

COUNTY OF WINNEBAGO, ILLINOIS

OMB Circular A-133 Reporting Package
EIN: 36-6006681

September 30, 2009

COUNTY OF WINNEBAGO, ILLINOIS

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6815 Weaver Road, Suite 100 • Rockford, IL 61114

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Honorable Scott H. Christiansen,
County Board Chairman
Members of the County Board
County of Winnebago, Illinois:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Winnebago, Illinois (County) as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (Findings 09-1 through 09-6).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items Findings 09-4, 09-5 and 09-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Findings 09-7.

We also noted certain other matters that we reported to management of the County in a separate letter dated March 23, 2010.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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



Rockford, Illinois
March 23, 2010



6815 Weaver Road, Suite 100 • Rockford, IL 61114

**Report on Compliance with Requirements
Applicable to each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

The Honorable Scott H. Christiansen,
County Board Chairman
Members of the County Board
County of Winnebago, Illinois:

Compliance

We have audited the compliance of the County of Winnebago, Illinois (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in Finding 09-7 in the accompanying schedule of findings and questioned costs, the County did not comply with the compliance requirement of allowable costs and the requirements of OMB Circular A-87 for support of salaries and wages that are applicable to its Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)–CFDA#10.557; Medical Assistance Program–CFDA #93.778; Social Services Block Grant–CFDA #93.667; Lead Hazard Reduction Demonstration Grant Program–CFDA#14.905; and HIV Care Formula Grant–CDFA #93.917. Compliance with such requirements is necessary, in our opinion, for the County to comply with the allowable costs compliance requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 09-8 and 09-9.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 09-7, 09-8, and 09-9 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Finding 09-07 to be a material weakness.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County of Winnebago, Illinois as of and for the year ended September 30, 2009, and have issued our report thereon dated March 23, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sikich LLP

Rockford, Illinois
March 23, 2010

COUNTY OF WINNEBAGO, ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Federal expenditures
<i>U.S. Department of Agriculture:</i>			
Pass-through Programs from:			
Illinois Department of Human Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	11GK543000	10.557	\$ 549,785 *
	11GL543000	10.557	301,917 *
Noncash vouchers	N/A	10.557	<u>4,301,326 *</u>
	Total 10.557		<u>5,153,028</u>
WIC Farmers' Market Nutrition Program	11GL543000	10.572	<u>1,000</u>
	Total 10.572		<u>1,000</u>
Illinois State Board of Education:			
National School Lunch Program	2008-4210-00-04-101-007P-00	10.555	2,826
	2009-4210-00-04-101-007P-00	10.555	36,558
National School Lunch Program – food commodities	N/A	10.555	<u>6,943</u>
	Total 10.555		<u>46,327</u>
School Breakfast Program	2008-4220-00-04-101-007P-00	10.553	1,834
	2009-4220-00-04-101-007P-00	10.553	<u>23,951</u>
	Total 10.553		<u>25,785</u>
Illinois Department of Public Health –			
Summer Food Service Program for Children	063-48250-1900-0100	10.559	<u>3,450</u>
	Total 10.559		<u>3,450</u>
Total U.S. Department of Agriculture			\$ <u>5,229,590</u>
<i>U.S. Department of Housing and Urban Development:</i>			
Lead Hazard Reduction Demonstration Grant Program	ILLHD0158-06	14.905	<u>432,623 *</u>
	Total 14.905		<u>432,623</u>
Pass-through Programs from –			
Illinois Department of Public Health:			
Housing Opportunities for Persons with AIDS	063-48251-1900-1200	14.241	43,705
	063-48251-1900-1200	14.241	<u>157,839</u>
	Total 14.241		<u>201,544</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing	063-48250-1900-0000	14.900	<u>15,210</u>
	Total 14.900		<u>15,210</u>
Total U.S. Department of Housing and Urban Development			\$ <u>649,377</u>
<i>U.S. Department of Transportation –</i>			
Pass-through Programs from –			
Illinois Department of Transportation			
State and Community Highway Safety	OP94965269	20.600	91,961 *
	OP90101210	20.600	<u>276,952 *</u>
Total U.S. Department of Transportation	Total 20.600		\$ <u>368,913</u>

