

DEKALB COUNTY, ILLINOIS

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

For the Year Ended
December 31, 2014



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

	<u>Page(s)</u>
COVER LETTER	1
REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE	2-11
• Adjusting Journal Entries	
• Passed Adjustments	
COMMUNICATION OF DEFICIENCIES IN INTERNAL CONTROL AND OTHER COMMENTS TO MANAGEMENT	12-17
FIRM PROFILE	



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

630.566.8400 // www.sikich.com

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

July 20, 2015

The Honorable Chairman
Members of the County Board
and Management
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 Auditing 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 30, 2014.

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, Member of the County and Board, and management of the 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 'F. 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

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

July 20, 2015

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, 2014. 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 14, 2014. 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. 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, 2014. 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.

Certain financial statement disclosures are particularly sensitive because of their significant to financial statement users. We noted no particularly sensitive financial statement disclosures made by management during our audit of the financial statements.

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. With the exception of the adjusting journal entries labeled AJE#01-AJE#02 and AJE#05-AJE#06 on the attached schedule, 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.

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 July 20, 2015.

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 County'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 County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance for the General Fund and major special revenue fund, Schedule of Funding Progress, Schedule of Employer Contributions, and other required supplementary information, which are required supplementary information (RSI)

DeKalb County, Illinois
July 20, 2015

that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the combining and individual fund financial statements and schedules and the supplementary information listed in the table of contents that accompanies the basic 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 basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory section or the statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Chairman, Member of the County and Board, and management of the 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,



