

DEKALB COUNTY, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
December 31, 2008



Certified Public Accountants & Advisors

DEKALB COUNTY, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Chairman
Members of the County Board
DeKalb County
Sycamore, Illinois

We have audited the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of DeKalb County, Illinois, as of and for the year ended December 31, 2008, and have issued our report thereon dated April 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeKalb County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements caused by error or fraud will not be prevented or detected by the County's internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeKalb County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have communicated to the management of DeKalb County in a separate letter dated April 3, 2009.

This report is intended solely for the information of and the use of the County Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aurora, Illinois
April 3, 2009

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Chairman
Members of the County Board
DeKalb County
Sycamore, Illinois

Compliance

We have audited the compliance of DeKalb County, Illinois with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. DeKalb County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of DeKalb County's management. Our responsibility is to express an opinion on DeKalb County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DeKalb County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on DeKalb County's compliance with those requirements.

In our opinion, DeKalb County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of DeKalb County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered DeKalb County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DeKalb County's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Our consideration of internal control over compliance was for the limited purpose of the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the governmental activities, business-type activities, each major fund and the aggregate remaining fund information which collectively comprise the basic financial statements of DeKalb County as of and for the year ended December 31, 2008, and have issued our report thereon dated April 3, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of and the use of the County Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Aurora, Illinois
April 3, 2009

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DEKALB COUNTY, ILLINOIS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2008

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Revenues	Expenditures
Department of Health and Human Services	Illinois Department of Public Health	Public Health Emergency Preparedness	93.069*	\$ 130,032	\$ 130,032
Department of Health and Human Services	Illinois Department of Human Services	Family Planning	93.217		
		State Contract #11G814500	State FY 08	34,940	34,940
		State Contract #11GK14500	State FY 09	111,000	111,000
			Total 93.217	145,940	145,940
Department of Health and Human Services	Illinois Department of Public Health	Immunization Program - Noncash	93.268*	362,542	362,542
Department of Health and Human Services	Illinois Office of the Attorney General	Child Support Enforcement - Title IV-D	93.563	63,028	63,028
Department of Health and Human Services	Illinois Department of Healthcare and Family Services	Circuit Clerk Child Support Kids Interface	93.563	20,737	20,737
			Total 93.563	83,765	83,765
Department of Health and Human Services	Illinois Department of Commerce and Economic Opportunity	Community Services Block Grant	93.569	191,600	191,600
Department of Health and Human Services	Illinois State Board of Examiners	HAVA Grant	93.617	6,274	6,274
Department of Health and Human Services	Illinois Department of Human Services	Title XX Block Grant	93.667		
		State Contract #11G8145000	State FY 08	61,300	61,300

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Revenues	Expenditures
Department of Health and Human Services	Illinois Department of Healthcare and Family Services	Medical Assistance Program	93.778	\$ 238,227	\$ 238,227
Department of Health and Human Services	Winnebago County - Department of Public Health	HIV Care Formula Grants	93.917	45,741	45,741
Department of Health and Human Services	Winnebago County - Department of Public Health	HIV Prevention Activities - Health Department Based	93.943	64,250	64,250
Department of Health and Human Services	Illinois Department of Human Services	Maternal and Child Health Services Block Grant to the States	93.994		
		State Contract #11G8145000	State FY08	27,100	27,100
		State Contract #11GK145000	State FY09	15,000	15,000
			Total 93.994	42,100	42,100
Department of Homeland Security	Emergency Food and Shelter	Emergency Food and Shelter National Board Program	97.024	9,472	9,472
Department of Homeland Security	Illinois Emergency Management Agency	Emergency Management Performance	97.042	24,213	24,213
Election Assistance Commission	State Board of Elections	HAVA Grant – Additional Assistance	39.011	39,250	39,250
Department of Education	Illinois State Board of Education	Education for Homeless Children and Youth	84.196	1,850	1,850
Environmental Protection Agency	Illinois Department of Public Health	Potable Water Program	66.605	650	650

DEKALB COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Thirteen Months Ended December 31, 2007

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Revenues	Expenditures
Department of Agriculture	Illinois Department of Human Services	WIC/Farmer's Market Admin	10.572	\$ 1,000	\$ 1,000
Department of Agriculture	Illinois Department of Human Services	Special Supplemental Food Program for Women, Infants, and Children	10.557		
		State Contract #11G8145000	State FY 08	141,400	141,400
		State Contract #11GK145000	State FY 09	147,000	147,000
Department of Agriculture	Illinois Department of Human Services	Special Supplemental Food Program for Women, Infants, and Children – Noncash	10.557	481,597	481,597
			Total 10.557	769,997	769,997
Department of Agriculture	Illinois Department of Public Health	Summer Food Program	10.559	575	575
Department of Housing and Urban Development	Winnebago County - Department of Public Health	Housing Opportunities for People with AIDS	14.241	27,800	27,800
Department of Justice	N/A	State Criminal Alien Assistance Program	16.606	15,802	15,802
Department of Justice	N/A	OJP – Drug Court	16.753	13,151	13,151
Federal Emergency Management Agency	Illinois Emergency Management Agency	Hazardous Materials Emergency Preparedness (HMEP)	20.703	6,343	6,343
Department of Transportation	Illinois Department of Transportation	Section 5311 Non Metro Area Transportation Operating and Administrative Assistance	20.509*	345,971	363,541
Department of Transportation	Illinois Department of Transportation	Combined Vehicle Procurement	20.513*	382,000	382,000
TOTAL FEDERAL AWARDS				\$ 3,009,845	\$ 3,009,845

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of federal awards is a summary of the activity of the County's federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when the qualifying expenditure has been incurred and expenditures have been recognized when the fund liability has been incurred.

