

COUNTY OF MCHENRY, ILLINOIS

REPORT ON FEDERAL AWARDS

For the Year Ended November 30, 2014

COUNTY OF MCHENRY

TABLE OF CONTENTS For the Year Ended November 30, 2014

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3 – 5
Schedule of Expenditures of Federal Awards	6 – 13
Notes to Schedule of Expenditures of Federal Awards	14 – 15
Schedule of Findings and Questioned Costs	16 – 17
Summary Schedule of Prior Audit Findings	18 – 21
Corrective Action Plan	22 – 23

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*

Independent Auditors' Report

To the Honorable Chairman
and Members of the County Board
County of McHenry, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 the County of McHenry, Illinois as of and for the year ended November 30, 2014, and the related notes to the financial statements, which collectively comprise the County of McHenry's basic financial statements and have issued our report thereon dated May 8, 2015. Our report includes a reference to other auditors who audited the financial statements of the Public Building Commission and the Conservation District, as described in our report on the County of McHenry's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Public Building Commission and Conservation District were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of McHenry'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 the County of McHenry's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of McHenry'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.

To the Honorable Chairman
and Members of the County Board
County of McHenry, Illinois

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 the County of McHenry'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.

Baker Tilly Vichow Krause, LLP

Chicago, Illinois
May 8, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

To the Honorable Chairman
and Members of the County Board
County of McHenry, Illinois

Report on Compliance for Each Major Federal Program

We have audited the County of McHenry, 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 the County of McHenry's major federal programs for the year ended November 30, 2014. The County of McHenry's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of McHenry's 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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of McHenry's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of McHenry's compliance.

To the Honorable Chairman
and Members of the County Board
County of McHenry, Illinois

Opinion on Each Major Federal Program

In our opinion, the County of McHenry 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 November 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

County of McHenry's Response to Finding

The County of McHenry's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County of McHenry's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County of McHenry 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 of compliance, we considered the County of McHenry's 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 an 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 the County of McHenry's 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 a 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Chairman
and Members of the County Board
County of McHenry, Illinois

Purpose of this Report

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.

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

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 the County of McHenry, Illinois as of and for the year ended November 30, 2014, and the related notes to the financial statements, which collectively comprise the County of McHenry's basic financial statements. We issued our report thereon dated May 8, 2015, 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. Our report includes a reference to other auditors who audited the financial statements of the Public Building Commission and the Conservation District, as described in our report on the County of McHenry's 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.

Baker Tilly Vuchow Krause, LLP

Chicago, Illinois
June 23, 2015

County of McHenry, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Agency	Grant Number	Program/ Award Amount	Federal Expenditures
U.S. Department of Agriculture					
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC - 2014)	10.557	*	IDHS	FCSSQ01062	\$ 558,443 \$ 338,518
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC - 2015)	10.557	*	IDHS	FCSTQ01062	653,112 239,722
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Breastfeeding Peer Counseling - 2014)	10.557	*	IDHS	FCSSQ01156	31,927 21,516
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Breastfeeding Peer Counseling - 2015)	10.557	*	IDHS	FCSTQ01156	33,500 12,563
Special Supplemental Nutrition Program for Women, Infants, and Children (Noncash Food Instruments - 2014)	10.557	*	IDHS	n/a	- 1,058,653
Special Supplemental Nutrition Program for Women, Infants, and Children (Noncash Food Instruments - 2015)	10.557	*	IDHS	n/a	- 737,453
				10.557 - subtotal	<u>1,276,982</u> <u>2,408,425</u>
WIC Farmers' Market Nutrition Program - 2014	10.572		IDHS	FCSSQ01244	139 84
WIC Farmers' Market Nutrition Program - 2015	10.572		IDHS	FCSTQ01244	1,000 864
				10.572 - subtotal	<u>1,139</u> <u>948</u>
Total U.S. Department of Agriculture					<u>1,278,121</u> <u>2,409,373</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grant (CDBG) - 2012	14.218	*	n/a	B-12-UC-17-0007	1,274,467 37,757
Community Development Block Grant (CDBG) - 2013	14.218	*	n/a	B-13-UC-17-0007	1,327,276 771,571
Community Development Block Grant (CDBG) - 2014	14.218	*	n/a	B-14-UC-17-0007	1,336,311 341,894
Community Development Block Grant (NSP)	14.218	*	n/a	B-08-UN-17-0005	3,085,695 11,166
Community Development Block Grant (NSP) - Program income	14.218	*	n/a	n/a	- 209,047
				14.218 - subtotal	<u>7,023,749</u> <u>1,371,435</u>