COUNTY OF WINNEBAGO, ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Federal expenditures
<i>U.S. Department of Justice:</i>			
Criminal & Juvenile Justice and Mental Health Collaboratio	2007MOBX0013	16.745	\$ 120,149
	Total 16.745		<u>120,149</u>
Community Capacity Development Office	2008-WS-QX-0168	16.595	127,604
	2008-WS-QX-0018	16.595	142,583
	Total 16.595		<u>270,187</u>
Pass-through Programs from:			
Illinois Criminal Justice Information Authority:			
Crime Victim Assistance	208079	16.575	33,588
	208088	16.575	36,860
	208201	16.575	25,405
	Total 16.575		<u>95,853</u>
Edward Byrne Memorial Formula Grant Program	03-BX-DB-0037	16.579	33,100
	Total 16.579		<u>33,100</u>
Bulletproof Vest Partnership Program	N/A	16.607	3,090
	Total 16.607		<u>3,090</u>
Pass-through Programs from:			
City of Rockford			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	2009-SB-B9-0811	16.804	598,133 *
	Total 16.804		<u>598,133</u>
Pass-through Programs from:			
National Children's Alliance			
Missing Children's Assistance	007-ROCK-IL-PS09	16.543	10,000
	Total 16.543		<u>10,000</u>
Total U.S. Department of Justice			\$ <u>1,130,512</u>
<i>Environmental Protection Agency –</i>			
Pass-through Programs from –			
Illinois Department of Public Health –			
Performance Partnership Grants	063-48250-1900-0000	66.605	13,013
Total Environmental Protection Agency	Total 66.605		\$ <u>13,013</u>
<i>U.S. Department of Health and Human Services:</i>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1H79TI020011-01	93.243	246,048
	Total 93.243		<u>246,048</u>
Pass-through Programs from:			
Illinois Department of Human Services:			
Family Planning Services	82592440C	93.217	175,900
	Total 93.217		<u>175,900</u>
Child Care and Development Block Grant	11GK543000	93.575	23,446
	11GL543000	93.575	18,892
	Total 93.575		<u>42,338</u>
Social Services Block Grants	11GK543000	93.667	223,641 *
	11GL543000	93.667	20,422 *
	DR00000020	93.667	130,307 *
	Total 93.667		<u>374,370</u>

COUNTY OF WINNEBAGO, ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Federal expenditures
<i>U.S. Department of Health and Human Services (continued)</i>			
Block Grants for Prevention and Treatment of Substance Abuse	25013440	93.959	\$ 63,160
	11GL543000	93.959	<u>21,400</u>
	Total 93.959		<u>84,560</u>
Maternal and Child Health Services Block Grant to the States	11GK543000	93.994	143,279
	11GL543000	93.994	21,772
	872-48230-4400-1300	93.994	<u>18,146</u>
	Total 93.994		<u>183,197</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants	063-48250-1900-0000	93.977	<u>50,625</u>
	Total 93.977		<u>50,625</u>
Pass-through Programs from:			
Illinois Department of Public Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance			
Breast Cervical CRS Screening	063-48260-4400-0000	93.283	109,467
Mosquito Vector Control Programs	063-48250-1900-0000	93.283	<u>5,000</u>
	Total 93.283		<u>114,467</u>
Public Health Emergency Preparedness	063-48270-1900-0200	93.069	<u>284,853</u>
	Total 93.069		<u>284,853</u>
Immunization grants – non-cash vaccinations	N/A	93.268	<u>351,613</u>
	Total 93.268		<u>351,613</u>
Refugee and Entrant Assistance- State Administered Programs	063-48201-4400-0300	93.566	29,687
	063-48230-4900-0200	93.566	46,555
	063-48201-4400-0300	93.566	39,434
	063-48201-4400-0300	93.566	84,786
	063-48201-4400-0300	93.566	<u>30,795</u>
	Total 93.566		<u>231,257</u>
HIV Care Formula Grants	063-48251-1900-1200	93.917	480,787 *
	063-48251-1900-1200	93.917	<u>112,332</u> *
	Total 93.917		<u>593,119</u>
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	063-48251-1900-1000	93.943	115,696
	09G751-005	93.943	<u>52,713</u>
	Total 93.943		<u>168,409</u>
Pass-through Programs from – Medical Assistance Program	N/A	93.778	<u>764,153</u> *
	Total 93.778		<u>764,153</u>
Total U.S. Department of Health and Human Services			\$ <u>3,664,909</u>

