

DEKALB COUNTY, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
December 31, 2012



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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of DeKalb County, Illinois, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise DeKalb County's basic financial statements, and have issued our report thereon dated April 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeKalb County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DeKalb County's internal control. Accordingly, we do not express an opinion on the effectiveness of DeKalb County's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeKalb County's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Naperville, Illinois
April 17, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited DeKalb County, Illinois' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of DeKalb County, Illinois' major federal programs for the year ended December 31, 2012. DeKalb County, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of DeKalb County, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. 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 required 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, Illinois' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of DeKalb County, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, DeKalb County, Illinois' 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, 2012.

Report on Internal Control over Compliance

Management of DeKalb County, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered DeKalb County, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DeKalb County, Illinois' internal control over compliance.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of DeKalb County, Illinois, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise DeKalb County, Illinois' basic financial statements. We issued our report thereon dated April 17, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Naperville, Illinois
April 17, 2013

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DEKALB COUNTY, ILLINOIS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2012

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 Bioterrorism Preparedness 27181019 Chicago MSA RBF1 27180124A Cities Readiness 27181100	93.069	\$ 45,406	\$ 45,406
				5,181	5,181
				42,447	42,447
			Total 93.069	93,034	93,034
Department of Health and Human Services	Illinois Department of Public Health	Family Planning Services Bioterrorism Preparedness 37180100A Cities Readiness 37180019A	93.074	21,479	21,479
				36,707	36,707
			Total 93.074	58,186	51,186
Department of Health and Human Services	Illinois Department of Human Services	Family Planning Services State Contract # FCSRE01228 State Contract # 011GQ00145	93.217		
			State FY 12	12,379	12,379
			State FY 13	87,606	87,606
Total 93.217		99,985	99,985		
Department of Health and Human Services	Illinois Department of Public Health	Immunization Grants - Noncash	93.268	295,057	295,057
Department of Health and Human Services	Illinois Department of Public Health	Community Transformation Grants	93.531	21,811	21,511
Department of Health and Human Services	Illinois Department of Public Health	Temporary Assistance for Needy Families	93.558	2,522	2,522
Department of Health and Human Services	Illinois Office of the Attorney General	Child Support Enforcement - Title IV-D	93.563	52,725	52,725

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Revenues	Expenditures
Department of Health and Human Services	Illinois Department of Commerce and Economic Opportunity	Community Services Block Grant	93.569		
		Contract 11-231034		\$ 30,179	\$ 30,179
		Contract 12-231034		154,155	154,155
		Total	93.569	184,334	184,334
Department of Health and Human Services	Illinois Department of Human Services	Title XX Block Grant	93.667		
		State Contract #011GQ00145		66,260	66,260
		State Contract #011GQ01109		3,467	3,467
		State Contract #FCSRE01474		5,200	5,200
		Total	93.667	74,927	74,927
Department of Health and Human Services	Illinois Department of Healthcare and Family Services	Medical Assistance Program	93.778	246,991	246,991
Department of Health and Human Services	Winnebago County - Department of Public Health	HIV Care Formula Grants	93.917		
		HIV Care RW11002		34,848	34,848
		HIV Care RW12002		62,065	62,065
		Total	93.917	96,913	96,913
Department of Health and Human Services	Illinois Department of Human Services	Maternal and Child Health Services	93.994		
		Block Grant to the States			
		State Contract #Q11GQ00145		3,566	3,566
		State Contract #Q11GQ00145		10,166	10,166
		State Contract #Q11GQ01389		13,250	13,250
		State Contract FCSRE00944		12,702	12,702
		Total	93.994	39,684	39,684
Department of Homeland Security	Illinois Emergency Management Agency	Interoperable Emergency Communications Grant Program	97.005	7,263	7,263
Federal Emergency Management Agency	Illinois Emergency Management Agency	Emergency Management Performance Grant Program	97.042	36,463	36,463
Department of Homeland Security	Illinois Emergency Management Agency	IEMA Public Assistance Program	97.036	16,503	16,503

DEKALB COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2012

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Revenues	Expenditures
Election Assistance Commission	Illinois State Board of Elections	Help America Vote Act Requirements Payments	90.401	\$ 71,635	\$ 71,635
Election Assistance Commission	Illinois State Board of Elections	Help America Vote Act Requirements Payments	39.617	154	154
Department of Agriculture	Illinois Department of Human Services	Special Supplemental Food Program for Women, Infants, and Children State Contract #011GQ01190 State Contract #FCSRE00847	10.557 State FY 11/12	159,344 157,996	159,344 157,996
Department of Agriculture	Illinois Department of Human Services	Special Supplemental Food Program for Women, Infants, and Children – Noncash	10.557	897,432	897,432
			Total 10.557	1,214,772	1,214,772
Department of Agriculture	Illinois Department of Public Health	Summer Food Service Program for Children	10.559	650	650
Department of Commerce	N/A	ARRA - Broadband Technology Opportunities Program	11.557	2,474,053	2,474,053
Department of Housing and Urban Development	Winnebago County - Department of Public Health	Housing Opportunities for People with AIDS	14.241	14,985	14,985
Department of Justice	N/A	Drug Court Discretionary Grant Program	16.585	97,091	97,091
Department of Justice	N/A	State Criminal Alien Assistance Program Grant	16.606	7,480	7,480

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Revenues	Expenditures
Department of Transportation	Illinois Department of Transportation	Formula Grants for Other than Urbanized Areas	20.509		
		Section 5311, RPT-12-005		\$ 177,522	\$ 177,522
		Section 5311, CAP-12-996		97,988	97,988
		Section 5311, CAP-10-907-ARRA		100,900	100,900
		Section 5311, RPT-13-005		194,953	194,953
		Section 5311, 814CVP (non-cash)		58,232	58,232
			Total 20.509	<u>629,595</u>	<u>629,595</u>
Federal Emergency Management Agency	Illinois Emergency Management Agency	Interagency Hazardous Materials Emergency Preparedness	20.703	<u>20,628</u>	<u>20,628</u>
TOTAL FEDERAL AWARDS				<u>\$ 5,857,441</u>	<u>\$ 5,857,441</u>

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 \$629,595 for CFDA number 20.509 Formula Grants for Other than Urbanized Areas.