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Agency	Grant Number	Program/ Award Amount	Federal Expenditures	
U.S. Department of Housing and Urban Development (Continued)						
Home Investment Partnership Program (HOME) - 2010	14.239	*	n/a	M-10-UC-17-0219	\$ 532,300	\$ 24,147
Home Investment Partnership Program (HOME) - 2011	14.239	*	n/a	M-11-UC-17-0219	478,909	120,083
Home Investment Partnership Program (HOME) - 2012	14.239	*	n/a	M-12-UC-17-0219	422,911	123,472
			14.239 - subtotal		1,434,120	267,702
Continuum of Care Program - 2012	14.267	n/a	IL0525L5T001200	11,088	11,088	
Total U.S. Department of Housing and Urban Development					8,468,957	1,650,225
U.S. Department of Justice						
State Criminal Alien Assistance Program (SCAAP) - 2010	16.606	n/a	n/a	163,531	-	
State Criminal Alien Assistance Program (SCAAP) - 2011	16.606	n/a	n/a	100,820	3,100	
State Criminal Alien Assistance Program (SCAAP) - 2012	16.606	n/a	n/a	88,886	37,188	
State Criminal Alien Assistance Program (SCAAP) - 2013	16.606	n/a	n/a	75,827	-	
State Criminal Alien Assistance Program (SCAAP) - 2014	16.606	n/a	n/a	72,591	-	
			16.606 - subtotal	501,655	40,288	
Drug Court Discretionary Grant Program	16.585	n/a	2011-DC-BX-0024	278,476	82,443	
Edward Byrne Memorial Justice Assistance Grant Program - 2014	16.738	ICJIA	409224	66,715	66,715	
Total U.S. Department of Justice					846,846	189,446
U.S. Department of Labor						
Trade Adjustment Assistance	17.245	IDCEO	12-661002	218,750	163,560	
Trade Adjustment Assistance	17.245	IDCEO	13-661002	33,845	1,861	
			17.245 - subtotal	252,595	165,421	

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Agency	Grant Number	Program/ Award Amount	Federal Expenditures
U.S. Department of Labor (Continued)					
WIA Cluster					
WIA Adult Program - 2012	17.258	*	IDCEO	12-681002	\$ 364,733 \$ 2,750
WIA Adult Program - 2013	17.258	*	IDCEO	13-681002	408,457 380,225
WIA Adult Program - (Incentive Funds)	17.258	*	IDCEO	12-632002	1,146 960
WIA Adult Program - (Program Income - 2013)	17.258	*	IDCEO	n/a	- 14
WIA Adult Program - 2014	17.258	*	IDCEO	14-681002	438,301 136,745
				17.258 - subtotal	1,212,637 520,694
WIA Youth Activities - 2012	17.259		IDCEO	12-681002	571,247 -
WIA Youth Activities - 2013	17.259	*	IDCEO	13-681002	621,529 436,622
WIA Youth Activities - (Incentive Funds)	17.259	*	IDCEO	12-632002	1,743 1,460
WIA Youth Activities - (Program Income - 2013)	17.259	*	IDCEO	n/a	- 21
WIA Youth Activities - 2014	17.259	*	IDCEO	14-681002	671,727 138,386
				17.259 - subtotal	1,866,246 576,489
WIA Dislocated Worker Formula Grant - 2012	17.278		IDCEO	12-681002	793,218 -
WIA Dislocated Worker Formula Grant - 2013	17.278	*	IDCEO	13-681002	773,378 665,149
WIA Dislocated Worker Formula Grant - (Incentive Funds)	17.278	*	IDCEO	12-632002	2,169 1,817
WIA Dislocated Worker Formula Grant - (Program Income - 2013)	17.278	*	IDCEO	n/a	- 27
WIA Dislocated Worker Formula Grant - 2014	17.278	*	IDCEO	14-681002	873,238 167,743
WIA Dislocated Worker Formula Grant - (Trade Case Management)	17.278	*	IDCEO	13-653002	85,872 77,531
WIA Dislocated Worker Formula Grant - (Rapid Response)	17.278	*	IDCEO	13-652002	13,125 5,660
				17.278 - subtotal	2,541,000 917,927
				WIA Cluster - subtotal	5,619,883 2,015,110
WIA National Emergency Grants - (NEG - Dislocated Worker Training)	17.277		IDCEO	13-671002	120,550 80,086

