

**McDONOUGH COUNTY, ILLINOIS
MACOMB, ILLINOIS**

SINGLE AUDIT REPORT

November 30, 2015



McDONOUGH COUNTY, ILLINOIS
MACOMB, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1-2
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133	3-5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6-7
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	8-9
SUMMARY OF FINDINGS AND QUESTIONED COSTS	10-21
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	22

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the County Board
McDonough County, Illinois
Macomb, 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 McDonough County, Illinois (County), as of and for the year ended November 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 27, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2015-003, 2015-004, and 2015-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic 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 basic 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*.

County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Springfield, Illinois
July 27, 2016

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

Members of the County Board
McDonough County, Illinois
Macomb, Illinois

Report on Compliance for Each Major Federal Program

We have audited McDonough County, Illinois’ (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on the County’s major federal program for the year ended November 30, 2015. The County’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the County’s major federal program 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’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 the major federal program. However, our audit does not provide a legal determination on the County’s compliance.

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended November 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 items 2015-006, 2015-007, and 2015-008. Our opinion on the major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the County 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 on compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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'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 combination of deficiencies, in internal control over compliance, such that there is 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.

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 purposes.

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 McDonough County, Illinois as of and for the year ended November 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 27, 2016, 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 County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the 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 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 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 taken as a whole.



Springfield, Illinois
August 17, 2016

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended November 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Illinois Department of Human Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children		FCSUQ01060	\$ 35,115
		FCSTQ01060	42,217
		FCSUQ01172	4,324
		FCSTQ01172	5,002
		Food instruments	<u>224,581</u>
Total Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	*	<u>311,239</u>
WIC Farmers' Market Nutrition Program (FMNP)	10.572	FCSUQ01248	<u>1,000</u>
Passed through Illinois Department of Public Health:			
Summer Food Service Program for Children	10.559	55280029C	<u>200</u>
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Illinois Department of Public Health:			
State Public Water System Supervision	66.432	55380179C	<u>450</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Illinois Emergency Management Agency:			
Emergency Management Performance Grants	97.042	15EMAMCDON-GAN#1	<u>\$ 11,138</u>
			(continued)

See accompanying Independent Auditor's Report.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended November 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Illinois Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		57180059C	\$ 15,701
		67180059D	22,248
		67180167D	617
Total HPP and PHEP Aligned Cooperative Agreements	93.074		<u>38,566</u>
Passed through Illinois Department of Public Health:			
Immunization Cooperative Agreements	93.268	55180042C	<u>796</u>
Passed through Fulton County, Illinois Health Department			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	<u>28,756</u>
Passed through Adams County, Illinois Health Department			
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	IPC2015-B	<u>23,785</u>
Passed through Illinois Department of Healthcare and Family Services			
Child Support Enforcement	93.563	N/A	<u>4,237</u>
Passed through Illinois Supreme Court			
State Court Improvement Program	93.586	CIPData-G-1408	<u>2,407</u>
Passed through Illinois Department of Public Health:			
Maternal and Child Health Services Block Grant to the States		53480127C	348
		63480126D	23
Total Maternal and Child Health Services Block Grant to the St	93.994		<u>371</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Illinois Department of Transportation			
Highway Planning and Construction	20.205	RS-0109(062)	<u>142,271</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 565,216</u></u>

* Denotes a major federal award program

See accompanying Independent Auditor's Report.

McDONOUGH COUNTY, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended November 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards includes the activity of all federal financial assistance programs of McDonough County, Illinois. The McDonough County reporting entity is defined in the Summary of Significant Accounting Policies section of the County's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through to other government agencies are included on the schedule.

Basis of Accounting

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting, which is described in the Summary of Significant Accounting Policies to the County's basic financial statements.

Nonmonetary Assistance

Nonmonetary assistance is reported in the schedule at the fair market value of the nonmonetary assistance received and disbursed (utilized).

Other Noncash Assistance

The County did not receive any federal awards in the form of noncash assistance for insurance in effect during the year, loans, or loan guarantees.

2. NONCASH FOOD INSTRUMENTS

The County participates in the Supplemental Food Program for Women, Infants, and Children and issues food instruments to eligible participants. The food instruments can be exchanged for authorized supplemental foods at retail stores. The State of Illinois processes and tracks the food instruments redeemed. The federal portion of food instruments distributed by McDonough County and redeemed during the period July 1, 2014 to June 30, 2015 was \$224,581 and is reported in the Schedule of Expenditures of Federal Awards. Information is not available from the State to report this information on the County's fiscal year.