Note C - Non-Cash Transactions

The County received \$295,057 of childhood immunization commodities from the U.S. Department of Health and Human Services passed through the Illinois Department of Public Health under CFDA number of 93.268. Also, the County received \$897,432 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 under CFDA number of 10.557. Finally, the County received transit vehicles of \$58,232 under CFDA number of 20.509 Formula Grants for Other than Urbanized Areas.

Note D - Loans

The County had \$36,244 of loans outstanding at December 31, 2012 through the Community Services Revolving Loan Program.

DEKALB COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2012

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>
20.509	Formula Grants for Other than Urbanized Areas
11.557	ARRA - Broadband Technology Opportunities Program

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, 2012

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Findings and Questioned Costs

FAF 11-01 ARRA-Homeless Prevention and Rapid Re-housing - CFDA#14.257

Condition: During our testing of the ARRA-Homeless Prevention and Rapid Re-housing Grant it was noted that the draws being submitted through the grantor's GRS system were based on estimated or budgeted costs, not actual costs incurred. We considered this finding to be an instance of non-compliance relating to the Cash Management compliance requirement.

Criteria: The grant requires that requests for reimbursement be based on actual certifiable costs.

Cause: While the County had records of actual costs incurred by claim, this was not the basis used to prepare the draw requests to the grantor.

Effect: The draw requests were based on estimated, rather than actual, costs incurred during the grant period.

Recommendation: We recommend the County prepare draws using actual costs incurred.

Current Status: Grant was completed in FY 2011, thus was not tested in FY 2012.

FAF 11-02 ARRA-Homeless Prevention and Rapid Re-housing - CFDA#14.257

Condition: During our testing of the ARRA-Homeless Prevention and Rapid Re-housing Grant it was noted that because the draws being submitted as noted above were based on estimated or budgeted costs, not actual costs incurred, for most the of County's fiscal year the grant was being funded in advance, rather than on a reimbursement basis as stipulated in the grant agreement. We considered this finding to be an instance of non-compliance relating to the Cash Management compliance requirement.

Criteria: The grant requires that draw requests be performed on a reimbursement basis, after the related costs are incurred.

DEKALB COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2012

Section IV - Prior Year Findings and Questioned Costs (Continued)

FAF 11-02 ARRA-Homeless Prevention and Rapid Re-housing - CFDA#14.257
(Continued)

Cause: The County did not prepare draw requests based on actual expenditures, thus it could not ascertain what had already been spent before a reimbursement was requested.

Effect: The County received funds in advance of expenditures.

Recommendation: We recommend the County prepare drawdown requests only after the related costs have been incurred.

Current Status: Grant was completed in FY 2011, thus was not tested in FY 2012.

FAF 11-03 ARRA-Homeless Prevention and Rapid Re-housing - CFDA#14.257

Condition: During our testing of the ARRA-Homeless Prevention and Rapid Re-housing Grant it was noted the quarterly financial status reports filed were blank, and referenced the GRS draw reports for the actual costs incurred, which as noted above contained inaccurate data. We considered this finding to be an instance of non-compliance relating to the Reporting compliance requirement.

Criteria: The grant requires that quarterly Financial Status Reports be filed and that the information contained therein reconciles to the underlying accounting records.

Cause: The County did not detail any amounts on the quarterly Financial Status Reports. Rather, they referenced back to the inaccurate draw reports.

Effect: The County reported incorrect information on the reports.

Recommendation: We recommend the County either include the actual information required on the quarterly Financial Status Reports, or if reference is made to another report, ensure that those reports contain accurate information.

Current Status: Grant was completed in FY 2011, thus was not tested in FY 2012.

DEKALB COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2012

Section IV - Prior Year Findings and Questioned Costs (Continued)

FAF 11-04 Recovery Act - DeKalb Advancement of Technology Authority – Broadband CFDA #11.557

Condition: During our testing of the Recovery Act - DeKalb Advancement of Technology Authority – Broadband Grant we reviewed the documentation attached to the monthly billings by the contractor DeKalb Fiber Optic (DFO) that supported the in-kind contribution required by the grant. We noted that the invoices provided by DFO listed a lump sum amount of in-kind labor for that month, but did not include a detail of the hours related to the in-kind labor vs. the other labor that was part of the overall paid contract. We considered this finding to be an instance of non-compliance relating to the Matching compliance requirement.

Criteria: The A-102 Common Rule and OMB Circular A-110 require that matching contributions are verifiable from the non-Federal entity's records. Also, the in-kind contribution must either result in an increase in services or a reduction in costs to the grantee.

Cause: The County's monthly invoices from DFO listed lump sum amounts (many of which were the same amount and appeared to be based on a budget), but did not include a detail of hours worked by the subcontractor for the in-kind contribution that could be distinguished from the hours worked by the subcontractor that were already included in the overall contract.

Effect: The County could not substantiate the in-kind hours that were a required component of the grant agreement.

Recommendation: We recommend the County obtain the breakdown of the in-kind contributed hours of the contractor via signed timesheets or a similar mechanism.

Current Status: Documentation of time spent on the overall project was submitted by the contractor, attached to their invoices, and was reviewed by the County. The County then summarized which were in-kind hours versus hours that were part of the overall contract. Finding is considered to be implemented.