Sikich LLP

By: Frederick G. Lantz, CPA

Partner-in-Charge, Government Services

DeKalb County

Year End: December 31, 2014

Adjusting Journal Entries

Date: 1/1/2014 To 12/31/2014

Number	Date	Name	Account No	Debit	Credit
AJE#01	12/31/2014	BONDS PAYABLE	4901-1000.1133 D-4901	758,750.00	
AJE#01	12/31/2014	INTEREST PAYABLE	4901-1000.1138 D-4901	1,168.93	
AJE#01	12/31/2014	PREMIUM ON 2005 BONDS	4901-1000.1143 D-4901	4,436.26	
AJE#01	12/31/2014	LTD COMPENSATED ABSENCES PRINCIPAL	4901-6520.7901 D-4901		(758,750.00)
AJE#01	12/31/2014	LTD COMPENSATED ABSENCES INTEREST E	4901-6520.7905 D-4901		(1,168.93)
AJE#01	12/31/2014	LTD COMPENSATED ABSENCES AMORTIZATI	4901-6520.7923 D-4901		(4,436.26)
To adjust GLTDAG for 2014 activity for conversions					
AJE#02	12/31/2014	COUNTY MOTOR FUEL TAX ROADS-MAJOR R	1234-3540.7202 D-1234		(156,796.75)
AJE#02	12/31/2014	CONT TO: FEDERAL HIGHWAY MATCHING	1234-3540.9929 D-1234	156,796.75	
AJE#02	12/31/2014	ACCOUNTS PAYABLE	1235-1000.1100 D-1235	156,796.75	
AJE#02	12/31/2014	CONT FROM: COUNTY MFT	1235-3550.5924 D-1235		(156,796.75)
To record FHM and County MFT in correct funds					
AJE#03	12/31/2014	ACCUM DEPRECIAT-BUILDINGS	4905-1000.911 D-4905		(17,425.00)
AJE#03	12/31/2014	ACC-DEP - LAND IMPROVEMEN	4905-1000.921 D-4905		(36,042.00)
AJE#03	12/31/2014	ACCUM DEPRECIAT EQUIPMENT	4905-1000.931 D-4905		(11,012.00)
AJE#03	12/31/2014	VEHICLES	4905-1000.940 D-4905	16,909.00	
AJE#03	12/31/2014	VEHICLES	4905-1000.940 D-4905		(22,792.00)
AJE#03	12/31/2014	ACCUM DEPRECIAT-VEHICLES	4905-1000.941 D-4905	22,792.00	
AJE#03	12/31/2014	ACCUM DEPRECIAT-VEHICLES	4905-1000.941 D-4905		(28,897.00)
AJE#03	12/31/2014	GFAAG FOREST PRESERVE DEPRECIATION	4905-6570.7735 D-4905	93,376.00	
AJE#03	12/31/2014	GFAAG FOREST PRESERVE F.A. REC & CU	4905-6570.7786 D-4905		(16,909.00)
To record Forest Preserve District fixed asset activity.					
AJE#04	12/31/2014	PROPERTY TAXES RECEIVABLE	1242-1000.605 D-1242	10,000.00	
AJE#04	12/31/2014	PROPERTY TAXES RECEIVABLE	1245-1000.605 D-1245		(10,000.00)
AJE#04	12/31/2014	DEFERRED PROPERTY TAXES	1242-1000.1120 D-1242		(10,000.00)
AJE#04	12/31/2014	DEFERRED PROPERTY TAXES	1245-1000.1120 D-1245	10,000.00	
To adjust property tax receivables/deferred revenues to the amounts levied in Ordinance 2014-13.					
AJE#05	12/31/2014	ACCUM DEPRECIAT-BUILDINGS	4902-1000.911 D-4902		(6,082.00)
AJE#05	12/31/2014	ACCUM DEPRECIAT-BUILDINGS	4902-1000.911 D-4902		(7,184.00)
AJE#05	12/31/2014	ACC-DEP - LAND IMPROVEMEN	4902-1000.921 D-4902		(688,505.00)
AJE#05	12/31/2014	ACCUM DEPRECIAT EQUIPMENT	4902-1000.931 D-4902		(7,119.00)
AJE#05	12/31/2014	ACCUM DEPRECIAT EQUIPMENT	4902-1000.931 D-4902		(12,031.00)
AJE#05	12/31/2014	ACCUM DEPRECIAT EQUIPMENT	4902-1000.931 D-4902		(4,200.00)
AJE#05	12/31/2014	ACCUM DEPRECIAT-VEHICLES	4902-1000.941 D-4902		(23,007.00)
AJE#05	12/31/2014	FIXED ASSETS COUNTY/PBC DEPRECIATIO	4902-6540.7730 D-4902	701,706.00	
AJE#05	12/31/2014	FIXED ASSETS COUNTY/PBC DEPRECIATIO	4902-6540.7731 D-4902	19,215.00	
AJE#05	12/31/2014	FIXED ASSETS COUNTY/PBC DEPRECIATIO	4902-6540.7734 D-4902	27,207.00	
To record additional depreciation for FY13 fixed asset additions (not included in initial depreciation report provided).					

Number	Date	Name	Account No	Debit	Credit
AJE#06	12/31/2014	ACCOUNTS RECEIVABLE	1111-1000.600 D-1111		(29,668.44)
AJE#06	12/31/2014	ACCOUNTS RECEIVABLE	1111-1000.600 D-1111		(418,635.78)
AJE#06	12/31/2014	SALES TAX (1.%)	1111-1290.3321 D-1111	29,668.44	
AJE#06	12/31/2014	SALES TAX (0.25%)	1111-1290.3322 D-1111	418,635.78	

To reverse out the sales tax receivables from FY13.