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Agency	Grant Number	Program/ Award Amount	Federal Expenditures
U.S. Department of Labor (Continued)					
Workforce Innovation Fund - (ATIM)	17.283	Will County	ATIM-02	\$ 350,000	\$ 146,348
Total U.S. Department of Labor				6,343,028	2,406,965
U.S. Department of Transportation					
Highway Planning and Construction	20.205	*	IDOT	D-91-122-05	3,757,579
Highway Planning and Construction	20.205	*	IDOT	P-91-106-09	191,520
Highway Planning and Construction	20.205	*	IDOT	D-91-254-09	859,200
Highway Planning and Construction	20.205	*	IDOT	C-91-254-09	872,000
Highway Planning and Construction	20.205	*	IDOT	D-91-072-10	97,300
Highway Planning and Construction	20.205	*	IDOT	P-91-748-10	112,160
Highway Planning and Construction	20.205	*	IDOT	P-91-747-10	192,176
Highway Planning and Construction	20.205	*	IDOT	P-91-746-10	112,880
Highway Planning and Construction	20.205	*	IDOT	C-91-072-10	97,000
Highway Planning and Construction	20.205	*	IDOT	D-91-106-09	146,798
Highway Planning and Construction	20.205	*	IDOT	D-91-746-10	155,326
Highway Planning and Construction	20.205	*	IDOT	D-91-743-10	115,200
Highway Planning and Construction	20.205		IDOT	D-91-748-10	126,804
Highway Planning and Construction	20.205		IDOT	P-91-144-15	110,628
Highway Planning and Construction	20.205		IDOT	P-91-152-15	160,022
Highway Planning and Construction	20.205		IDOT	P-91-151-15	137,488
Highway Planning and Construction	20.205	*	IDOT	C-91-460-11	205,241
Highway Planning and Construction - 2014	20.205	*	CMAP	C-14-0007	91,293
Highway Planning and Construction - 2015	20.205	*	CMAP	C-15-0007	95,676
Highway Planning and Construction - (2040 Planning Grant)	20.205	*	CMAP	C-11-0044	198,434
				20.205 - subtotal	7,834,725
					598,232

County of McHenry, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Agency	Grant Number	Program/ Award Amount	Federal Expenditures
U.S. Department of Transportation (Continued)					
Transit Services Programs Cluster					
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	RTA	S5310-2014-04	\$ <u>600,000</u>	\$ <u>48,997</u>
Job Access and Reverse Commute Program - (JARC)	20.516	RTA	JARC-2010-08	<u>502,825</u>	<u>137,532</u>
New Freedom Program	20.521	RTA	NF-2010-05	<u>302,617</u>	<u>2,424</u>
			Transit Services Programs Cluster - subtotal	<u>1,405,442</u>	<u>188,953</u>
State and Community Highway Safety - (STEP - 2014)	20.600	IDOT	OP-14-0003	<u>44,765</u>	<u>44,765</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants - (HMEP - 2014)	20.703	IEMA	13HMEMCHEN	<u>1,732</u>	<u>1,732</u>
Total U.S. Department of Transportation				9,286,664	833,682
U.S. Environmental Protection Agency					
Performance Partnership Grants - (Potable Water - 2014)	66.605	IDPH	45382060B	<u>18,188</u>	<u>18,188</u>
Total U.S. Environmental Protection Agency				18,188	18,188
U.S. Election Assistance Commission					
Help America Vote Act Requirements Payments - Phase III	90.401	ISBE	n/a	<u>188,853</u>	<u>188,853</u>
Total U.S. Election Assistance Commission				188,853	188,853