Note B - Subrecipients

Of the federal expenditures presented in this schedule, the County provided federal awards to subrecipients in the amount of \$345,971 for the Section 5311 Non Metro Area Transportation Operating and Administrative Assistance Grant with a CFDA number of 20.509 and \$382,000 for the Combined Vehicle Procurement Grant with a CFDA number of 20.513.

Note C - Non-Cash Transactions

The County received \$362,542 of childhood immunization commodities from the U.S. Department of Health and Human Services passed through the Illinois Department of Public Health with a CFDA number of 93.268. Also, the County received \$481,597 from the supplemental nutrition program for women, infant and children from the U.S. Department of Health and Human Services passed through the Illinois Department of Human Services with a CFDA number of 10.557.

Note D - Loans

There were no loans or loan guarantees outstanding at December 31, 2008.

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DEKALB COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
96.069	Public Health Emergency Preparedness
93.268	Immunization Program – Noncash
20.509	Section 5311 Non Metro Area Transportation Operating and Administrative Assistance
20.513	Combined Vehicle Procurement Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

DEKALB COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2008

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Financial Statement Findings

07-01 ACCOUNTING FOR CAPITAL ASSETS

We noted in our testing of capital assets that the County capitalized one traffic control signal in an entire intersection for \$93,753. Per the County's traffic signal additions spreadsheet, it appeared that seven traffic signals should have been capitalized. We discussed with the County, and they agreed all seven should be capitalized. We proposed and posted a journal entry to adjust the financial statements.

Also in our capital asset testing, we observed that a portion of the Genoa Road resurfacing project was paid for by the Illinois Department of Transportation (IDOT), with the County reimbursing IDOT for 20%. IDOT contributed the remaining 80% of the asset to the County. This 80% (\$464,592) was recorded in the County's general ledger as a reduction of expenditures (as if purchased by the County) instead of a contribution. We discussed with the County and proposed a journal entry to adjust the expense and contribution revenue.

Corrective Action Plan

The County has instituted a policy of rechecking and verifying with control totals the total additions on any spreadsheet that is created for capitalized assets before they are transferred to the financial statements of the County.

The County has added a requirement to the capitalized asset sheet that is department submitted to the Finance Office that will add a question to state the total asset and what portion of that is a contribution to the County.

Status - The County has substantially implemented the corrective action plan.

DEKALB COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2008

Section IV - Prior Year Financial Statement Findings (Continued)

07-02 NURSING HOME LIABILITIES

While auditing payroll expenses we noted that the Nursing Home's compensated absences liability was overstated as the nursing home recorded a liability based on amounts that the board intends to pay in fiscal year 2008 for excess hours earned by non-union employees; however as of December 31, 2007 these were not liabilities as defined in the County's or the Nursing Home's personnel manual (use or lose policy). In accordance with GASB S-16, a liability may be recorded only for amounts earned as of the fiscal year end that would be required to be paid out as of that date. We proposed and posted an entry to remove the liability from the financial statements. Also, the County's general ledger was not adjusted to match the supporting documentation for compensated absences. We also proposed an entry to adjust the financial statements to the actual balance.

During our testing of the Nursing Home's accounts payable, we noted that the Nursing Home did not reverse fiscal year 2006 accounts payable related to the IGT Reserve payment for November 2006. In addition, they did not accrue the liability for the December 2007 transfer back to IGT (made in January 2008). We discussed with Nursing Home personnel and they determined the amount of the December 2007 transfer back, for which we proposed an adjusting journal entry to the financial statements as well as reversing the fiscal year 2006 liability.

Corrective Action Plan

The Nursing Home's compensated absences will be matched to supporting documentation from the County and posted to the general ledger.

The Nursing Home will no longer overstate the compensated absences liability for future payments not defined in the County's or the Nursing Home's personnel manual. The liability will only relate to the current year.

The Nursing Home will be responsible for reversing all prior year fiscal year accounts payable related to the Illinois Governmental Transfers (IGT) Reserve payments. They will also be responsible for accruing the liability for the current year

Status - Due to turnover in the accounting department at the Nursing Home the corrective action plan was not entirely implemented and the IGT payable was not reversed out of the accounts payable.

DEKALB COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2008

Section IV - Prior Year Financial Statement Findings (Continued)

07-03 REVENUE RECOGNITION

During our testing of revenues accrued at year end, we noted that numerous revenue accounts contained a 14th period of revenue when there should have been only 13 periods due to the change in fiscal year end. We proposed several journal entries to record the correct amounts.

Corrective Action Plan

The County will be revising its revenue manual and adding language to explain the timing of various revenues and how that relates to which months should be accrued. The accounting procedure manual will include an addition to the checklist to verify that line items with monthly revenues will have the correct number of revenues each year.

Status

The revenue manual and accounting procedures manual were updated in the current fiscal year to address revenue recognition and the change in the County's fiscal year end. Revenues were accrued and reported in accordance with the revised manuals.