McDONOUGH COUNTY, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

3. SUBRECIPIENTS

The County did not provide any federal awards to subrecipients for the year ended November 30, 2015.

4. DESCRIPTION OF MAJOR FEDERAL PROGRAMS

The major federal program of McDonough County is the Special Supplemental Nutrition Program for Women, Infants, and Children (10.557). These funds are used to provide low-income pregnant, breastfeeding, and postpartum women, infants, and children to age five who have been determined to be at nutritional risk, supplemental nutritious foods, nutrition education, and referrals to health and social services at no cost.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended November 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified
Internal control over financial reporting:
Material weakness(es) identified? X yes no
Significant deficiency(ies) identified? X yes 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
Circular A-133, Section .510(a)? X yes no

Identification of major federal 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

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

Section II – Financial Statement Findings

2015-001 Lack of Segregation of Duties

Criteria/Specific Requirement

The County should implement procedures regarding segregation of duties to prevent employees from having access to financial records and/or assets of the County which could allow the employee to perpetrate fraud for their personal financial benefit. A proper segregation of duties is an integral part of an internal control system to safeguard an organization's assets.

Condition

During our audit, we noted instances where employees have access to financial records and/or assets of the County. Specifically, we noted a lack of segregation of duties over cash receipts and disbursements. We noted that the individual that prepared the checks for vendor payments also stamped the check with one of the two required signatures and mailed the payments. We also noted that the review over the expenditures did not include the documentation of the General Claims Committee review and approval. The listing of expenditures reviewed by the General Claims Committee was not included with the checks submitted by the second individual for review before signing the checks. We also noted that the same individual in the Circuit Clerk's office recorded the transactions, made deposits, prepared checks, has access to the stamp of the required signature, mailed checks, and reconciled the bank statements. We also noted where the employee responsible for payroll processing is also responsible for adding employees to the payroll system, making changes to existing payroll, and removing employees with no formal review by a second individual over the payroll function.

This finding was repeated from the prior year Finding 2014-001.

Questioned Costs

None

Effect

Errors may occur and go undetected and it increases the risk of fraud. Fraud could occur where employees have access to financial records and/or assets of the County, and could perpetrate fraud for their personal financial benefit.

Cause

Limited staff available.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

Section II – Financial Statement Findings (Continued)

2015-001 Lack of Segregation of Duties (Continued)

Recommendation

We recommend that one employee prepares the checks for vendor payment and another employee mails the checks. We also recommend that all disbursements include documentation of the General Claims Committee review and approval and that documentation be included with the checks submitted to the second individual for their signature. We also recommend that the duties performed in the Circuit Clerk's office be divided amongst the various staff members to prevent the same employee from having access to financial records and/or assets of the County.

Auditee Response

The County offices will segregate accounting duties whenever possible. The Treasurer and County Finance Committee and Board will monitor monthly financial results and obtain explanations for unexpected variances from budget appropriations and prior year results.

2015-002 Lack of Controls over Financial Statement Preparation

Criteria/Specific Requirement

McDonough County is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The County's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition

The County does not have sufficient internal controls over the financial reporting process. The County maintains their accounting records on a cash basis of accounting. While the County maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the County's records, noted the following:

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

Section II – Financial Statement Findings (Continued)

2015-002 Lack of Controls over Financial Statement Preparation (Continued)

- The County did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The County does not accumulate all necessary capital asset information to identify all purchases that should be capitalized during the fiscal year.
- The County does not maintain all funds of the County in the Treasurer's office on the computerized accounting system.

This finding was repeated from the prior year Finding 2014-002.

Questioned Costs

None

Effect

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause

Lack of staff available and limited funding to comply with the requirement.

