

**DEKALB COUNTY, ILLINOIS**

**AUDITOR'S COMMUNICATION TO THE  
COUNTY BOARD**

For the Year Ended  
December 31, 2013

**DEKALB COUNTY, ILLINOIS**  
**AUDITOR'S COMMUNICATION TO THE COUNTY BOARD**  
**TABLE OF CONTENTS**

---

	<u>Page(s)</u>
COVER LETTER .....	1
REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE .....	2-9
• Adjusting Journal Entries	
• Passed Adjustments	
MANAGEMENT LETTER.....	10-18
FIRM PROFILE	



1415 W. Diehl Road, Suite 400  
Naperville, Illinois 60563

630.566.8400 // [www.sikich.com](http://www.sikich.com)

Certified Public Accountants & Advisors  
Members of American Institute of Certified Public Accountants

May 14, 2014

The Honorable Chairman  
Members of the County Board  
DeKalb County  
250 North Main Street  
Sycamore, Illinois 60178

Ladies and Gentlemen:

As part of our audit process we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by audit standards. Our communication at the beginning of our audit process along with our questionnaire regarding consideration of fraud in a financial statement audit was sent to you on December 2, 2013.

In addition, auditing standards require the communication of internal control related matters to those charged with governance. Our management letter, as well as a listing of future pronouncements that may affect the County, are enclosed within this document.

This information is intended solely for the use of the Chairman, Members of the County Board, and management of DeKalb County and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Fred Lantz'.

Sikich LLP  
By: Frederick G. Lantz, CPA  
Partner-in-Charge, Government Services



1415 W. Diehl Road, Suite 400  
Naperville, Illinois 60563

630.566.8400 // [www.sikich.com](http://www.sikich.com)

Certified Public Accountants & Advisors  
Members of American Institute of Certified Public Accountants

May 14, 2014

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

We have audited 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, (the County) for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 11, 2013. Professional standards also require that we communicate to you the following information related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by DeKalb County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2013. We noted no transactions entered into by the County for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates we noted during our audit related to the County's disclosure related to pending litigation.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole, with the exception of AJE#01-02, AJE#06, AJE#08 and AJE#11 on the attached schedule.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 14, 2014.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

DeKalb County, Illinois  
May 14, 2014

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the DeKalb County Board and management of DeKalb County and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the courtesies extended to us by the County. If you have any questions regarding the purpose of this letter or the requirement mentioned, please contact us.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. Lantz".

