

COUNTY OF MCHENRY

REPORT ON FEDERAL AWARDS

For the Year Ended November 30, 2009

COUNTY OF MCHENRY

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INDEPENDENT AUDITORS' 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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of McHenry, Illinois as of and for the year ended November 30, 2009, which collectively comprise the County of McHenry's basic financial statements and have issued our report thereon dated May 10, 2010. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Public Building Commission and the Conservation District, as described in our report on the County of McHenry's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Public Building Commission and Conservation District were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 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.

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

Our consideration of the internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the County of McHenry's internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. These significant deficiencies are items 2009-1, 2009-2, and 2009-3. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of McHenry's basic 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of McHenry in a separate letter dated May 10, 2010.

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

This report is intended solely for the information and use of the County of McHenry's management, others within the entity, 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.

Baker Tilly Virchow Krause, LLP
Chicago, Illinois
May 10, 2010



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

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

Compliance

We have audited the compliance of the County of McHenry, Illinois 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 November 30, 2009. The County of McHenry'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 of McHenry's management. Our responsibility is to express an opinion on the County of McHenry'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 of McHenry's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of McHenry's compliance with those requirements.

In our opinion, the County of McHenry 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 November 30, 2009. However, the results of our auditing procedures disclosed 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 items 2009-4, 2009-5, 2009-6, 2009-7, and 2009-8.

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

Internal Control Over Compliance

The management of the County of McHenry is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of McHenry's internal control over compliance with 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 and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of McHenry's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2009-7. 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of McHenry, Illinois as of and for the year ended November 30, 2009, which collectively comprise the County of McHenry's basic financial statements and have issued our report thereon dated May 10, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of McHenry's basic financial statements. Our report was modified to include a reference to other auditors who audited the financial statements of the Public Building Commission and the Conservation District, as described in our report on the County of McHenry's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

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

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

This report is intended solely for the information and use of the County of McHenry's management, 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.

Baker Tilly Vuchow Krause LLP

Chicago, Illinois

June 23, 2010, except for the schedule of expenditures of
federal awards, as to which the date is May 10, 2010

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Agriculture				
Passed through Illinois Department of Human Services				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC - 2009)	10.557 *	911GK340900	\$ 563,200	\$ 351,344
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC - 2010)	10.557 *	011GL340900	589,864	220,268
Special Supplemental Nutrition Program for Women, Infants, and Children (Noncash Food Instruments - 2009)	10.557 *	n/a	-	1,883,639
		10.557 - subtotal	1,153,064	2,455,251
WIC Farmers' Market Nutrition Program - 2010	10.572	011GL340920	1,000	1,000
Total U.S. Department of Agriculture			1,154,064	2,456,251
Department of Commerce				
Passed through Illinois Emergency Management Agency				
Public Safety Interoperable Communications Grant Program	11.555 *	PSICMCHE	5,100,000	3,854,490
Total Department of Commerce			5,100,000	3,854,490
U.S. Department of Housing and Urban Development				
Community Development Block Grant (CDBG)				
2006	14.218	B06UC170007	1,327,397	28,571
2007	14.218	B07UC170007	1,339,291	433,358
2008	14.218	B08UC170007	1,301,979	709,090
2009	14.218	B09UC170007	1,320,206	136,060
		14.218 - subtotal	5,288,873	1,307,079

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development (Continued)				
Housing Investment Partnership Program (HOME)				
2003	14.239	M03UC170219	\$ 551,423	\$ 25,269
2005	14.239	M05MC170219	551,904	28,206
2006	14.239	M06UC170219	508,973	51,885
2007	14.239	M07UC170219	509,595	59,079
2008	14.239	M08UC170219	483,766	4,027
		14.239 - subtotal	2,605,661	168,466
Neighborhood Stabilization Program (NSP)	14.256	B08UN170005	3,085,695	59,008
Total U.S. Department of Housing and Urban Development			10,980,229	1,534,553

U.S. Department of Justice				
Bureau of Justice Assistance				
State Criminal Alien Assistance Program (SCAAP) - 2007	16.606	n/a	144,931	61,099
State Criminal Alien Assistance Program (SCAAP) - 2008	16.606	n/a	237,291	131,653
		16.606 - subtotal	382,222	192,752
Office of Community Oriented Policing Services				
Public Safety Partnership and Community Policing Grants (SEECOM #1)	16.710	*	444,267	426,595
Public Safety Partnership and Community Policing Grants (SEECOM #2)	16.710	*	93,529	93,529
Public Safety Partnership and Community Policing Grants (Integrated Justice)	16.710	*	93,529	93,529
		16.710 - subtotal	631,325	613,653