Recommendation

We recommend that the County record all audit adjustments in the general ledger system and accumulate any year end conversion adjustments from cash to modified accrual/accrual basis of accounting. We also recommend that the County maintain a separate general capital asset fund in the general ledger system to capture all necessary information for the conversion to their government-wide financial statements in their annual financial statements. We also recommend that as part of its internal control over the preparation of its financial statements, including disclosures, the County should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the County's activities and operations.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

Section II – Financial Statement Findings (Continued)

2015-002 Lack of Controls over Financial Statement Preparation (Continued)

Auditee Response

The County will record all audit adjustments and work towards developing procedures to accumulate conversion adjustments to present financial statements in accordance with generally accepted accounting principles. The County will review, approve, and accept responsibility for the proposed audit adjustments and the financial statements and related notes.

2015-003 Inadequate Bank Reconciliation Procedures

Criteria/Specific Requirement

Bank reconciliations should be performed and reviewed for all cash accounts monthly.

Condition

During the audit, we noted that various County bank reconciliations where the bank balance was not reconciled to the trial balance. We also noted various cash accounts maintained by the Sheriff's Department were not reconciled as of the end of the fiscal year.

This finding was repeated from the prior year Finding 2014-003.

Questioned Costs

None

Effect

Errors may occur and go undetected or may not be recognized and resolved on a timely basis. The lack of review or reconciliations could cause fraudulent activity to go undetected or cash accounts to be materially misstated.

Cause

Limited staff available and lack of review procedures.

Recommendation

We recommend that all bank reconciliations are reconciled and reviewed monthly.

Auditee Response

The County will perform bank reconciliation procedures for all bank accounts and will be reviewed by an individual other than the reconciler monthly.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

Section II – Financial Statement Findings (Continued)

2015-004 Inadequate Grant Administration

Criteria/Specific Requirement

Grant administration should be performed to verify all payments are properly received, all expenditures are eligible under the grant, and the grant compliance occurs.

Condition

During the audit, we noted that the County does not have a central administrator of grants received by the County. Management was unable to provide a schedule of all federal expenditures for single audit procedures.

This finding was repeated from the prior year Finding 2014-004.

Questioned Costs

None

Effect

Expenditures may be reported to the granting agency that are not eligible expenditures potentially resulting in unallowable expenditures and noncompliance with state and federal statutes and regulations. There may also be federal grants that are not properly reported on the schedule of expenditures of federal awards.

Cause

Limited staff available and lack of review procedures.

Recommendation

We recommend that the County have a central grant administrator who obtains all necessary information to verify that all grant payments were properly received, all eligible expenditures were properly reported to the granting agency, and grant compliance occurs.

Auditee Response

The County will implement procedures to centralize the necessary information for the proper reporting of grant expenditures and receipts. The Health Department will also establish policies and procedures to reconcile grant expenditures to expenditures reported in the accounting software.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

Section II – Financial Statement Findings (Continued)

2015-004 Inadequate Grant Administration (Continued)

Recommendation

We recommend that the County have a central grant administrator who obtains all necessary information to verify that all grant payments were properly received, all eligible expenditures were properly reported to the granting agency, and grant compliance occurs.

Auditee Response

The County will implement procedures to centralize the necessary information for the proper reporting of grant expenditures and receipts. The Health Department will also establish policies and procedures to reconcile grant expenditures to expenditures reported in the accounting software.

2015-005 Inadequate Controls over Fines and Fees Assessed by the Circuit Clerk

Criteria/Specific Requirement

The Clerk of the Circuit Court of McDonough County should ensure all fines and fees are properly assessed in accordance with the Illinois Compiled Statutes.

Condition

During the audit, we noted that the Circuit Clerk’s office failed to assess certain fines and fees required by the Illinois Compiled Statutes on several cases selected for testing.

This finding was repeated from prior year Finding 2014-006.

Questioned Costs

None

Effect

The Clerk of the Circuit Court may not assess all fines and fees in accordance with the Illinois Compiled Statutes (Statutes) and therefore, would not distribute the appropriate fines and fees as directed by the Statutes.

Cause

Limited staff available and lack of review procedures.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

Section II – Financial Statement Findings (Continued)

2015-005 Inadequate Controls over Fines and Fees Assessed by the Circuit Clerk (Continued)

Recommendation

We recommend the County implement a review process to determine that all fines and fees are assessed in accordance with the Illinois Compiled Statutes.

Auditee Response

The County will continue to research and monitor updates and changes made to the Illinois Compiled Statutes, especially for fines and fees assessed frequently.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

Section III – Federal Award Findings and Questioned Costs

2015-006 Lack of Client Acknowledgement Documented on Food Instruments

Criteria/Specific Requirement

DHS WIC Policy and Procedures Manual Part 2 Section 4 states “Local Agency Staff are responsible for monitoring End of Day Food Instrument Issuance Log to identify ‘gaps’ in Food Instrument sequence numbers.”