County of McHenry, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Agency	Grant Number	Program/ Award Amount	Federal Expenditures
U.S. Department of Health and Human Services					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - 2014	93.074	IDPH	47180060B	\$ 175,116	\$ 102,643
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - 2015	93.074	IDPH	57180060C	186,887	77,940
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - (Cities Readiness - 2014)	93.074	IDPH	47180112B	55,509	37,402
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - (Cities Readiness - 2015)	93.074	IDPH	57180112C	<u>57,613</u>	<u>18,442</u>
			93.074 - subtotal	<u>475,125</u>	<u>236,427</u>
Immunization Grants - (Noncash Assistance)	93.268	IDPH	n/a	-	139,281
Immunization Grants - (Vaccines for Children (AFIX) - 2013-2014)	93.268	IDPH	35180042A	25,982	2,433
Immunization Grants - (Vaccines for Children (AFIX) - 2014-2015)	93.268	IDPH	45180021B	<u>35,000</u>	<u>28,954</u>
			93.268 - subtotal	<u>60,982</u>	<u>170,668</u>
Drug-Free Communities Support Program Grants	93.276	n/a	1H79SP020049-01	<u>625,000</u>	<u>144,943</u>
Centers for Disease Control and Prevention-Investigations and Technical Assistance - (Breast & Cervical Cancer - 2014)	93.283	IDPH	46180020B	<u>107,279</u>	<u>64,366</u>
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges - (In-Person Counselor - 2014)	93.525	*	IDPH	40180045B	433,362
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges - (In-Person Counselor - 2015)	93.525	*	IDPH	50180046C	<u>584,791</u>
			93.525 - subtotal	<u>1,018,153</u>	<u>393,113</u>

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Agency	Grant Number	Program/ Award Amount	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - (We Choose Health - 2014)	93.531	IDPH	42180138B	\$ <u>258,276</u>	\$ <u>246,106</u>
Child Support Enforcement - 2014	93.563	IHFS	n/a	<u>9,770</u>	<u>9,770</u>
Child Care and Development Block Grant - (Healthy Child Care Illinois - 2014)	93.575	IDHS	FCSSI01762	60,000	35,856
Child Care and Development Block Grant - (Healthy Child Care Illinois - 2015)	93.575	IDHS	FCSTI01762	<u>60,000</u>	<u>25,531</u>
			93.575 - subtotal	<u>120,000</u>	<u>61,387</u>
State Court Improvement Program (CPDC Grant) - FFY14	93.586	AOIC	CIPData-G-1305	<u>4,000</u>	<u>4,000</u>
Social Services Block Grant - (Family Case Management/ Downstate - 2014)	93.667	IDHS	FCSSU03107	<u>37,900</u>	<u>22,785</u>
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations - (Breast & Cervical Cancer - 2015)	93.752	IDPH	56180019C	<u>113,000</u>	<u>34,982</u>
Medical Assistance Program - 2014	93.778	IHFS	n/a	<u>288,683</u>	<u>288,683</u>
HIV Prevention Activities - Health Department Based - 2014	93.940	IPHA	14-142-03	<u>17,600</u>	<u>4,605</u>

County of McHenry, Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Agency	Grant Number	Program/ Award Amount	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Maternal and Child Health Services Block Grant to the States - (Oral Health - 2014)	93.994	IDPH	43480129B	\$ 1,276	\$ 767
Maternal and Child Health Services Block Grant to the States - (Oral Health - 2015)	93.994	IDPH	53480128C	2,200	371
Maternal and Child Health Services Block Grant to the States - (Coordinated School Health - 2014)	93.994	IDPH	46080124B	26,500	13,037
Maternal and Child Health Services Block Grant to the States - (Coordinated School Health - 2015)	93.994	IDPH	56380049C	24,000	13,166
			93.994 - subtotal	53,976	27,341
Total U.S. Department of Health and Human Services				3,189,744	1,709,176
Corporation For National And Community Service					
AmeriCorps - 2014	94.006	IDHS	FCSRE01336	25,888	362
Total Corporation For National And Community Service				25,888	362
Department of Homeland Security					
Emergency Management Performance Grants - 2013	97.042	IEMA	13EMAMCHEN	84,977	7,990
Emergency Management Performance Grants - 2014	97.042	IEMA	14EMAMCHEN	78,346	78,346
			97.042 - subtotal	163,323	86,336
Total Department of Homeland Security				163,323	86,336
Total Expenditures of Federal Awards				\$ 29,809,612	\$ 9,492,606

* Denotes a major program.

COUNTY OF MCHENRY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended November 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of the County of McHenry under programs of the federal government for the year ended November 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County of McHenry, it is not intended to and does not present the financial position, changes in net position or cash flows of the County of McHenry.

The County of McHenry is the primary government according to GASB criteria, while the Public Building Commission is a blended component unit, and the Conservation District is a discretely presented component unit.