Sikich LLP

By: Frederick G. Lantz, CPA

Partner-in-Charge, Government Services

**DeKalb County**  
**Year End: December 31, 2013**  
**Adjusting Journal Entries**  
**Date: 1/1/2013 To 12/31/2013**

Number	Date	Name	Account No	Debit	Credit
AJE#01	12/31/2013	CASH & INVESTMENTS	1111-1000.1 D-1111	85,609.42	
AJE#01	12/31/2013	ACCOUNTS RECEIVABLE	1111-1000.600 D-1111		85,609.42
		To property include income tax deposit received in FY13 classified as receivable.			
AJE#02	12/31/2013	ACCOUNTS RECEIVABLE	1232-1000.600 D-1232	108,033.51	
AJE#02	12/31/2013	CONT.FR:FED. HWY. MATCH.	1232-3520.5925 D-1232		108,033.51
		To correct transfers between Engineering and Federal Highway Matching			
AJE#03	12/31/2013	RESTRICTED CASH	1221-1000.560 D-1221	12,530.85	
AJE#03	12/31/2013	ADMINISTRATIVE FEES	1221-5390.4502 D-1221		13,501.50
AJE#03	12/31/2013	INTEREST	1221-5390.5501 D-1221		77.90
AJE#03	12/31/2013	CIRC CLK OPERATN & ADMIN PROFESSION	1221-5390.8051 D-1221	1,048.55	
		To update activity for CC Operations & Administration account			
AJE#04	12/31/2013	DEFERRED REVENUES	2601-1000.1122 D-2601	61,334.95	
AJE#04	12/31/2013	EMPLOYER-MED HEALTH PREM	2601-5250.4903 D-2601		61,067.50
AJE#04	12/31/2013	EMPLOYER-LIFE PREMIUM	2601-5250.4904 D-2601		267.45
		To reclassify prepaid health and life ins			
AJE#05	12/31/2013	COMPENSATE ABSENCES-PAYBL	2501-1000.1200 D-2501		2,548.00
AJE#05	12/31/2013	COMPENSATE ABSENCES-PAYBL	2501-1000.1200 D-2501	4,861.00	
AJE#05	12/31/2013	COMP.AB.-PAYABLE L.T.	2501-1000.1210 D-2501		10,193.00
AJE#05	12/31/2013	COMP.AB.-PAYABLE L.T.	2501-1000.1210 D-2501	19,443.00	
AJE#05	12/31/2013	NURSING-REHABILITATION SALARIES	2501-3840.6005 D-2501	1,876.00	
AJE#05	12/31/2013	NURSING-REHABILITATION SALARIES	2501-3840.6005 D-2501	1,032.00	
AJE#05	12/31/2013	NURSING-SOCIAL SERVICES SALARIES	2501-3860.6005 D-2501		261.00
AJE#05	12/31/2013	NURSING-SOCIAL SERVICES SALARIES	2501-3860.6005 D-2501		409.00
AJE#05	12/31/2013	NURSING-PATIENT ACTIVITY SALARIES	2501-3870.6005 D-2501	709.00	
AJE#05	12/31/2013	NURSING-PATIENT ACTIVITY SALARIES	2501-3870.6005 D-2501		2,585.00
AJE#05	12/31/2013	NURSING-DIETARY SALARIES	2501-3880.6005 D-2501	4,259.00	
AJE#05	12/31/2013	NURSING-DIETARY SALARIES	2501-3880.6005 D-2501	522.00	
AJE#05	12/31/2013	SPECIAL CARE UNIT SALARIES	2501-3930.6005 D-2501		9,735.00
AJE#05	12/31/2013	SPECIAL CARE UNIT SALARIES	2501-3930.6005 D-2501		1,640.00
AJE#05	12/31/2013	NURSING-NURSING SALARIES	2501-3950.6005 D-2501	10,676.00	
AJE#05	12/31/2013	NURSING-NURSING SALARIES	2501-3950.6005 D-2501		19,652.00
AJE#05	12/31/2013	NURSING-ENVIRONMENTAL SER SALARIES	2501-3960.6005 D-2501	6,915.00	
AJE#05	12/31/2013	NURSING-ENVIRONMENTAL SER SALARIES	2501-3960.6005 D-2501		3,029.00
AJE#05	12/31/2013	NURSING-MAINTENANCE SALARIES	2501-3970.6005 D-2501		692.00
AJE#05	12/31/2013	NURSING-MAINTENANCE SALARIES	2501-3970.6005 D-2501	273.00	

AJE#05	12/31/2013	NURSING-ADMINISTRATION SALARIES	2501-3980.6005 D-2501		1,006.00
AJE#05	12/31/2013	NURSING-ADMINISTRATION SALARIES	2501-3980.6005 D-2501	1,184.00	
AJE#05	12/31/2013	COMP.AB. PAYABLE-GENERAL	4901-1000.1201 D-4901	16,075.00	
AJE#05	12/31/2013	COMP.AB. PAYABLE-GENERAL	4901-1000.1201 D-4901		22,651.00
AJE#05	12/31/2013	LTD COMPENSATED ABSENCES GENERAL GO	4901-6520.9171 D-4901	66,529.00	
AJE#05	12/31/2013	LTD COMPENSATED ABSENCES GENERAL GO	4901-6520.9171 D-4901		64,772.00
AJE#05	12/31/2013	LTD COMPENSATED ABSENCES PUBLIC SAF	4901-6520.9172 D-4901		16,075.00
AJE#05	12/31/2013	LTD COMPENSATED ABSENCES PUBLIC SAF	4901-6520.9172 D-4901	22,651.00	
AJE#05	12/31/2013	LTD COMPENSATED ABSENCES PUBLIC SAF	4901-6520.9172 D-4901	64,772.00	
AJE#05	12/31/2013	LTD COMPENSATED ABSENCES HEALTH & W	4901-6520.9174 D-4901		66,529.00

To correct compensated absences.