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Justice (Continued)				
Passed through Illinois Criminal Justice Information Authority				
Edward Byrne Memorial Justice Assistance Grant Program - 2009	16.738	406024	\$ 83,394	\$ 83,394
Total U.S. Department of Justice			1,096,941	889,799
U.S. Department of Labor				
Passed through Illinois Department of Commerce and Economic Opportunity				
Workforce Investment Act				
Trade Adjustment Assistance	17.245	08-661002	335,500	221,005
WIA Adult Program - 2008	17.258	08-681002	327,985	206,103
WIA Adult Program - (Program Income - 2008)	17.258	n/a	n/a	1,296
WIA Adult Program - (10% Statewide Activities)	17.258	07-632002	3,184	3,184
WIA Adult Program - (High Speed Internet III)	17.258	08-632002	940	940
WIA Adult Program - 2009	17.258	09-681002	566,781	124,669
WIA Adult Program - (5% Local Board Support)	17.258	07-637002	5,859	297
		17.258 - subtotal	904,749	336,489
ARRA Funds - WIA Adult Program	17.258-ARRA	08-761002	333,671	285,681
WIA Youth Activities - 2008	17.259	08-681002	392,601	250,142
WIA Youth Activities - (Program Income - 2008)	17.259	n/a	n/a	1,551
WIA Youth Activities - (10% Statewide Activities)	17.259	07-632002	3,811	3,811
WIA Youth Activities - (High Speed Internet III)	17.259	08-632002	1,126	1,126
WIA Youth Activities - 2009	17.259	09-681002	608,305	253,137

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Labor (Continued)				
Passed through Illinois Department of Commerce and Economic Opportunity (Continued)				
Workforce Investment Act (Continued)				
WIA Youth Activities - (5% Local Board Support)	17.259	* @ 07-637002	\$ 7,013	\$ 356
		17.259 - subtotal	1,012,856	510,123
ARRA Funds - WIA Youth Activities	17.259-ARRA	* @ 08-762002	592,093	590,964
WIA Dislocated Workers- (Trade Co-enrollment Case Management)	17.260	* @ 08-633002	56,000	12,690
WIA Dislocated Workers - 2008	17.260	* @ 08-681002	669,286	422,027
WIA Dislocated Workers - (Program Income - 2008)	17.260	* @ n/a	n/a	2,645
WIA Dislocated Workers - (10% Statewide Activities)	17.260	* @ 07-632002	6,498	6,498
WIA Dislocated Workers - (High Speed Internet III)	17.260	* @ 08-632002	1,919	1,919
WIA Dislocated Workers - 2009	17.260	* @ 09-681002	931,540	231,399
WIA Dislocated Workers - (5% Local Board Support)	17.260	* @ 07-637002	12,128	614
WIA Dislocated Workers - (TAA-NEG Dual Enrollment)	17.260	* @ 09-641002	40,000	40,000
WIA Dislocated Workers - (TAA-NEG Dual Enrollment)	17.260	* @ 09-641202	80,000	37,064
		17.260 - subtotal	1,797,371	754,856
ARRA Funds - WIA Dislocated Workers	17.260-ARRA	* @ 08-761002	1,125,554	577,564
Work Incentive Grants - (WIA Disability Navigator Grants)	17.266	02-11202	2,485	2,485
Total U.S. Department of Labor				3,279,167