The Public Building Commission and the Conservation District were not required to have an audit in accordance with OMB Circular A-133.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis; i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – NONCASH PAYMENTS

The County receives vaccines at no charge from the Illinois Department of Public Health through federally assisted programs – Immunization Grants (CFDA 93.268). The value of vaccines received during the year ended November 30, 2014 was \$96,768. Of this amount, \$16,323 remained unused, and was included as inventory at November 30, 2014.

The County receives non-cash assistance from the Illinois Department of Human Services under the Special Supplemental Food Program for Women, Infants, and Children (WIC – CFDA 10.557), in the form of food instruments, which are distributed to qualifying WIC participants. Total distributions during the year ended November 30, 2014 were \$1,796,106.

COUNTY OF MCHENRY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2014

NOTE 4 – FEDERAL PROGRAM CLUSTER

The following programs have been identified as a cluster in accordance with the requirements of OMB Circular A-133.

CFDA No.	WIA Cluster		
17.258	WIA Adult Programs	\$	520,694
17.259	WIA Youth Activities		576,489
17.278	WIA Dislocated Workers		917,927
	Total	\$	<u>2,015,110</u>

CFDA No.	Transit Service Program Cluster		
20.513	Enhanced Mobility for Seniors and Individuals with Disabilities	\$	48,997
20.516	Job Access-Reverse Commute Program		137,532
20.521	New Freedom Program		2,424
	Total	\$	<u>188,953</u>

NOTE 5 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, the County of McHenry provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant (CDBG)	14.218	\$ 896,475
Home Investment Partnership Program (HOME)	14.239	221,453
State Planning and Establishment Grants for the Affordable Care ACT (ACA)'s Exchanges – (In-Person Counselor)	93.525	210,163
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants (We Choose Health)	93.531	124,349
Total		<u>\$ 1,452,440</u>

NOTE 6 – INSURANCE AND LOANS OR LOAN GUARANTEES

During the year ended November 30, 2014, McHenry County received no insurance loans, loans, or loan guarantees for the purpose of administering federal programs.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended November 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: **Unmodified**

Internal control over financial reporting:

- > Material weakness(es) identified? yes X no
- > Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

FEDERAL AWARDS

Internal control over major programs:

- > Material weakness(es) identified? yes X no
- > Significant deficiency(ies) identified? yes X none reported

Type of auditor’s report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

 X yes no

Auditee qualified as low-risk auditee?

 yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.218	Community Development Block Grant
14.239	Home Investment Partnership Program
17.258, 17.259, 17.278	WIA Cluster
20.205	Highway Planning and Construction
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)’s Exchanges

Dollar threshold used to distinguish between type A and type B programs:

 \$ 300,000

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

For the year ended November 30, 2014, there were no financial statement findings for which *Government Auditing Standards* requires reporting.

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS

FINDING 2014-001 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239

Criteria:

The requirements for submitting HUD Form 60002 are contained in the Code of Federal Regulations, Sections 135.3(a) and 135.90. In order to comply with Section 3 Summary Report, Economical Opportunities for Low and Very Low-Income Persons, each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of Section 3.

Condition/Context:

The County did not file HUD Form 60002 for the grant awarded in 2014.

Effect:

The County has not complied with program requirements.

Questioned Costs:

None noted.

Cause:

The County was unaware that they were required to file HUD Form 60002 when there were no sub-recipients for HOME grant funds awarded in 2014.

Recommendation:

The County should file HUD Form 60002 annually.

Management's Response by Jeffrey Harris, Community Development Administrator

McHenry County is aware that a HUD Form 60002 for the grant year 2014 was not filed at the time of the audit. The reasoning for this is that the County did not enter into any contracts for the HOME funds for that grant year. Staff submitted a question to HUD Region Five concerning what the County should do about filing the 60002 Form and the initial response from HUD was not clear. In continuing to question HUD concerning this issue the staff of the Community Development Division did ultimately receive instructions that the report should be filed showing no contracts entered into for the 2014 year. The Staff of the Community Development Division has subsequently filed HUD Form 60002 with HUD showing no contracts entered into for year 2014. Therefore, no further corrective action is necessary at this time.