---

AJE#06	12/31/2013	GRANTS RECEIVABLE	1111-1000.615 D-1111	119,960.63	
AJE#06	12/31/2013	ACCOUNTS PAYABLE	1111-1000.1100 D-1111		119,960.63
AJE#06	12/31/2013	NON-DEPARTMENTAL SERVICES VAC PASS-	1111-1290.8207 D-1111	119,960.63	
AJE#06	12/31/2013	5311 VAC GRANT	1111-5311.4010 D-1111		119,960.63

To record additional AP related  
to VAC grant (4th quarter 2013 federal grant); and record related receivable.

---

AJE#07	12/31/2013	SCAAP GRANT	3803-2660.4153 D-3803		16,481.57
AJE#07	12/31/2013	LAW ENFORCEMENT PROJECTS RESTRICTED	3803-2660.8235 D-3803	16,481.57	

To recognize the SCAAP grant  
revenue for 2013 (deferred revenue had been reduced but County reduced expense instead  
of recognizing revenue) - see client aje 20130372

---

AJE#08	12/31/2013	ACCOUNTS RECEIVABLE	1111-1000.600 D-1111	28,570.25	
AJE#08	12/31/2013	UNASSIGNED FUND BALANCE	1111-1000.2296 D-1111		405,500.00
AJE#08	12/31/2013	SALES TAX (1¢)	1111-1290.3321 D-1111		7,072.98
AJE#08	12/31/2013	SALES TAX (1¢)	1111-1290.3321 D-1111		95.46
AJE#08	12/31/2013	SALES TAX (1¢)	1111-1290.3321 D-1111	22,595.46	
AJE#08	12/31/2013	SALES TAX (0.25¢)	1111-1290.3322 D-1111		21,497.27
AJE#08	12/31/2013	SALES TAX (0.25¢)	1111-1290.3322 D-1111	101,178.49	
AJE#08	12/31/2013	SALES TAX (0.25¢)	1111-1290.3322 D-1111	260,821.51	
AJE#08	12/31/2013	LOCAL USE TAX	1111-1290.3324 D-1111	21,000.00	
AJE#08	12/31/2013	LOCAL USE TAX	1111-1290.3324 D-1111		
AJE#08	12/31/2013	LOCAL USE TAX	1111-1290.3324 D-1111		

To correct state tax revenues  
(update to current year receivable portion is PBC)

---

AJE#09	12/31/2013	CASH & INVESTMENTS	2501-1000.1 D-2501	14,090.51	
AJE#09	12/31/2013	MEDICAID (IPA)	2501-3980.4201 D-2501		14,090.51

To record IL Funds for Nursing  
Home that had balance at 12/31/2013 but was not included in the GL totals

---

AJE#10	12/31/2013	ACCOUNTS RECEIVABLE	1213-1000.600 D-1213		24,000.00
AJE#10	12/31/2013	ACCOUNTS RECEIVABLE	1475-1000.600 D-1475		77,500.00

AJE#10	12/31/2013	ACCOUNTS RECEIVABLE	1501-1000.600 D-1501	60,000.00	
AJE#10	12/31/2013	ACCOUNTS RECEIVABLE	1505-1000.600 D-1505		
AJE#10	12/31/2013	CITY OF DEKALB	1213-5210.4451 D-1213	24,000.00	
AJE#10	12/31/2013	CITY OF DEKALB	1475-5288.4451 D-1475	77,500.00	
AJE#10	12/31/2013	CITY OF DEKALB	1501-5710.4451 D-1501		60,000.00

To adjust receivables for IGA with  
City of DeKalb

---

AJE#11	12/31/2013	LAND IMPROVEMENTS	4902-1000.920 D-4902	1,352,902.00	
AJE#11	12/31/2013	CONTRIBUTION-FIXED ASSET	4902-6540.5703 D-4902		1,352,902.00

To record current year in-kind  
contribution of broadband fiber.

