



To: David A. Hulseberg  
Village Manager

From: Timothy Sexton  
Director of Finance

Date: May 13, 2009

Subject: Lombard Town Centre

I have been asked to provide information regarding auditing services for the Lombard Town Centre (LTC). Pursuant to Resolution 133-05, Section 2, B, "Lombard Town Centre shall annually provide a copy of federal tax return and annual audit to the Economic and Community Development Committee and the Lombard Finance Department." It is my understanding that no audit has been performed for calendar year 2007 and 2008, and LTC is requesting that the Village reconsider this requirement.

In Illinois, Not-for-Profit Corporations are required to have an annual audit performed unless they meet all three of the following criteria:

1. Have annual contributions of less than \$150,000.
2. Do not use a professional fundraiser.
3. Have total assets of less than \$250,000.

To the best of my knowledge, LTC meets all three of these requirements; therefore there is no legal requirement to have an audit performed by a Certified Public Accountant. However, there are other considerations on whether or not to require an audit. Without an audit, the likelihood of fraud significantly increases. Also, LTC is being funded with TIF revenue from the Downtown TIF. Illinois statute requires that all TIF Funds be audited annually, which the Village complies with. Staff feels that it would be consistent with this audit requirement for TIF's that the Lombard Town Centre also undergoes an annual audit, again as the funding comes from the Downtown TIF.

Essentially, there are four options to resolve this:

1. Do an in-house review of LTC expenditures. This option is one that I would not feel comfortable with, as staff does not have the expertise to do this. Just as with law there are different areas of expertise, the same applies to accounting and finance. And auditing is an area where we do not have expertise. Therefore, I would not recommend this option.
2. Do not require an audit. As discussed above, there is no legal requirement for an audit. However, as also discussed, I believe that requiring an audit of LTC is prudent due to the potential for fraud and the funding that comes from the Downtown TIF.

3. Require LTC to have an annual audit performed with the money they currently receive from the Village.
4. Require LTC to have an annual audit performed, and the Village will reimburse LTC for these costs up to \$4,000 per calendar year. This amount would be in addition to the annual funding that the Village provides LTC.

Staff is recommending that the Village Board consider either option 3 or 4, which would require an annual audit of LTC, either through their original funding or through reimbursement of up to \$4,000 per calendar year.