COUNTY OF WINNEBAGO, ILLINOIS
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2009

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Federal expenditures
<i>U.S. Department of Homeland Security –</i>			
Pass-through Program from –			
Illinois Emergency Management Agency –			
Emergency Management Performance Grants	900008EMA72	97.042	8,062
	909EMAWINNE	97.042	<u>32,148</u>
	Total 97.042		<u>40,210</u>
State Indoor Radon Grants			
		66.032	<u>8,443</u>
		Total 66.032	<u>8,443</u>
Total U.S. Department of Homeland Security			\$ <u>48,653</u>
Total Expenditures of Federal Awards			\$ <u>11,104,967</u>

* Major program

COUNTY OF WINNEBAGO, ILLINOIS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2009

Note A – Basis of Presentation:

The accompanying schedule of expenditures of federal awards has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). It is a summary of the activity of the County's federal awards programs presented on the accrual basis of accounting. Accordingly, expenditures are recognized when the liability has been incurred and revenues are recognized when the qualifying expenditure has been incurred.

Note B – Non-Cash Awards

Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

The County received \$4,301,326 in the form of vouchers issued from WIC through the Illinois Department of Human Services under CFDA #10.557.

Vaccination Program

The County received vaccines under CFDA #93.268 from the Illinois Department of Public Health for distribution by the Winnebago County Health Department. The value of these vaccines per the Illinois Department of Public Health Immunization Promotional Center at September 30, 2009 was \$351,613.

National School Lunch Program

The County received \$6,943 of food commodities through the Illinois State Board of Education under CFDA #10.555.

Note C – Insurance, Loans or Loan Guarantees

There was no insurance, loans, or loan guarantees related to federal awards reported in the Schedule of Expenditures of Federal Awards.

Note D – Subrecipients

The County provided the following amounts to sub-recipients during fiscal year 2008:

<u>Program Title</u>	<u>CFDA</u>	<u>Amount</u>
Social Services Block Grant	93.667	\$ 130,307
HIV Care Formula Grants (Ryan White)	93.917	\$ 148,438
Housing Opportunities for Persons with AIDS	14.241	\$ 43,303

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:
Significant deficiency (ies) identified? X yes no
Significant deficiency (ies) identified
considered to be material weaknesses? X yes no

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal Control over major programs:
Significant deficiency (ies) identified? X yes no
Significant deficiency (ies) identified
considered to be material weaknesses? X yes no

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.905	Lead Hazard Reduction Demonstration Grant Program
16.804	Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government
20.600	State and Community Highway Safety
93.667	Social Services Block Grant
93.778	Medical Assistance Program
93.917	HIV Care Formula Grants

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 333,044

Auditee qualified as low-risk auditee? yes X no

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section II - Financial Statement Findings

Significant Deficiencies

Finding 09-01: Inmate Trust Account

Condition: The Inmate Trust account is not being reconciled to the subsidiary ledger, *Historic Inmate Account Balances Report*, in the Offender Trak system on a monthly basis.