---

AJE#12	12/31/2013	GRANTS RECEIVABLE	1243-1000.615 D-1243	23,485.45	
AJE#12	12/31/2013	GRANTS RECEIVABLE	1243-1000.615 D-1243	11,277.50	
AJE#12	12/31/2013	FEDERAL GRANT	1243-4410.4011 D-1243		23,485.45
AJE#12	12/31/2013	STATE GRANT	1243-4410.4101 D-1243		11,277.50

To record A/R on federal community  
services grants p/d/w Jess Collins.

---

AJE#13	12/31/2013	GRANTS RECEIVABLE	1111-1000.615 D-1111	52,081.71	
AJE#13	12/31/2013	ACCOUNTS PAYABLE	1111-1000.1100 D-1111		52,081.71
AJE#13	12/31/2013	planning and zoning iepa watershed grant	1111-1710.4003 D-1111		52,081.71
AJE#13	12/31/2013	FEDERAL GRANT - CAPITAL - GENERAL GOVERNMENT	1111-1710.7003 D-1111	52,081.71	

To record AR and revenue for IEPA  
Federal Watershed grant for expenditures incurred in 2013.

---





**DEKALB COUNTY, ILLINOIS**

**MANAGEMENT LETTER**

December 31, 2013



630.566.8400 // www.sikich.com

1415 W. Diehl Road, Suite 400  
Naperville, Illinois 60563

Certified Public Accountants & Advisors  
Members of American Institute of Certified Public Accountants

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

In planning and performing our audit 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 (the County) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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. In addition, we reviewed the status of the comments from the December 31, 2012 audit. The status of these comments is included in Appendix A.

This report is intended solely for the information and use of the Chairman, the County Board and the management of the County and is not intended to be and should not be used by anyone other than those intended parties. We are available to discuss any of these comments and to assist in their implementation if requested.

A handwritten signature in cursive script, appearing to read 'M. J. P.', written in dark ink.

Naperville, Illinois  
May 14, 2014

## DEFICIENCIES

### 1. Fraud Risk Assessment

We noted during our review of the County's internal controls that the County does not perform a formalized fraud risk assessment on an annual basis. A fraud risk assessment allows the County to examine fraud risk factors which are events or conditions that indicate the presence of *incentives/pressures* to commit fraud, *opportunities* to carry out the fraud, or *attitudes/rationalizations* to justify the fraud. We recommend that County management and those charged with governance complete an annual fraud risk assessment to identify key risks in internal control.

### 2. Capital Assets

During our testing of Nursing Home capital assets, we noted that the beginning balance of accumulated depreciation on the capital asset rollforward did not match the ending balance of accumulated depreciation reported in the prior year comprehensive annual financial report (CAFR). We recommend that management compare the beginning balance of all asset costs and accumulated depreciation to the trial balance when updating the capital asset rollforward for the subsequent fiscal year.

### 3. Benefit Tracking

We continue to note that paid hours off (PHO) hours and compensatory time for the Clerk of the Circuit Court are tracked outside of the County's general ledger. We continue to recommend that all employees be tracked centrally through the payroll system to improve overall controls over employee benefits and to ensure that all relevant financial information needed is tracked within the County's accounting system.

### 4. Year-End Accruals

During our testing of income taxes, we noted that the November 2013 receipt of income taxes was not properly recorded by the County. Specifically, the amount was not recorded in the County's checking account and was not corrected until January 2014 and was incorrectly recorded as accounts receivable. We recommend that the County review its year-end receivables to be certain that the proper amounts are recorded.

Next, during our testing of interfund transfers, we noted that the Federal Highway Matching Fund had recorded accounts payable and transfer out related to amounts due to the Engineering Fund at year-end.

