	N/A	162,310
Total Department of Agriculture					<u>213,123</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Community Development Block Grants/Entitlement Grants					
Entitlement year 45	14.218	B19MC-170012	July 22, 2019	68,827	99,880
Entitlement year 46	14.218	B20MC-170012	August 21, 2020	20,944	87,356
Entitlement year 47	14.218	B21MC-170012	August 3, 2021	N/A	539,471
Entitlement year 48	14.218	B22MC-170012	September 8, 2022	280,260	1,087,185
Total Community Development Block Grants/Entitlement Grants				370,031	1,813,892
COVID-19 Community Development Block Grants					
Entitlement year 46	14.218	B20MW-170012	December 10, 2020	231,295	516,275
Emergency Solutions Grant Program	14.231	E22MC-170012	September 9, 2022	119,740	128,568
COVID-19 Emergency Solutions Grant Program	14.231	E20MW-170012	July 17, 2020	193,122	207,290
Home Investment Partnerships Program	14.239	M18-MC-170218	July 31, 2018		4,409
Home Investment Partnerships Program	14.239	M19-MC-170218	July 22, 2019	34,541	34,541
Home Investment Partnerships Program	14.239	M20-MC-170218	August 21, 2020	16,254	81,807
Home Investment Partnerships Program	14.239	M21-MC-170218	August 3, 2021	14,128	190,726
Home Investment Partnerships Program	14.239	M22-MC-170218	September 8, 2022	29,224	43,842
Total Home Investment Partnerships Program				94,146	355,326
COVID-19 Home Investment Partnerships Program	14.239	M21MP170218	September 27, 2021	N/A	5,087
Total Department of Housing and Urban Development					<u>3,026,438</u>
DEPARTMENT OF TRANSPORTATION					
Passed through Illinois Department of Transportation					
Highway Planning and Construction	20.205	HSIP # 202001007	August 30, 2019	N/A	141,088
Highway Planning and Construction	20.205	C91-306-91	November 13, 2020	N/A	266,807
Total Highway Planning and Construction					407,895
Passed through Illinois Department of Transportation					
State and Community Highway Safety	20.600	200HS220057	August 19, 2021	N/A	69,051
State and Community Highway Safety	20.600	300HS230155	September 12, 2022	N/A	8,488
Total State and Community Highway Safety					77,539
Total Department of Transportation					<u>485,434</u>
DEPARTMENT OF TREASURY					
COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)*	21.027	not available	March 11, 2021	N/A	2,300,000
COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)*	21.027	not available	March 11, 2021	N/A	1,600,000
COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)*	21.027	not available	March 11, 2021	173,000	3,622,841
COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)*	21.027	not available	March 11, 2021	N/A	17,760
COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)*	21.027	not available	March 11, 2021	N/A	97,803
COVID-19 CoronaVirus State/Local Fiscal Recovery Funds (CSLFRF)*	21.027	not available	March 11, 2021	N/A	21,044
Total Department of Treasury					<u>7,659,448</u>
DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY					
Passed through Illinois Environmental Protection Agency					
Capitalization Grants for Drinking Water State Revolving Funds*	66.468	L175108	April 7, 2022	N/A	195,133
Capitalization Grants for Drinking Water State Revolving Funds*	66.468	L175108	March 4, 2022	N/A	326,939
Capitalization Grants for Drinking Water State Revolving Funds*	66.468	L175106	October 31, 2022	N/A	4,538,035
Capitalization Grants for Drinking Water State Revolving Funds*	66.468	L175241	October 31, 2022	N/A	711,450
Capitalization Grants for Drinking Water State Revolving Funds*	66.468	L175241	December 5, 2022	N/A	334,263
Total Department of Environmental Protection Agency					<u>6,105,820</u>