PAMELA PALMER
County Auditor

JAMES BERNIER, CPA, CPFO
Financial Reporting Manager/
Chief Deputy Auditor

OFFICE OF
THE COUNTY AUDITOR

McHENRY COUNTY, ILLINOIS
2200 NORTH SEMINARY AVENUE
WOODSTOCK, ILLINOIS 60098

PHONE: 815 334-4204
FAX: 815 334-4621

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
November 30, 2014

**FINDING 2013-004 – COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG), CFDA NO. 14.218;
HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239**

Criteria:

Payroll expenditures charged to federal grants must be in accordance with the requirements of Circular A-87, Cost Principles of State and Local Governments. Per Circular A-87, when employees work solely on a single federal award, the charges for those employees must be supported by semi-annual certifications signed by the employee or supervisory official, which state that the employee worked solely on that program for the period covered by the certification. When employees work on multiple activities, grants, or cost objectives, the payroll expenditures charged to the grant must be supported by personnel activity reports which reflect an after the fact distribution of the actual activity of each employee. These reports must account for the total activity for which each employee is compensated, must be prepared at least monthly and coincide with one or more pay periods, and must be signed by the employees. Budgeted allocations may not be used to allocate salary costs to federal grants unless the County performs at least quarterly time studies to determine that the budgeted allocations coincide with actual activity. If the actual activity differs from the budgeted allocation by ten percent or more, the County must make adjustments to its payroll cost allocations.

Condition/Context:

Payroll expenditures were allocated to the various federal grants based upon budgeted percentages. During 2012, the County implemented a system for tracking payroll charged to federal grants; however, after reviewing the first 4 payroll expenditures selected for testing, we noted that the County was not following the Circular A-87 requirements. Our 2013 testing resulted in transactions selected where the County was unable to provide the supporting timecards, personnel activity reports or time study to support the payroll allocation.

Effect:

It is possible that the payroll expenditures allocated to the grant are not reflective of the actual time spent on grant activities.

Questioned Costs:

Questioned costs are not able to be determined.

FINDING 2013-004 – COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG), CFDA NO. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239 (Continued)

Cause:

It was noted that this deficiency, as reported in past audits, was partially corrected during the year; however, time sheet records by project/program were not available for all payroll expenditures. The department administering the grant did not maintain the proper documentation to support these expenditures.

Recommendation:

During our prior year audit, we recommended that the County review its policies and procedures by which it is allocating payroll expenditures to the various federal grants to ensure they are compliant with the requirements noted in OMB Circular A-87. This recommendation continues to apply.

Corrective Action Taken During Fiscal Year 2014

The County is confident that the time allocations for the HOME, CDBG and NSP programs have been correctly allocated. New procedures were instituted that added additional controls over the submittal and approval of time records for each eligible project and program. Time sheets tracking hours spent working on a project are now being submitted and signed by both the employee and the supervisor at the same time each Friday or on the last day of work for that week. The time sheets are reviewed at the time of signing for correctness and to ensure the proper allocation of hours to the correct project. These time sheets are then submitted to the Office Manager as a further check to ensure that all time sheets are present and verified that they have been correctly entered into the payroll system. Following the Office Manager's review the timesheets are returned to the Community Development Specialist and reviewed for completeness and accuracy.

FINDING 2013-005 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239

Criteria:

Per the OMB Compliance Supplement 24, CFR Sections 92.208 through 92.202 and 92.508, each participating jurisdiction must provide eligible matching contributions of 25% of HOME funds drawn down during the fiscal year. Participating jurisdictions are required to maintain records including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contribution by project, and provide this on the HOME Match Report (HUD-4P1107-A).

Condition/Context:

The client incorrectly recorded the section of the HOME Match Report which details the actual match contributed amounts made during FY2013 by recording the Match liability (25% of the project expenditures), which was \$142,034 less than the actual amount contributed. However, it was noted the total amount of actual contributions was correctly recorded at the top of the form; only the detail was misrecorded.

Effect:

Incorrectly documenting the actual match contributions resulted in errors in the report.

Questioned Costs:

None noted.

**FINDING 2013-005 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239
(Continued)**

Cause:

The HOME Match Report was not accurately reviewed prior to submission.

Recommendation:

The County should ensure that any reports submitted to grantor agencies are subject to a review for accuracy and approval procedures prior to submission.