This amount, however, was not recorded in the Engineering Fund, causing transfers to be out of balance and receivables and transfers in for the Engineering Fund to be understated. We recommend that the County review interfund transfers as part of the year-end close process to ensure that all interfund amounts balance at year-end.

## **DEFICIENCIES (Continued)**

### **4. Year-End Accruals (Continued)**

Last, we noted that the amounts recorded as intergovernmental receivables related to the Sales Tax Sharing Agreement with the City of DeKalb were not properly recorded at year-end. Due to certain changes in the reporting of sales tax information by the State of Illinois, the County attempted to estimate amounts due from the City at year-end. During our audit of these amounts, we proposed adjustments, which were reviewed, approved, and posted by the County to correct the amounts of receivable recorded to recognize 12 months of sales tax sharing revenue.

### **5. Grant Revenues**

During our testing of the State Criminal Alien Assistance Program (SCAAP) grant revenues in the DUI Fund, we noted that certain revenue and expenditures related to the grant had been recorded at net amounts rather than gross amounts. We recommend that grants be recorded using gross amounts and the matching principle where revenues are recognized to the extent of qualifying grant expenditures incurred.

### **6. Risk Management**

We noted during our testing of the County's risk financing activities that there is not a standard process in place for estimating any potential general liabilities faced by the County. As the County is self-insured against general liabilities, it is imperative that the County have a procedure in place to estimate any potential liabilities as part of the year-end process. The current process for identification of a potential liability is reliant on the annual audit letter provided by the State's Attorney's office. We recommend the County consider implementing a formal process for tracking general liability claims or that the County considers utilizing a third party administrator (as is the case for workers' compensation) to track these claims.

### **7. Budget**

We noted during our review of the budget for the Nursing Home that certain costs (i.e. health insurance) are allocated based on actual costs and charged to individual departments, however, the budget is not prepared in the same manner and many costs are all budgeted in one department (i.e. administration). This type of budgeting does not allow for meaningful budgetary comparison and analysis on an individual department level. We recommend the Nursing Home review its budgetary process to allocate budgetary amounts in a manner similar to the allocation of actual costs.

## OTHER COMMENTS

### 1. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued a number of pronouncements that will impact the County in the future.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Statement No. 67 is applicable for the fiscal year December 31, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). Statement No. 68 is applicable for the fiscal year ending December 31, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Statement No. 69 is applicable for the fiscal year ending December 31, 2014.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Guarantees*, is intended to enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also intends to enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees and augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. Statement No. 70 is applicable for the fiscal year ending December 31, 2014.

## **OTHER COMMENTS (Continued)**

### **1. Future Accounting Pronouncements (Continued)**

GASB Statement No. 71, *Pension Transition for Contributions, Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, this requires that the government recognize its contribution as a deferred outflow of resources. Statement No. 71 is to be implemented simultaneously with GASB S-68.

**APPENDIX A**  
**STATUS OF COMMENTS FROM DECEMBER 31, 2012**

**DEFICIENCIES**

**1. Internal Controls**

During our testing of internal control, we noted certain opportunities for the County to strengthen internal controls over certain processes and transactions.

Segregation of duties is a critical component of any organization's internal control structure. During our review of the internal controls over cash and investments, we noted that the same individual is responsible for preparing the deposit slip, taking the deposit to the bank, and preparing the bank reconciliation for the majority of the County's bank accounts. We recommended that the County segregate these duties to separate the custody, authorization, and recordkeeping functions. Additionally, we noted that there is no formal process in place for the review or approval of wire transfers. We recommend the County institute a formal wire transfer review policy. We also noted that the blank check stock for the County is stored in an unlocked cabinet and anyone who knows the location has access to the stock. We recommend the County consider keeping the blank check stock in a locked cabinet and limit access to those individuals responsible for processing checks.