A batch report of cash receipts is generated from the Offender Trak system and reconciled to the bank deposit on a daily basis and differences are tracked by inmate account and correctional officer (cashier) by the Sheriff's Department. We noted instances where inmates were issued checks upon release for an amount in excess of the actual (cash) deposit because the deposit was recorded in Offender Trak at the higher amount. The error was detected at the end of the shift or the following day when the cash reconciliations were performed; however, since the inmate had already been released from the facility and the inmate's Offender Trak account was inactive, the bank account balance will be short when compared to the Offender Trak subsidiary ledger. These cash shortages are not being replenished to the inmate trust bank account.

Criteria: The Inmate Trust account should be monitored and reconciled to appropriate reports on a monthly basis and differences should be resolved in a timely manner.

Cause: In the past, the subsidiary ledger report was not accurately reflecting the balance of the accounts; however, this was corrected. The Sheriff's Department did not use the report for reconciling.

Effect: Preventable cash shortages are being created when a check is issued in excess of the inmate's balance.

Recommendation: The inmate trust account should be reconciled to the subsidiary ledger on a monthly basis and differences should be investigated and corrected in a timely manner. We recommend the Corrections Department establish a cash over/short policy which requires documentation of cashier over/shorts and sets thresholds for disciplinary action when there are excessive and/or unexplained variances. The cash shortages should be replenished on a monthly basis.

Corrective Action Plan: The Historic Inmate Account Balances Report is a report we requested to be written by the County's IT Department after our last audit (March 2009). Although there have been attempted responses by the IT Department, an accurate accounting has not been achieved by IT. The closest we have come is in February 2010 when the account fell \$101.56 short at reconciliation.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section II - Financial Statement Findings (Continued)

Finding 09-01: Inmate Trust Account (continued)

We have gone to an outside source to achieve a better accounting software system than what we currently are using. We are working on a Kiosks System that has a banking/financial/accounting program as its main software package.

The new Kiosks System will not allow refunds to inmates in excess of amounts in the system. Any shortages we have to date have been replenished and will be on a monthly basis. We do have a system in place that when errors are made appropriate discipline is taken with those responsible. A cash over/short policy has been established.

Finding 09-02: Township Highway Funds

Condition: The Motor Fuel and Bridge funds are currently being reported as agency funds. We determined the Township Bridge funds should be reported as restricted County funds, not agency funds. The Bridge fund balance has not been reconciled in recent history.

Criteria: A definitive balance should be maintained for all accounts.

Cause: Historically, the County has reported the funds as agency funds. Until the completion of the Motor Fuel Tax audits, the correct amount of funds to be transferred cannot be determined.

Effect: The County balances are not properly reflected in the financial statements.

Recommendation: We recommend this fund be reconciled to determine the amount of the Bridge Fund and any excess be identified and transferred to the proper funds. The balance of the Bridge fund should be recorded on the County's books as restricted funds.

Corrective Action Plan: The Township Motor Fuel Tax and Bridge funds are being audited and reconciled by IDOT. By July 1st, 2010, both of these accounts will be in balance and up to date. Once these balances are accurate, a request for a new fund designation will be sent to the finance department to separate the township bridge funds into an entirely new fund. Currently, the township bridge and township motor fuel tax funds are under one fund (0165) on the balance sheet, but separated by having a separate organization code for each type (46500 Twp MFT, 46700 Twp Bridge).

The highway department will work with the treasurer's office and the finance department to reconcile these cash accounts, the general ledger and the IDOT MFT software monthly.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section II - Financial Statement Findings (Continued)

Finding 09-03: Segregation of Duties – County Clerk

Condition: There is a lack of segregation of duties with respect to cash receipts, cash disbursements, and bank reconciliations for the County Clerk Trust Fund. There is one individual responsible for counting cash, reconciling the cash to the cash drawer reports, and preparing the bank reconciliations. Additionally, this individual is responsible for the cash disbursements from the County Clerk Trust Fund.

Criteria: A good system of internal control provides for a proper segregation of the accounting functions.

Cause: Limited personnel in the County Clerk's office constrain the duties that can be segregated.

Effect: The risk of errors or fraud is increased when duties are given to one individual.