*Denotes Major Program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF EVANTSON, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Identifying Number	Award Date	Passed-Through to Subrecipients	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
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 18, 2022	N/A	7,500
Special Programs for the Aging, Title III, Part C Nutrition Services	93.045	T3C1	September 30, 2022	N/A	49,619
Passed through the Illinois Department of Public Health					
Public Health Emergency Preparedness	93.069	2027180027J / 3037180027K	August 31, 2021	N/A	67,420
Public Health Emergency Preparedness - Cities Readiness Prep	93.069	2027580003J / 3037580003K	October 25, 2021	N/A	51,621
Total Public Health Emergency Preparedness					<u>119,041</u>
Passed through Public Health Institute of Metropolitan Chicago					
HIV Prevention Activities - Health Dept Based	93.940	not available	January 13, 2023	N/A	11,860
Total Department of Health and Human Services					<u>188,020</u>
DEPARTMENT OF HOMELAND SECURITY					
Emergency Management Performance Grants	97.042	22EMAEVANS	July 1, 2022	N/A	36,282
Total Department of Homeland Security					<u>36,282</u>
INSTITUTE OF MUSEUM & LIBRARY SERVICES					
Passed thru Office of Sec of State - IL State Library					
Grants to States					
Project Next Generation (PNG)	45.310	22-3024-PNG	July 1, 2021	N/A	39,528
National Leadership Grants					
COVID-19 Grants for Museums & Libraries	45.312	CAGML-247937-OMLS-20	September 24, 2020	N/A	51,774
Total Institute of Museum & Library Services					<u>91,302</u>
NATIONAL SCIENCE FOUNDATION					
Passed thru Evanston/Skokie District #65					
STEM Education					
2022 Partner Stipend	47.076	CNC-1831865	December 21, 2021	N/A	2,540
Total National Science Foundation					<u>2,540</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES					
Passed thru Illinois Humanities Council					
Promotion of the Humanities Federal/State Partnership					
2022 Action Grants Full Proposal	45.129	A1018	July 2, 2022	N/A	4,250
Total National Endowment For The Humanities					<u>4,250</u>
NATIONAL ENDOWMENT FOR THE ARTS					
Promotion of the Arts Grants to Organizations and Individuals					
American Rescue Plan Local Art Subgranting	45.024	1894640-66-22	December 17, 2021	N/A	190,500
Total National Endowment For The Arts					<u>190,500</u>
Total Expenditures of Federal Awards					<u>\$ 18,003,156</u>

* Denotes Major Program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF EVANSTON, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$370,031
COVID-19 Community Development Block Grants Emergency Solutions Grant Program	14.218	\$231,295
Emergency Solutions Grant Program	14.231	\$119,740

CITY OF EVANSTON, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

NOTE 3 – SUBRECIPIENTS - Continued

COVID-19 Emergency Solutions Grant Program	14.231	\$193,122
HOME Investment Partnerships Program	14.239	\$94,146
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	\$173,000

NOTE 4 – PROGRAM INCOME

The City of Evanston received the following program income amounts for the year ended December 31, 2022. 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	Federal CFDA Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$85,956
Home Investment Partnerships Program	14.239	\$32,162

NOTE 5– NOTES RECEIVABLE OUTSTANDING

The City of Evanston has several notes receivable outstanding as of December 31, 2022. 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	Federal CFDA Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$1,956,042
Home Investment Partnerships Program	14.239	\$5,300,354

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, 2022

NOTE 6– LOANS PAYABLE OUTSTANDING

The City of Evanston has the following loans payable outstanding as of December 31, 2022. 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	Federal CFDA Number	Amount
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$713,015
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$708,596

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, 2022.

NOTE 8 – FEDERAL INSURANCE

The City of Evanston had no federal insurance for the year ended December 31, 2022.

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 Biss, 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, 2022. 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, 2022.

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 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

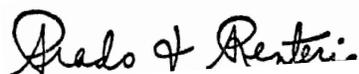
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant 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 2022-001 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, 2023

CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

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)
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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, 2022

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, 2022

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2022-001 Procurement, Suspension and Debarment (Repeat Finding 2021-001)

Federal Agency: Department of the Treasury
Federal Program: 21.027 Coronavirus State and Local Fiscal Recovery Funds
(CSLFRF)

Criteria:

The Department of the Treasury’s Interim Final Rule (Effective May 17, 2021 through March 31, 2022) and the Final Rule (Effective April 1, 2022) encouraged the use of internal Procurement Policies and Procedures when procuring products and/or services.