AJE#07	12/31/2014	COMPENSATE ABSENCES-PAYBL	2501-1000.1200 D-2501		(2,993.00)
AJE#07	12/31/2014	COMP.AB.-PAYABLE L.T.	2501-1000.1210 D-2501		(11,968.00)
AJE#07	12/31/2014	NURSING-REHABILITATION SALARIES	2501-3840.6005 D-2501	2,830.00	
AJE#07	12/31/2014	NURSING-SOCIAL SERVICES SALARIES	2501-3860.6005 D-2501		(171.00)
AJE#07	12/31/2014	NURSING-PATIENT ACTIVITY SALARIES	2501-3870.6005 D-2501		(303.00)
AJE#07	12/31/2014	NURSING-DIETARY SALARIES	2501-3880.6005 D-2501	564.00	
AJE#07	12/31/2014	SPECIAL CARE UNIT SALARIES	2501-3930.6005 D-2501	406.00	
AJE#07	12/31/2014	NURSING-NURSING SALARIES	2501-3950.6005 D-2501	14,456.00	
AJE#07	12/31/2014	NURSING-ENVIRONMENTAL SER SALARIES	2501-3960.6005 D-2501	1,392.00	
AJE#07	12/31/2014	NURSING-MAINTENANCE SALARIES	2501-3970.6005 D-2501		(5,155.00)
AJE#07	12/31/2014	NURSING-ADMINISTRATION SALARIES	2501-3980.6005 D-2501	942.00	
AJE#07	12/31/2014	COMP.AB. PAYABLE-GENERAL	4901-1000.1201 D-4901		(37,405.00)
AJE#07	12/31/2014	COMP ABS PAYABLE-VETS COM	4901-1000.1213 D-4901	198.00	
AJE#07	12/31/2014	COMP.AB.PAYABLE-MICROGRAP	4901-1000.1214 D-4901		(925.00)
AJE#07	12/31/2014	COMP.AB. PAYABLE-HIGHWAY	4901-1000.1222 D-4901	12,942.00	
AJE#07	12/31/2014	COMP.AB. PAYABLE-HEALTH	4901-1000.1227 D-4901	1,162.00	
AJE#07	12/31/2014	COMP.AB. PAYBL-MNTL.HEALTH	4901-1000.1228 D-4901		(303.00)
AJE#07	12/31/2014	COMP.AB. PAYBL-CT SECURITY	4901-1000.1229 D-4901		(314.00)
AJE#07	12/31/2014	COMP.AB. PAYBL-COMM. SRVC	4901-1000.1242 D-4901		(1,714.00)
AJE#07	12/31/2014	COMP ABS PAYBL - DOC STOR	4901-1000.1243 D-4901		(227.00)
AJE#07	12/31/2014	COMP ABS PAYBL - CT AUTO	4901-1000.1244 D-4901	7,669.00	
AJE#07	12/31/2014	COMP ABS PAY, SOLID WASTE	4901-1000.1247 D-4901	14,973.47	
AJE#07	12/31/2014	LTD COMPENSATED ABSENCES GENERAL GO	4901-6520.9171 D-4901		(8,315.00)
AJE#07	12/31/2014	LTD COMPENSATED ABSENCES PUBLIC SAF	4901-6520.9172 D-4901	39,518.00	
AJE#07	12/31/2014	LTD COMPENSATED ABSENCES HIGHWAY CO	4901-6520.9173 D-4901		(12,942.00)
AJE#07	12/31/2014	LTD COMPENSATED ABSENCES HEALTH & W	4901-6520.9174 D-4901		(14,317.47)
AJE#07	12/31/2014	COMP ABS PAY CULTURE/REC	4904-1000.1251 D-4904		(3,801.00)
AJE#07	12/31/2014	FOR. PRES. LONG TERM DEBT CULTURE &	4904-6560.9175 D-4904	3,801.00	

To record compensated absences as of 12/31/14.

AJE#08	12/31/2014	GRANTS RECEIVABLE	1243-1000.615 D-1243		(34,762.95)
AJE#08	12/31/2014	GRANTS RECEIVABLE	1243-1000.615 D-1243	43,856.34	
AJE#08	12/31/2014	FEDERAL GRANT	1243-4410.4011 D-1243	23,485.45	
AJE#08	12/31/2014	FEDERAL GRANT	1243-4410.4011 D-1243	15,257.15	
AJE#08	12/31/2014	FEDERAL GRANT	1243-4410.4011 D-1243		(33,300.34)
AJE#08	12/31/2014	STATE GRANT	1243-4410.4101 D-1243	11,277.50	
AJE#08	12/31/2014	STATE GRANT	1243-4410.4101 D-1243		(10,556.00)
AJE#08	12/31/2014	COMMUNITY ACTION DIRECT ASSIST. PAY	1243-4410.8321 D-1243		(15,257.15)

To adjust CSBG revenue

DEKALB COUNTY

(CLIENT)

NURSING HOME

(OPINION UNIT)

For the Year Ended

12/31/2014

All entries posted as Debit (Credit)