During our review of the internal controls over cash disbursements, we noted that all employees with access to the Pentamation system had the ability to add, delete, and edit vendors in the accounting system. While we acknowledge that the system may be able to generate an audit trail related to this activity, there is currently no review of this information occurring on a regular basis. We recommend that the County limit system access to the appropriate personnel and institute a formal review process for any changes made to vendors within the accounting system.

**Status** - Comment partially implemented at December 31, 2013. The comment related to segregation of duties is still considered applicable at December 31, 2013.

**2. Year-End Accruals**

During our testing of the County's liability for accrued payroll, we noted that the County had not accrued the payroll for the period ended January 4, 2013, of which the entire payroll related to fiscal year 2012. We proposed a journal entry, which the County reviewed, approved, and posted to record the additional liability. We recommend that the County review its liability for accrued payroll as part of the year-end close process to ensure that all amounts are properly accrued to the correct fiscal period.

During our testing of state income tax receipts, we noted that the County did not record the December 2012 voucher month for state income tax as a receivable and revenue on the general ledger. We proposed a journal entry, which the County reviewed, approved, and posted to record these amounts.

## **DEFICIENCIES (Continued)**

### **2. Year-End Accruals (Continued)**

We recommend the County review significant state revenues as part of the year-end close process to include all amounts required to be recognized under Governmental Accounting Standards Board Statement No. 33.

**Status** - Comment considered partially implemented at December 31, 2013. While the specific items noted in the comment above were implemented during fiscal year 2013, we identified other year-end accrual adjustments that are noted in current year deficiency #5.

### **3. Broadband Grant**

During our testing of the Broadband Grant, we noted that a voided check had been incorrectly posted to the general ledger causing cash and accounts receivable to be understated. Additionally, the accounts payable, accounts receivable, and unearned revenues associated with the Broadband Grant had not been adjusted from the prior year balances. We proposed journal entries which the County has reviewed, approved, and posted to correct the balances at year-end.

**Status** - Comment considered implemented at December 31, 2013.

### **4. Community Services**

During our testing of the Community Services federal grants, we noted that duplicate revenues and related expenditures had been recorded in the federal grant accounts. Based on discussions with Community Services personnel, it was determined that the intent had been to transfer funds between bank accounts, however, duplicate amounts were inadvertently posted to the revenue and expenditure accounts. We proposed journal entries which the County has reviewed and approved to correct the balances at year-end. We also proposed additional journal entries which the County reviewed, approved, and posted to adjust the amount of grant revenue and accounts receivable to match the amount of expenditures incurred for fiscal year 2012.

We also noted that the Community Services department has an emergency assistance checking account; however, the County did not record all of the 2012 transactions in this account, and has not reconciled the ending cash balance to the general ledger. This resulted in an immaterial overstatement of cash on the County's general ledger. We recommend the activity be provided to the Finance Department monthly so that all transactions are recorded properly in the correct period.

**Status** - Comment still applicable at December 31, 2013.

During our testing of capital assets at the Nursing Home, we noted that certain items below the capitalization threshold were being capitalized in the Nursing Home capital asset records. We recommend that only assets above the Nursing Home capitalization threshold of \$500 are capitalized.

## DEFICIENCIES (Continued)

### 5. Capital Assets

While performing our testing of capital assets and expenditures, we noted that the County does not perform year end inventories of equipment and/or vehicles to verify existence. We recommend the County perform annual inventories of at least vehicles and equipment to ensure listed assets are still in the County's possession.

**Status** - Comment still applicable at December 31, 2013, however, we noted that the County completed an inventory of vehicles and equipment in February 2014.

### 6. General Capital Asset Account Group

We noted that the opening trial balances in the General Capital Asset Account Group did not agree to the prior year audited financial statement balances due to how various audit entries are flowing through the fund. We recommend reviewing the trial balance in the account group to ensure that balances accurately reflect amounts recorded on the County's capital asset spreadsheets and comprehensive annual financial report.