Corrective Action Taken During Fiscal Year 2014

This finding pointed out a clerical error that occurred in a report. The finding noted that the correct overall amount of contribution was reported, only that the detail entry of the contribution was incorrect. The correct procedures are in place to address this finding that requires that both the person entering the data and the Community Development division Administrator review the report for accuracy before it is submitted. Closer scrutiny has been given to entries in future reports to ensure their accuracy. The reviews are documented on the Division's Report Review forms and the Division's Administrator signs the form prior to submittal to HUD. Furthermore, reports are recalculated to ensure they are mathematically accurate.

FINDING 2013-006 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239

Criteria:

The requirements for procurement are contained in the A-102 Common Rule, program legislation, 2 CFR part 176, awarding agency regulations, and the terms and conditions of the award. To minimize the risk of errors, internal controls should be in place for all federal program compliance requirements, including preparing documentation evidencing that the County verified each vendor was not on the debarred and suspended vendor list found at www.sam.gov.

Condition/Context:

A sample of expenditures was tested for review of the debarred or suspended vendor list. The County could not provide documentation evidencing this review.

Effect:

Based on our conversations with Community Development department staff, we were told this procedure is being completed; however, we were unable to view file evidence of this.

Questioned Costs:

Questioned costs are not able to be determined.

Cause:

Documentation evidencing that the County verified that vendors were not suspended or debarred was not available in each file. The department administering the grant did not provide the appropriate support in the project file to document verification.

**FINDING 2013-006 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239
(Continued)**

Recommendation:

We recommend that the County establish written procedures and maintain documentation in each procurement file to show that this process is being completed.

Corrective Action Taken During Fiscal Year 2014

McHenry County already checks that each recipient of a grant award from the County is not on the debarred and suspended vendor list prior to entering into a contract with that recipient. The County has changed its contract requirements with the recipient to require that they acknowledge and comply with the suspended or debarred list in any agreement they may have with a sub-grantee or vendor. Compliance with this requirement was checked during the monitoring of the award conducted by staff. Failure by either the award recipient or one of the sub-grantees or vendors to comply with the suspended or debarred list would result in forfeiture and repayment of the grant award to the County by the recipient.

The County required the recipients to submit a list of all sub-grantees and vendors involved in a project prior to signing a contract with the recipients. This allows the County to check and ensure that none of the sub-grantees or vendors is on the suspended or debarred list. When a request for funds is submitted by the recipient, the County checks to ensure that all of the sub-grantees and vendors listed in the request have already been checked against the suspended or debarred list prior to issuance of the funds. If a sub-grantee or vendor has not been previously approved, they are checked against the debarred list before funds are awarded. Documentation of the County's review is maintained in each project file. Project files are reviewed semiannually to ensure verification of vendors are completed.

PAMELA PALMER, CFE
County Auditor

JAMES BERNIER, CPA, CPFO
Financial Reporting
Manager/Chief Deputy
Auditor

OFFICE OF
THE COUNTY AUDITOR

McHENRY COUNTY, ILLINOIS
2200 NORTH SEMINARY AVENUE
WOODSTOCK, ILLINOIS 60098

PHONE: 815 334-4204
FAX: 815 334-4621



CORRECTIVE ACTION PLAN
November 30, 2014

FINDING 2014-001 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239

Criteria:

The requirements for submitting HUD Form 60002 are contained in the Code of Federal Regulations, Sections 135.3(a) and 135.90. In order to comply with Section 3 Summary Report, Economical Opportunities for Low and Very Low-Income Persons, each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of Section 3.

Condition/Context:

The County did not file HUD Form 60002 for the grant awarded in 2014.

Effect:

The County has not complied with program requirements.

Questioned Costs:

None noted.

Cause:

The County was unaware that they were required to file HUD Form 60002 when there were no subrecipients for HOME grant funds awarded in 2014.

Recommendation:

The County should file HUD Form 60002 annually.

FINDING 2014-001 – HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239 (Continued)

Management’s Response by Jeffrey Harris, Community Development Administrator

McHenry County is aware that a HUD Form 60002 for the grant year 2014 was not filed at the time of the audit. The reasoning for this is that the County did not enter into any contracts for the HOME funds for that grant year. Staff submitted a question to HUD Region Five concerning what the County should do about filing the 60002 Form and the initial response from HUD was not clear. In continuing to question HUD concerning this issue the staff of the Community Development Division did ultimately receive instructions that the report should be filed showing no contracts entered into for the 2014 year. The Staff of the Community Development Division has subsequently filed HUD Form 60002 with HUD showing no contracts entered into for year 2014. Therefore, no further corrective action is necessary at this time.