

**Evanston City Council
Closed Session Minutes
Aldermanic Library
Monday, February 26, 2007**

PRESENT: Aldermen Bernstein, Holmes, Moran, Tisdahl, Rainey, Hansen, Wollin, Jean-Baptiste and Wynne.

ABSENT: Mayor Lorraine Morton

GUESTS: Frederick G. Lantz
Edmund Cikanek,
Sikich, LLP, Certified Public Accountants

STAFF: Julia Carroll, Matt Grady, Herb Hill, and Rolanda Russell

PRESIDING: Mayor pro tem Wynne

START: 8:35 p.m.

Personnel – Performance of Employees

City Manager Carroll stated the purpose of the meeting was to let Council know, based upon the report Agreed-upon Procedures Fleet Services Fund (1/10/07) Council received, that two current employees will be disciplined. The five recommendations on page 4 will be implemented immediately and future reporting will comply with the recommendations.

What was found were severe performance problems with the prior Finance administration, Purchasing staff, Fleet Services supervisor, and former Budget Director. Involved employees still working for the City will be disciplined.

Alderman Bernstein asked the nature of the discipline. Ms. Carroll will let them know they failed to do their jobs; overspending the budget in the case of Mr. Jennings and not properly monitoring the budget in the case of Mr. Casey. The overspending of the budget was not caught. \$1.4 million is huge overspending and needed to be addressed.

Alderman Rainey asked when this happened. The report shows between October 25 and December 13, 2005 and September 14, 2004 and January 11, 2005. Ms. Carroll was the manager in 2005 and Rainey asked if what happened was criminal. No Ms. Carroll said nothing was criminal; all items purchased have been accounted for. She stated that someone charged with monitoring a \$180 million budget should be held responsible. It is important that the message be sent to employees that they are responsible for monitoring. Alderman Rainey asked if Ms. Carroll took any oversight responsibility. She did and there were supposed to be monthly reports.

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Alderman Wollin noted this seemed to be systemic; each level did not catch this. Ms. Carroll stated it was lack of internal controls that should have been in place and relied upon. The purchasing agent should check to ascertain that there are enough funds to pay for purchases.

First Assistant Corporation Hill called their attention to the last four lines on page 3. He said whatever was done did not show up. Ms. Carroll noted this was discovered by Finance Director Matt Grady.

Alderman Bernstein asked if this was the same as the non-transfer of funds issue. Ms. Carroll said it was different. Non-transfer of funds was an accounting error. She was putting internal control procedures into effect that will prevent something like this from happening again. Alderman Wynne asked, with software, isn't there an early warning system. Ms. Carroll stated that Budget Check in the IRIS system was never turned on. Mr. Grady found that. Since then they have begun training departments on using that feature which will be implemented April 1. If someone tries to purchase and there is no money in the account, it won't go through. They are going to correct the problem. IRIS is the financial accounting system created by J. D. Edwards. Accela is related to building permits.

Alderman Jean-Baptiste asked the basis of the error that so many failed to catch and what have the two individuals said about this. Ms. Carroll had not met with either person. Both individuals were interviewed by the accounting firm. She would address their supervisory and management responsibilities. Mr. Cikanek did all the interviews. Mr. Cikanek thought the root of the problem was a misconception about the ability to spend money not spent in a current fiscal year that could be spent in the following year. There is no carry over of under spending. There was a failure to use the IRIS system, instead they maintained a separate spread sheet in Excel and did not do reconciliation

Alderman Bernstein noted the City went through an official audit and this was not caught. Mr. Lantz explained the Fleet Service fund is an internal service fund. They don't report a fund balance. Ms. Carroll said not only was a spread sheet being used, but the Budget Check was not on so there was no reporting. Mr. Casey understood there was no carry over; agreed it was an error and believed it was a result of the misconception and use of spread sheets.

One reason Ms. Carroll moved the budget to finance was there was always a division between the budget preparation and financial reporting. A budget director is supposed to monitor the budget and if he had been doing it this would have been found. She felt there was a lack of follow through. She did not know this, until they saw the large unreserved fund balance. The liabilities were nearly twice the assets which should have been a red flag.

Alderman Wollin confirmed there are encumbrances at the end of the year. Ms. Carroll said the correct procedure is to amend the budget which has not been done.

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Alderman Holmes never understood why they had separate budget and finance directors. If two people in Fleet Services had this misconception, she was concerned about how long that has been going on. Alderman Rainey noted the City changed the way they financed Fleet Services.

Ms. Carroll has addressed expectations with directors. Analyst's Michael Wheeler and Anita Patel will meet with every department so all understand the budget check feature.

Alderman Bernstein asked if they were satisfied with fund balances. Ms. Carroll stated they were with the exception of the Fleet Services Fund on the agenda that evening.

In response to Alderman Rainey, Ms. Carroll did not plan to fire the two individuals. Alderman Rainey urged Ms. Carroll to do everything she can to help employees do a good job.

At 9:02 p.m. Mayor Pro Tem Wynne asked for a motion to reconvene into open session in the Council Chamber and aldermen so moved by a unanimous roll call vote to reconvene.

Mary P. Morris,
City Clerk

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