Description	Workpaper Reference	Assets/ Deferred Outflows of Resources	(Liabilities/ Deferred Inflows of Resources)	(Net Position)	Change in Net Position
Current Effect of Prior Period Passed AJE's that have carried forward to Current Period		\$ -	\$ -	\$ -	\$ -
Estimated write-off for change to capitalization threshold		(90,000)	-	90,000	-
Totals		\$ (90,000)	\$ -	\$ 90,000	\$ -

DEKALB COUNTY, ILLINOIS
COMMUNICATION OF DEFICIENCIES
IN INTERNAL CONTROL AND
OTHER COMMENTS TO MANAGEMENT

December 31, 2014



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

630.566.8400 // www.sikich.com

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

**COMMUNICATION OF DEFICIENCIES IN INTERNAL CONTROL
AND OTHER COMMENTS TO MANAGEMENT**

Mr. Gary Hanson, County Administrator
Mr. Peter Stefan, Finance Director
DeKalb County, Illinois

As part of the annual audit, we are required to communicate internal control matters that we classify as significant deficiencies and material weaknesses to those charged with governance. 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 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. 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 County's financial statements will not be prevented, or detected and corrected, on a timely basis.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. In addition, we reviewed the status of the comments from the December 31, 2013 audit. The status of these comments is included in Appendix A. This letter does not affect our report dated July 20, 2015, on the basic financial statements of the County.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Finance Director, Peter Stefan, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

A handwritten signature in dark ink, appearing to read 'A. M. 22P'.

Naperville, Illinois
July 20, 2015

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 also noted that the finance clerk is the backup for opening mail; however, the finance clerk has access to the accounts payable and accounts receivable records. We recommended that the County segregate these duties to separate the custody, authorization, and recordkeeping functions.

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. We recommend that the County limit system access to the appropriate personnel. We also noted that when checks are printed at the Finance Department, there is no formal review process for these checks. We recommend that the County implement a review process in addition to accounting for the sequence of the checks prior to getting the checks stamped with the Treasurer and County Clerk's signatures.

During our review of the internal control over payroll, we noted that employee activity reports are not retained or reviewed on a regular basis, noting changes in payroll information. Also, we noted that the Finance Director only approves the new payroll rates on the claims report and the related spreadsheet verbally. We recommend that management formally review and document in writing any changes and approvals regarding payroll.

With respect to internal controls over cash collections, we noted that the Sheriff's Department does not have any documented procedures for cash receipts. Because cash collections are by nature especially vulnerable to fraud, we recommend that the County formally document procedures and controls for cash collections at the Sheriff's Department.

2. Restricted Cash - Operation and Administrative Fund

During our testing of cash, we noticed that the restricted operation and administrative fund account had not been reconciled to the County's general ledger since July 2014. We recommend that the County reconcile this balance to the general ledger on either a monthly basis or at a minimum, on a quarterly basis.

3. Capital Asset Policy

During our testing of capital assets, we noted that the County's capital asset policy does not currently address intangible assets. We recommend that the County update this policy to include intangible assets and define how the County would assign useful lives to definite lived intangible assets.

APPENDIX A
STATUS OF COMMENTS FROM DECEMBER 31, 2013

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.

Status - Comment still applicable as of December 31, 2014.

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.

Status - Comment substantially implemented as of December 31, 2014. We recommend that the County prepare a rollforward schedule to support the capital asset disclosure for the Nursing Home capital assets.

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.

Status - Comment still applicable as of December 31, 2014.

DEFICIENCIES (Continued)

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.

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.

Status - Comment is considered partially implemented as of December 31, 2014. The receivables in fiscal year 2014 required no audit adjustments. However, interfund transfers required an adjusting journal entry (AJE#02) to record the amount transferred from the County Motor Fuel Tax Fund to the Federal Highway Matching Fund. This transfer was initially recorded as a payable in the Federal Highway Matching Fund and as a reduction in revenues in the County Motor Fuel Tax Fund.

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.

Status - Comment considered implemented as of December 31, 2014.

DEFICIENCIES (Continued)

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.

Status - Comment still applicable as of December 31, 2014.

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.

Status - Comment considered implemented as of December 31, 2014. The County modified the Nursing Home budget process for the fiscal year 2015 budget.