Recommendation: An individual independent of the cash receipt process and recordkeeping should reconcile the cash received from the County Clerk's office to the cash drawer reports. Further, review of bank reconciliations by the appropriate level of management would strengthen control over the recordkeeping process. We recommend management review the current assignment of accounting functions. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Corrective Action Plan: Starting March 2, 2010 when the accountant has completed her counting and reconciling to the cash drawers against the reports, she will have the Chief Deputy review her work. The Chief Deputy will take the reports and the cash with the checks and compare the two. He will then sign off that he has reviewed her work. In the absence of Chief Deputy, the Office Manager will take his place in this function.

Material Weaknesses

Finding 09-4: Animal Services

Condition: There was an irregularity identified during the year with respect to charges for services and late fees assessed on animal tag licenses. The County Auditor's Office is continuing its internal investigation. The nature and extent of the irregularity is not known at this time.

We noted there are no controls in place to prevent individuals with access to the billing module from changing the standard fee for service, including waiving fees entirely. Password protection has been implemented for the billing system to prevent unauthorized access; however, anyone with access to the billing system can make changes when services are rendered and the rate changes would not be detected in a timely manner, if at all.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section II - Financial Statement Findings (Continued)

Finding 09-4: Animal Services (continued)

We also noted the Chameleon accounting system does not maintain a record of when a tag license is past due and there are no procedures in place at Animal Services to monitor the assessment of late fees. As noted above, any fees generated by the system can be waived or overridden.

The situations noted above were not detected by the Animal Services system of internal control as it is presently constituted.

Cause: Controls in place were ineffective for detecting changes to the standard fee for service.

Effect: There is a potential for lost revenue in addition to a fraud risk resulting from an individual collecting the standard fee and late fees from the customer but lowering either fee in the system to match the cash deposited in the cash drawer.

Recommendation: To reduce the risk of errors and fraud due to unauthorized changes we recommend implementing procedures which would require a supervisor's approval before a rate change is processed. We also recommend documenting the reason for the rate change in the computer system. With respect to late fees we recommend management contact the software vendor to limit the ability to override the standard assessment of fees and late fees.

Corrective Action Plan: The Winnebago County Auditor's Office is currently performing a full review of all controls of the Animal Services Department. A report including specific recommendations to strengthen the internal control structure will then be issued to County management and the County Board.

Finding 09-05: Schedule of Expenditures of Federal Awards (SEFA)

Condition: The County does not have an adequate system of controls in place in all departments to properly identify the federal funds received and expended or to properly identify the Federal program by CFDA title and number.

Criteria: OMB Circular No. A-133, Subpart C, section 300 states, "the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

OMB Circular No. A-133, Subpart C, section 310 states, "the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements."

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section II - Financial Statement Findings (Continued)

Finding 09-05: Schedule of Expenditures of Federal Awards (SEFA) (continued)

Cause: The County has not identified personnel responsible for the proper identification of the federal funds received and expended or to properly identify the Federal program by CFDA title and number.

Effect: Federal funds received and expended could be improperly reported on the SEFA and financial statements.

Recommendation: We recommend the County identify an individual in each department to identify the Federal program by CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. This information along with supporting documentation of expenditures (i.e. project worksheets, quarterly fiscal report forms, etc.) should be submitted to the Finance office within a reasonable time frame after year end to ensure timely and accurate completion of the SEFA.

Corrective Action Plan: The Finance Office anticipates working with County department heads whose departments typically receive Federal grants to designate an individual to identify the Federal program by CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Finding 09-06: Financial Statement Differences

Condition: In the audit process we identified material financial statement errors which required adjustments to the current and prior period.

Criteria: Internal controls should be in place to record all material transactions in the books and records of the County. If audit adjustments are proposed and recorded (since external auditors cannot be considered a part of internal controls) by definition, a material weakness has occurred. It is the responsibility of management to record all transactions necessary to generate financial statements and disclosures in accordance with generally accepted accounting principles.