Condition

During our testing of the WIC program, for two out of the forty cases tested, we noted that the individual receiving the food instrument did not initial the end of the food instrument stubs.

Questioned Costs

None

Effect

DHS requires clients to sign one side of the stubs and initial the other side to acknowledge receipt of the food instruments issued. Missing signatures would indicate a lack of proper approval and acknowledgement of instruments issued.

Cause

The Health Department employee that issues food instruments did not verify that the applicant initial the other end of the stubs.

Recommendation

We recommend the Health Department employee that issues food instruments review and ensure each side of the stub is initiated before issuing food instruments.

Auditee Response

The County Health Department will implement a policy and procedure to have the WIC frontline clerk double check the front and the back of the Food Instrument stubs to ensure the client’s signature is on one side and their initials on the reverse side before allowing the client to leave with their food instruments.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

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

2015-007 Lack of Documentation Regarding Proof of Residency

Criteria/Specific Requirement

Pursuant to 7 CFR 246.7(C)(2)(i): “At certification, the State or local agency must require each applicant to present proof of residency (i.e. location or address where the applicant routinely lives or spends the night) and proof of identify.”

Condition

During our testing of the WIC program, for one out of the forty cases tested, we noted that evidence of a residency check was not present on the “Residence” line in the “Documents provided for Proof” section of the “WIC Program Client Certification Form”. Consequently, there is no evidence that a residency check was conducted for this individual.

Questioned Costs

None

Effect

Benefits could be provided to ineligible individuals.

Cause

The Health Department employee that certifies individuals overlooked the documenting of the proof of residency documentation obtained by the applicant.

Recommendation

At certification, we recommend that Health Department personnel require each applicant to present proof of residency (i.e. location or address where the applicant routinely lives or spend the night) prior to the issuance of vouchers to that individual. We also recommend that Health Department personnel note the type of information received for residency verification purposes on the “Residence” Line in the “Documents Provided for Proof” Section of the “WIC Program Client Certification Form.”

Auditee Response

The County Health Department will implement a policy and procedure that after the WIC frontline clerk completes the certification paperwork with the client that the CHP will then review the paperwork for proper completion.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

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

2015-008 Inadequate Payroll Records

Criteria/Specific Requirement

Pursuant to OMB Circular A-87 8(h), “Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit... 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 (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal Agency.” Personnel activity reports or equivalent documentation must be signed by the employee.

Condition

During our testing of the WIC program, for one out of the thirty-six payrolls tested, we noted that the employee’s timesheet was not signed by the supervisor. For two out of thirty-six payrolls tested, we noted that the employees’ timesheets were not signed by the employee.

Questioned Costs

None

Effect

The incorrect amounts could be charged to the grant programs.

Cause

The Health Department individuals preparing the payroll did not verify that all timesheets were signed by the employee and the supervisor.

Recommendation

During the preparation of payroll we recommend that all employees sign their timesheets and all supervisors document their review and approval of their employees’ timesheets. We also recommend that the timesheets be reviewed during the preparation of payroll to verify that all timesheets were signed by the appropriate employee and supervisor.

McDONOUGH COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended November 30, 2015

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

2015-008 Inadequate Payroll Records (Continued)

Auditee Response

The County Health Department will require administrative staff to check for all required signatures and return any unsigned timesheets to the responsible party to complete and return. Each timesheet is to be signed by the employee and then turn over to the supervisor and administrator for each to review and sign. Once all signatures are completed the timesheets are to be returned to the administrative staff.

McDONOUGH COUNTY, ILLINOIS
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended November 30, 2015

<u>Prior Finding</u>	<u>Condition</u>	<u>Status</u>
2014-001	Lack of Segregation of Duties	Repeated
2014-002	Lack of Controls over Financial Statement Preparation	Repeated
2014-003	Inadequate Bank Reconciliation Procedures	Repeated
2014-004	Inadequate Grant Administration	Repeated
2014-005	Inadequate Controls over Cash Receipts	Not Repeated
2014-006	Inadequate Controls over Fines and Fees Assessed by the Circuit Clerk	Repeated