The Department of the Treasury’s Compliance and Reporting Guidance report (Effective June 24, 2021 through April 30, 2025) required recipients (i.e., City of Evanston) to ensure any procurement using CSLFRF funds to be consistent with the procurement standards set forth in the Uniform Guidance at 2 CFR 200.317 through 2 CFR 200.327 as applicable.

Procurement Standards of Title 2 of the *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) state that all non-federal entities will follow Section 200.318 through Section 200.327.

- A. Section 200.320 identifies four methods of procurement to be followed, among the methods of procurement the below are three identified thresholds:
 - (a) Informal – micro purchases (any amount up to \$10,000)
 - (b) Informal – small purchases (\$10,000.01 to \$249,999.99)
 - (c) Formal – sealed bids (\$250,000 and above)
 - (d) Noncompetitive procurement

- B. 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.

- C. 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.

- D. 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:

CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

- (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.

E. 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 nine purchase orders totaling \$2,408,526. Our procedures revealed the following:
 - a. Two (2) purchase orders in the amount of \$27,739 and \$150,525 respectively, were purchases greater than \$25,000 each, and for which the City of Evanston did not complete a formal procurement process (competitively bid) following its own Purchasing Manual and/or obtain the required three quotations following Section 200.320 of Title 2 of the *Code of Federal Regulations* (CFR).
 - b. For seven (7) purchase orders totaling \$2,391,116, documentation demonstrating that suspension and debarment searches were performed could not be provided by the City of Evanston.
 - c. For one (1) purchase order totaling \$700,405, procurement documentation was not provided nor retained by the City of Evanston from third party procurement service provider.

Cause:

1. 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.
2. The City of Evanston’s procurement policies do not include processes pertaining to entity-wide suspension and debarment checks.
3. 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 \$25,000. 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.

CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

- b. Further expand Purchasing Manual to include policies and procedures for suspension and debarment searches and retaining support for suspension and debarment check.
- c. Communicate and re-enforce its procurement policies and procedures to ensure compliance with applicable requirements.
- d. Centralize the procurement process to ensure all departments are following applicable procedures in a uniform manner.

Views of Responsible Officials:

The City of Evanston implemented a revised Purchasing Manual as of March 2023. We agree with the auditor's recommendations and will further review and revise the Purchasing Manual and communicate and reinforce policies and procedures to all departments to ensure compliance with applicable requirements.

CITY OF EVANSTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

TYPE OF FINDINGS

<u>FINDING NUMBER/ DESCRIPTION</u>	Financial Statement	Federal Award	<u>STATUS</u>
<u>Coronavirus State and Local Fiscal Recovery Funds, AL 21.027:</u>			
2021-001 – Procurement, Suspension and Debarment		X	The City has not corrected this finding during the current year.



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**MANAGEMENT'S CORRECTIVE ACTION PLAN
CITY OF EVANSTON, ILLINOIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Finding 2022-001 Procurement, Suspension and Debarment (Repeat Finding 2021-001)

Federal Agency: U.S. Department of the Treasury

Federal Program: 21.027 Coronavirus State and Local Fiscal Recovery Funds
(CSLFRF)

Questioned Cost: N/A

Corrective Action: We agree with the auditor's comments, and actions stated in the recommendation. The City of Evanston will:

- a. Implement structures to monitor external procurement service providers to ensure their procurement methods comply with applicable federal compliance requirements by: When using an external procurement services provider, Departments will review and retain procurement method and accompanying support, specifically: method of procurement (Bid, RFP, RFQ), history of procurement and accompanying support.
- b. Further expand Purchasing Manual to include policies and procedures for suspension and debarment searches and retaining support for suspension and debarment check by: The Purchasing Manual was revised during 2023 to incorporate procedures relating to suspension and debarment checks. The City will expand the Purchasing Manual to require suspension and debarment check support be retained in the vendor file.
- c. Communicate and reinforce its procurement policies and procedures to ensure compliance with applicable requirements by: Provide revised Purchasing Manual to staff with yearly reminder from Purchasing and Community Development Federal Grants Manager.
- d. Centralize the procurement process to ensure all departments are following applicable procedures in a uniform manner by: City staff will work with the City's Purchasing Department to follow and adhere to applicable Procurement procedures.

Contact Person: Hitesh Desai, Chief Financial Officer

Anticipated Completion Date: December 31, 2023