Cause: Certain adjustments to the financial statements were not made prior to the start of the audit.

Effect: The County financial statements were not in accordance with generally accepted accounting principles.

Recommendation: We recommend all adjustments identified during the 2009 audit, whether recorded or not, be carefully reviewed and the issues which gave rise to the adjustments be investigated and resolved prior to the fiscal year 2010 audit.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section II - Financial Statement Findings (Continued)

Finding 09-06: Financial Statement Differences (continued)

Corrective Action Plan: The financial statement errors identified have been undetected for several years. Members of the Finance Office accounting staff have reviewed and agree with the adjustments for 2009. If necessary, a similar annual adjustment will be performed by the Finance Office accounting staff.

Section III - Federal Award Findings and Questioned Costs

Material Weakness

Finding 09-7: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)–CFDA#10.557; Medical Assistance Program–CFDA #93.778; Social Services Block Grant–CFDA #93.667; Lead Hazard Reduction Demonstration Grant Program–CFDA#14.905; HIV Care Formula Grant–CFDA #93.917

Condition: The County did not comply with the requirements of OMB Circular A-87 for support of salaries and wages for the following programs:

	Known Questioned Costs
<u>WIC – CFDA #10.557</u>	
13 of 18 time studies were not completed for any employees for the selected period in our testing.	\$ 13,223
Total questioned costs for WIC – CFDA #10.557	\$ 13,223
<u>Medical Assistance Program – CFDA #93.778</u>	
5 of 20 individuals selected for payroll testing in which the time study allocation for the program does not agree to the time recorded on the master spreadsheet used in allocating of payroll costs.	\$ 106
3 of 12 individuals selected for payroll testing did not have completed semi-annual certification.	3,798
Total questioned costs for Medical Assistance Program – CFDA #93.778	\$ 3,904
<u>Social Services Block Grant – CFDA #93.667</u>	
14 of 14 time studies were completed for any employees for the selected period in out testing.	\$ 7,402
4 of 5 individuals selected for payroll testing did not have completed semi-annual certification.	2,266
Total questioned costs for Social Services Block – CFDA #93.667	\$ 9,668

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section III - Federal Award Findings and Questioned Costs, (Continued)

Finding 09-7: CFDA#10.557; CFDA #93.778; CFDA #93.667; CFDA#14.905; CDFA #93.917 (continued)

	<u>Known Questioned Costs</u>
<u>Lead Hazard Reduction Demonstration Grant Program – CFDA #14.905</u>	
1 of 15 time studies was not completed for any employees for the selected period in our testing.	\$ 174
14 of 20 individuals selected for payroll testing in which the time study allocation for the program does not agree to the time recorded on the master spreadsheet used in allocating of payroll costs.	5,193
3 of 5 individuals selected for payroll testing did not have completed semi-annual certification.	<u>2,558</u>
Total questioned cost for Lead Hazard Reduction Demonstration Grant Program – CFDA #14.905	\$ <u>7,925</u>
<u>HIV Care Formula Grant – #93.917</u>	
9 of 9 time studies were not completed for any employees for the selected period in our testing.	\$ 3,596
1 of 1 individual selected for payroll testing did not have completed semi-annual certification.	<u>1,705</u>
Total questioned costs for HIV Care Formula Grant – CFDA #93.917	\$ <u>5,301</u>

Criteria: OMB Circular A-87, Attachment B, Section 8h(3) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

OMB Circular A-87, Attachment B, Section 8h(4) states, “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5)...”

The standards outlined in Section 8h (5) are as follows:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity, for which each employee is compensated,

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section III - Federal Award Findings and Questioned Costs, (Continued)

Finding 09-7: CFDA#10.557; CFDA #93.778; CFDA #93.667; CFDA#14.905; CDFA #93.917 (continued)

- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Cause: The County implemented semi-annual certifications and time studies during the fiscal year. However, for part of the year under audit, quarterly time studies were performed for those individuals whose time is split between Federal programs; however, no time study was completed for individuals charged only to one program.