**Status** - Comment considered implemented at December 31, 2013.

### 7. Information Technology Systems

During our review of the County's information technology (IT) systems we noted that County Information Management Office (IMO) department provides IT services to a broad class of constituents who have the ability to dictate service level expectations to the IMO department. These constituent offices or organizations also have the ability to solicit and obtain 3<sup>rd</sup> party hardware and software solution vendors, some of which may install and maintain software that resides on the IMO production servers. Service agreements between constituents and 3<sup>rd</sup> party vendors allow access to the IMO maintained infrastructure which is viewed as a risk to the organization. All access to the County's systems and infrastructure should be controlled and monitored by the IMO team.

The current organizational structure does not lend itself towards a defined, accountable group that can effectively secure the infrastructure and systems. It is recognized that the present organizational model at the County has functioned well heretofore. However, the threat landscape continues to grow. The County should consider a more rigid systems and security policy that each constituent office using the shared infrastructure adheres to in order to maintain adequate security levels.

We recommend that the County create a country-wide strategic technology plan that incorporates policies and procedures to which all agencies utilizing the IMO shared infrastructure will accept and conform. This framework, once implemented, will allow IMO to offer improved services, reduced risks, and improved security.

**Status** - Comment considered implemented at December 31, 2013.

# Sikich Snapshot

## Organization

Sikich is a dynamic accounting, advisory, investment banking, technology and managed services firm with nearly 600 employees throughout the country. Founded in 1982, we are now one of the country's Top 40 largest CPA firms and among the top 1% of all enterprise resource planning solution partners in the world.

## Industries

Sikich provides services and solutions to a wide range of industries. We have devoted substantial resources to develop a significant base of expertise and experience in:

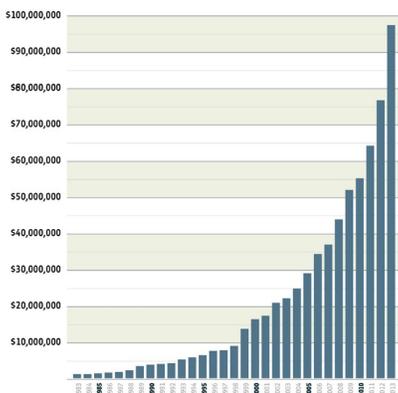
- › Agriculture
- › Construction
- › Government
- › Health Care
- › Higher Education
- › Manufacturing & Distribution
- › Not-for-Profit
- › Oilfield Services
- › Professional Services
- › Real Estate
- › Retail

## Statistics

2013 Revenues .....	\$97M
Total Partners .....	88
Total Employees .....	491
Total Personnel .....	579

Personnel count as of Dec. 31, 2013

## Sikich Total Revenues



## Awards

- › *Inc.* Magazine's Inc. 500|5000: ranked 4,627th fastest-growing private company nationally, 2013
- › *Accounting Today* Top 100 Firms: ranked 40th nationally, 2013
- › *Accounting Today* Regional Leaders – Top Firms: Great Lakes: ranked 6th, 2013
- › *Crain's Chicago Business* Fast Fifty: ranked 49th, 2013
- › *INSIDE Public Accounting* Top 50 Largest Accounting Firms: ranked 41st nationally, 2013
- › *Accounting Today* Top 100 Value Added Reseller: ranked 11th, 2013
- › Best Places to Work in Indiana, 2013
- › Best Places to Work in Illinois, 2013
- › Bob Scott's Top 100 Value Added Reseller: ranked 12th, 2013
- › *Daily Herald Business Ledger* Book of Lists: ranked 5th, "Accounting Firms;" Chicago Western Suburbs, 2013
- › Alfred P. Sloan Award for Excellence in Workplace Effectiveness & Flexibility, 2013
- › *Bob Scott's Insights* Value Added Reseller Stars, 2013
- › *Springfield Business Journal* Book of Lists: ranked 1st, "Accounting Firms;" Springfield, Illinois, 2013
- › *Chicago Tribune's* Chicago's Top Workplaces, 2013
- › *Crain's Chicago Business* Top 25 Firms: ranked 12th in Chicagoland, 2012
- › Top 50 Chicago Generation Y Employers, ranked 35th, 2012
- › American Graphic Design Awards, 2012
- › Microsoft Dynamics Inner Circle and President's Club, 2012

