

The City of Lake Forest
AUDIT COMMITTEE
Proceedings of the January 18, 2024 Meeting
5:15 p.m. – City Hall, 220 E. Deerpath

Minutes

I. **Call to Order and Roll Call**

Chairman Magnuson called the meeting to order at 5:15 p.m. Audit Committee Members present: Chairman Magnuson, Mr. Dillon, Mr. Durkin, Mr. Hirsch, and Ms. Larisey. Absent: Finance Committee Chairman Preschlack and Mayor Tack. Quorum present.

City staff present: Elizabeth Holleb, Finance Director; Diane Hall, Assistant Finance Director; Mark Krygeris, Staff Accountant; James Scott, Staff Accountant; Kevin Zelk, Deputy Police Chief; Joe Gabanski, Assistant Director of Innovation and Technology; Tony Canania, IT Systems Administrator; Tricia Schwall, Senior Resource Manager; Todd Nahigian, Croya Manager and Joe Mobile Superintendent of Parks and Recreation.

Others present: Joe Lightcap, Baker Tilly; Jennifer Karras of the Croya Foundation, Paul Lemieux, JoAnn Desmond, and Steve Potsic of the LFLB Senior Resources Commission

Mr. Tighe Magnuson, Audit Committee Chairman provided a welcome to the two new members of the Audit Committee.

II. **Consent Agenda**

Approval of minutes from Audit Committee meeting held on October 19, 2023

Mr. Hirsch made a motion to approve the minutes from the October 19, 2023 Audit Committee meeting. The motion was seconded by Mr. Dillon. The motion carried unanimously by voice vote.

III. **FY23 Single Audit Report**

Mr. Joe Lightcap of Baker Tilly provided an overview of the City's Single Audit report for FY23. The City had over \$750k in Federal Grant expenditures, mainly through a passthrough grant from Lake County for the Burr Oak storm sewer project. The City had a clean report.

The Committee discussed the City's process for identifying and applying for grants. The City has instituted a grant program that has been very successful. Costs associated with a Single Audit are not charged to the grant but are budgeted in the Capital Fund.

IV. **Lake Forest-Lake Bluff Senior Citizens Foundation – Financial Presentation**

Mr. Mark Dillon stated that is he currently on the LFLB Senior Citizens Foundation Board and would be recusing himself from the discussion.

Mr. Paul Lemieux, Vice President of the Foundation provided an overview of what the Foundation represents and financial information. Pasquesi Shepard provides the financial statements for the Foundation. Investments did well last year. Support to the Seniors is back to pre-covid levels. The Social Worker that was provided through Josselyn was discontinued and the funding was provided by the Foundation. The Foundation is looking to fund a social worker if hired by the City. The Foundation may need to move to a classification of Private Foundation from Public Foundation due to IRS regulations. Due to declining donations, they no longer meet the requirements of a Public Foundation. The change in status would incur an estimated cost of \$2,000 per year.

Mr. Steve Potsic, Foundation President provided a status update on the Senior Cottage project.

The Committee discussed the decline in donations. The dynamic of members has changed over the years. Additional fund raising may be needed to increase contributions and to promote project specific fund-raising efforts.

V. **Croya Foundation – Financial Presentation**

Mr. Todd Nahigian, Croya Manager provided a history of the Foundation. The Foundation raises funds for specific projects. Currently raising funds to remodel the Croya kitchen. The Foundation provides grants and scholarships to students each year. A grant of \$6,500 was received to fund the music program. Fund raising events are held every other year.

The Committee discussed the matrix used to see if Croya programs are working. The total number of kids attending programs is used to measure contacts made throughout the schools. Kids are referred to Croya by the schools and through social workers.

VI. **Police Foundation – Financial Presentation**

Mr. Kevin Zell, Deputy Police Chief reviewed programs completed in 2023 including programs with Croya and the Senior Center. The K-9 program is under review and money will be put aside for future years. Donations in 2023 were lower than years past. With many new residents, communication is needed to educate the community about the foundation. Projects funded were reviewed to include the annual awards ceremony for police officers.

The Committee discussed the letter campaign to raise funds for the foundation. The foundation was encouraged to reach out to local businesses for donations. The Police Foundation presentation was discussed to move to April due to their December 31 year-end to allow more time to prepare the financial statements.

VII. **Innovation and Technology (IT) Presentation**

Mr. Joe Gabanski, Assistant Director of IT provided an overview of third-party support used for incident response. The City is insured through Intergovernmental Risk Management Agency (IRMA) with an annual aggregate limit of \$1m, which has not been increased from the previous year. The coverage is for all City security systems. An overview of the City's incident response and annual testing that is conducted was provided. The City utilizes third parties for assistance with monitoring our systems.

The Committee discussed third party vendors can also provide risk for the City's security. Cloud vendors will be reviewed this year to include receiving reports confirming their security. The City is most vulnerable to spearfishing attempts. Staff are required to complete annual security training.

The Committee requested a dashboard to show how we are doing on the different layers of protection to be coded Red, Yellow, and Green. The dashboard to be included in the Audit Committee packet.

VIII. **Auditor Recommendation for FY24 and FY25**

Ms. Elizabeth Holleb, Finance Director stated an RFP was conducted three years ago for audit services. The City approved a three-year contract with an option of two additional years. The City completes an RFP every five years. Staff is recommending extending the contract for the two additional years.

Mr. Hirsch made a motion to approve the recommendation to the City Council to approve a 2-year renewal option for audit services with Baker Tilly. The motion was seconded by Mr. Dillon. The motion carried unanimously by voice vote.

IX. **Other Business**

Foundation Summary – No discussion

Foundation Financial Review – No discussion

Old Business – Discussion re. Foundation Presentation Format and Sample Dashboard – The Committee reviewed a template PowerPoint provided by Audit Committee Chairman Magnuson. Foundations would not be required to present a PowerPoint but could provide a one-page summary with the requested information. Through the new process, IRS form 990 would no longer be required from the foundations. A request for three-year comparison of financial information to be included was made. The Parks and Recreation Foundation is scheduled for April and would be provided the new format six weeks in advance to prepare. The Committee would debrief afterwards for any changes moving forward.

X. **Opportunity for Public to Address the Audit Committee** – No one requested to address the Audit Committee

XI. **Adjournment**

There being no further business, a motion was made by Mr. Hirsch to adjourn the meeting. The motion was seconded by Mr. Durkin. The motion was approved unanimous by voice vote. The meeting was adjourned at 7:49 pm.

Respectfully submitted,

Diane Hall
Assistant Finance Director