Effect: The incorrect amounts can be charged to the grant programs.

Recommendation: We recommend the County continue to require semi-annual certifications for any employee whose salary is charged solely to a single Federal program. We further recommend that all employees for whom a portion of salary is charged to a Federal program, either directly or indirectly, complete regular time studies in accordance with OMB Circular A-87 and the payroll allocations be updated to reflect actual time distribution.

Corrective Action Plan: The health department is in the process of testing its' new time reporting/management software, TimeClock Plus, before actual implementation. Under the "job costing" module of this new program, employees are allowed to recap specific time spent in different programs on an "after the fact" basis. Time studies are required on a quarterly basis by the Illinois Department of Human Services for the Family Case Management and related programs. We will require other programs to perform time studies at least twice during the calendar year. These other programs will perform their time studies during the same period of time during the year.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section III - Federal Award Findings and Questioned Costs, (Continued)

Finding 09-7: CFDA#10.557; CFDA #93.778; CFDA #93.667; CFDA#14.905; CDFA #93.917 (continued)

Management will require that time studies be reconciled to actual time recorded over the time study periods by quality assurance. Quality assurance will provide management with a report of their analyses highlighting significant variances. Management may require adjustments to actual personnel time recorded by program for variances greater than 10%. Specific employees, with large percentages, will be monitored to correct the variance situation for future activities.

Certifications for employees working solely (100%) in one program will be made twice during the calendar year. The health department's finance staff will track employee personnel cost by employee and report to Human Resources those employees who worked 100% of their time in only one program over the previous six month period. Certifications will be created by Human Resources from this information and sent to the specific Center director for both employee and immediate supervisor signatures and dates. Human Resources will maintain (scan to specific pdf file) the file of certification for each six month period.

Significant Deficiency

Finding 09-8: Social Services Block Grant CFDA# 93.667

Condition: The County has not conducted monitoring visits or obtained reports of monitoring visits performed by the State of Illinois Department of Human Services of the Salvation Army – Rockford Division, a subrecipient of the grant monies disbursed under Agreement No. DR00000020.

Criteria: 31 USC Section 7502 (f) (2) Each pass-through entity shall - (A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter; (B) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; (C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity..."

Cause: The County has not implemented subrecipient monitoring.

Effect: The County is not in compliance with the requirements of the Single Audit act. In addition, unless monitoring visits are performed, or the County obtains documentation of monitoring visits conducted by the State of Illinois, they will not be aware of potential noncompliance by the subrecipient.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 09-8: Social Services Block Grant CFDA# 93.667 (continued)

Recommendation: We recommend the County establish procedures for monitoring the subrecipient in accordance with the above referenced USC Section 7502.

Corrective Action Plan: The County maintains and reviews all pay requests submitted by the subrecipient to the State of Illinois Department of Human Services. The pay requests include detail expenditures for which reimbursement is being requested. Management with the Planning Office will continue this procedure. Additionally, the State of Illinois conducts frequent site visits and subsequently issues a report. Management with the Planning Office will request and review all reports issued as they relate to site visits.

Finding 09-9: Social Services Block Grant CFDA# 93.667; Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government CFDA #16.804; HIV Care Formula Grant–CDFA #93.917

Suspension and Debarment Requirement

Condition: The County does not have a policy requiring verification that vendors are not debarred from participating in federal programs. During our audit, we selected a sample of vendors paid with federal funds to determine if any amounts were paid to vendors on the Excluded Parties List System (EPLS). We found no instances where payments were made to debarred vendors.

Criteria: Non-procurement suspension and debarment requirements are contained in the OMB guidance in 2 CFR part 180. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. All non-procurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)*, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Cause: The County’s Purchasing Code does not address Federal suspension and debarment guidelines and therefore, does not provide procedures for determining that the County has not contracted with debarred and suspended parties.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 09-9: Social Services Block Grant CFDA# 93.667; Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government CFDA #16.804; HIV Care Formula Grant–CDFA #93.917 (continued)

Effect: Lack of a policy or procedure requiring verification of a vendor’s status (not debarred) could result in a payment to a debarred vendor. The County would have a “questioned cost” and could be held responsible for reimbursing the amount back to the grantor.