## SERVICES

- › Accounting & Assurance
- › Business Valuation
- › Dispute Advisory
- › ERP & CRM Software
- › Human Resources Consulting
- › Insurance Services
- › Investment Banking & Corporate Finance
- › IT Services
- › Marketing & Public Relations
- › Retirement Planning
- › Supply Chain
- › Talent Acquisition
- › Tax Planning
- › Wealth Management



877.279.1900 | info@sikich.com  
www.sikich.com

## Certifications

All professional accounting staff with more than one year of experience have earned or are working toward earning the Certified Public Accountant designation. Sikich is a member of the American Institute of Certified Public Accountants' Governmental Audit Quality Center and the Employee Benefit Plan Audit Quality Center. We adhere to the strict requirements of membership which assure we meet the highest standards of audit quality. In 2011, Sikich LLP received its 8th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.



**Microsoft** Partner

Gold Enterprise Resource Planning

## Microsoft Partner

Sikich has earned a Microsoft ERP Gold competency; ranked among the top 1% of all Microsoft Dynamics partners worldwide; and carries the following certifications:

- ▶ Microsoft Small Business Specialist
- ▶ MCP (Microsoft Certified Professional)
- ▶ MCSE (Microsoft Certified System Engineer)
- ▶ CCNA (Cisco Certified Network Associate)
- ▶ CCDA (Certified Cisco Design Associate)
- ▶ CCEA (Citrix Certified Enterprise Administrator)
- ▶ MRMS (Microsoft Retail Management Systems)
- ▶ CISA (Certified Information Systems Auditor)
- ▶ CNE (Certified Novell Engineer)
- ▶ MS CSM (Microsoft Customer Service Manager)
- ▶ MS CAE (Microsoft Certified Account Executive)
- ▶ MCDBA (Microsoft Certified Database Admin.)



leading edge alliance  
innovation • quality • excellence

## Sikich is proud to be part of the Leading Edge Alliance

The Leading Edge Alliance (LEA) is the second largest international association of independent accounting firms.\* The LEA is an international professional association of independently-owned accounting and consulting firms. Members are top quality firms who share an entrepreneurial spirit and a drive to be the premier provider of professional services in their chosen markets. The Alliance provides Sikich with an unbeatable combination: the comprehensive size and scope of a large multinational company while offering their clients the continuity, consistency, and quality service of a local firm.

*\*International Accounting Bulletin, 2011*



## Sikich is proud to be part of PrimeGlobal

PrimeGlobal is the third largest association of independent accounting firms in the world, providing a wide range of tools and resources to help member firms furnish superior accounting, auditing, and management services to clients around the globe.

*Securities are offered through Sikich Corporate Finance LLC, a registered broker dealer with the Securities and Exchange Commissions and a member of FINRA/SIPC. Advisory services offered through Sikich Financial, a Registered Investment Advisor. General securities offered through Triad Advisors, Member FINRA/SIPC. Triad Advisors and Sikich Financial are not affiliated.*

## LOCATIONS:

### Corporate Office

1415 W. Diehl Rd., Suite 400  
Naperville, IL 60563  
(630) 566-8400

### Chicago – Monroe Street

(312) 541-9300

### Chicago – Wacker Drive

(312) 648-6666

### Decatur, IL

(217) 423-6000

### Denver, CO

(720) 200-0142

### Houston, TX

(832) 831-3549

### Indianapolis, IN

(317) 842-4466

### Milwaukee, WI

(262) 754-9400

### Rockford, IL

(815) 282-6565

### Springfield, IL

(217) 793-3363

### St. Louis, MO

(314) 275-7277

## CONNECT WITH US:



[www.sikich.com/blog](http://www.sikich.com/blog)



877.279.1900 | [info@sikich.com](mailto:info@sikich.com)  
[www.sikich.com](http://www.sikich.com)