Recommendation: We recommend the County adopt guidelines covering suspension and debarment procedures to comply with Federal guidelines. We recommend management implement a policy which requires personnel to review the listing on the EPLS prior to entering new vendors in the system. Formal documentation should be maintained of the review performed and notice should be communicated to all grant departments of any debarred vendors which are identified in the search.

Corrective Action Plan: The purchasing director will include as standard language in all applicable contracts a certification regarding debarment, suspension, ineligibility and voluntary exclusion.

Section IV - Prior Year Federal Award Findings and Questioned Costs

Finding 08-10: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)–CFDA#10.557; Medical Assistance Program–CFDA#93.778; Social Services Block Grant–CFDA#93.667; HIV Care Formula Grant–CFDA#93.917; Community Capacity Development Office–CFDA#16.595; Bioterrorism Preparedness–CFDA#93.069

Condition: The County did not comply with the requirements of OMB Circular A-87 for support of salaries and wages for the programs noted above.

Recommendation: We recommend the County require semi-annual certifications for any employee whose salary is charged solely to a single Federal program. We further recommend that all employees for whom a portion of salary is charged to a Federal program, either directly or indirectly, complete regular time studies in accordance with OMB Circular A-87 and the payroll allocations be updated to reflect actual time distribution.

Current Status: The recommendation is in process of being implemented by the Health Department. See Current Year Finding 09-6.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

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

Finding 08-11: Disaster Grants—CFDA#97.036

Grant ID: FEMA-3283-EM-IL

Project No: AS-0005

Condition: We identified clerical errors on the force account equipment summary record and the material summary sheet.

Recommendation: The County should implement a procedure for tracking equipment usage and maintain supporting documentation for such usage. Procedures should be established to verify the accuracy of the information included on the summary reports submitted to the granting agency.

Current Status: This condition was an isolated incident whereas staff within the department receiving the grant misunderstood the required level of documentation and the need to maintain the documentation. The individuals involved with the condition have been notified and informed of the level of documentation required in the future. No similar findings were noted in the 2009 audit.

Grant ID: FEMA-IL-DR1771

Project No: 201-99201-00

Condition: Vehicles and equipment were used in the cleanup efforts. The County did not have adequate records to document the usage of the vehicles.

Recommendation: The County should implement a procedure for tracking equipment usage and maintain supporting documentation for such usage.

Current Status: This condition was an isolated incident whereas staff within the department receiving the grant misunderstood the required level of documentation and the need to maintain the documentation. The individuals involved with the condition have been notified and informed of the level of documentation required in the future.

Condition: Overtime labor hours for 2 of 25 employees selected for testing did not agree to the approved timesheet.

Recommendation: Procedures should be established requiring approval by management of each payroll and to verify the accuracy of the hours reported on the force account labor summary record.

Current Status: This was an isolated incident and the individuals involved have been notified of the error. Every payroll is approved by management and its accuracy is verified. No similar findings were noted in the 2009 audit.

COUNTY OF WINNEBAGO, ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

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

Finding 08-11: Disaster Grants–CFDA#97.036 (continued)

Grant ID: FEMA-3283-EM-IL

Project No: 201-99201-00

Condition: Vehicles and equipment were used in the cleanup efforts. The County did not have adequate records to document the usage of the vehicles.

Recommendation: The County should implement a procedure for tracking equipment usage and maintain supporting documentation for such usage.

Current Status: This condition was an isolated incident whereas staff within the department receiving the grant misunderstood the required level of documentation and the need to maintain the documentation. The individuals involved with the condition have been notified and informed of the level of documentation required in the future. No similar findings were noted in the 2009 audit.