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Transportation				
Passed through Illinois Department of Transportation				
State and Community Highway Safety - (MCR Incentive - 2009)	20.600	@ TR9-0056-820	\$ 24,992	\$ 24,992
State and Community Highway Safety - (Holiday Mobilization - 2010)	20.600	@ AL0-0056-547	37,350	2,907
		20.600 - subtotal	62,342	27,899
Alcohol Impaired Driving Countermeasures Incentive Grants I - (Labor Day 2009 "You Drink & Drive, You Lose" Campaign)	20.601	@ AL9-0056-587	4,173	4,173
Safety Belt Performance Grants - (IMAGE - 2009)	20.609	@ OP9-0056-007	40,018	31,600
Child Safety and Child Booster Seats Incentive Grants - (Boost Illinois - 2009)	20.613	@ B19-0056-041	7,730	7,730
Child Safety and Child Booster Seats Incentive Grants - (Child Safety - 2009)	20.613	@ OP9-0056-040	8,958	8,958
		20.613 - subtotal	16,688	16,688
Passed through Illinois Emergency Management Agency				
Interagency Hazardous Materials Public Sector Training and Planning Grants - (HMEP - 2009)	20.703	9HMEPMCHE	10,833	10,833
Passed through Chicago Metropolitan Agency for Planning				
Highway Planning and Construction - 2009	20.205	09-SC-011	78,274	49,865
Highway Planning and Construction - 2010	20.205	C-10-0008	86,540	32,329
		20.205 - subtotal	164,814	82,194
Total U.S. Department of Transportation			298,868	173,387
U.S. Environmental Protection Agency				
Passed through Illinois Department of Public Health				
Performance Partnership Grants - (Potable Water - 2009)	66.605	95380382	19,563	19,563
Total U.S. Environmental Protection Agency			19,563	19,563

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Education				
Passed through Illinois State Board of Education				
Special Education - Grants to States - 2009	84.027A	65-108-1080-51	\$ 10,234	\$ 6,463
Special Education - Grants to States - 2010	84.027A	65-108-1080-51	14,016	6,768
Total U.S. Department of Education			24,250	13,231
U.S. Department of Health and Human Services				
Passed through Illinois Department of Children and Family Services				
Promoting Safe and Stable Families - (FCS - 2009)	93.556	5430079	16,279	-
Promoting Safe and Stable Families - (FCS - 2010)	93.556	5430070	16,279	16,279
		93.556 - subtotal	32,558	16,279
Adoption Assistance - 2009	93.659	5430029	27,583	11,682
Adoption Assistance - 2010	93.659	5430020	27,583	14,492
		93.659 - subtotal	55,166	26,174
Passed through Illinois Department of Public Health				
Maternal and Child Health Services Block Grant to the States - (Oral Health - 2009)	93.994	93480166	6,037	6,037
Centers for Disease Control and Prevention-Investigations and Technical Assistance - (Breast & Cervical Cancer - 2009)	93.283	96180093	60,650	-
Centers for Disease Control and Prevention-Investigations and Technical Assistance - (Breast & Cervical Cancer - 2010)	93.283	06180020	85,500	85,500
Centers for Disease Control and Prevention-Investigations and Technical Assistance - (West Nile Virus - 2009)	93.283	95380220	5,000	5,000
		93.283 - subtotal	151,150	90,500

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed through Illinois Department of Public Health (Continued)				
Public Health Emergency Preparedness - 2009	93.069	97181054	\$ 279,463	\$ 191,210
Public Health Emergency Preparedness - 2010	93.069	07181054	232,781	98,455
Public Health Emergency Preparedness - (Cities Readiness - 2009)	93.069	97181108	72,333	71,518
Public Health Emergency Preparedness - (Cities Readiness - 2010)	93.069	07181109	79,674	8,396
Public Health Emergency Preparedness - (PHER #1 - 2010)	93.069	07181176	351,543	114,706
Public Health Emergency Preparedness - (PHER #3 - 2010)	93.069	07181271	532,180	83,992
		93.069 - subtotal	1,547,974	568,277
Immunization Grants - (Noncash Assistance)	93.268	n/a	-	314,907
Passed through Illinois Department of Human Services				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances - (McHenry Co Care - 2009)	93.104	940CK001456	1,607,559	1,040,155
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances - (McHenry Co Care - 2010)	93.104	040CL001456	1,607,559	960,087
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances - (Program Income)	93.104	n/a	-	177
		93.104 - subtotal	3,215,118	2,000,419

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed through Illinois Department of Human Services (Continued)				
Maternal and Child Health Services Block Grant to the States - 2009	93.994	911GK340000	\$ 50,000	25,446
Maternal and Child Health Services Block Grant to the States - 2010	93.994	011GL340000	47,000	23,507
		93.994 - subtotal	97,000	48,953
Social Services Block Grant - 2009	93.667	911GK340000	39,400	21,983
Social Services Block Grant - 2010	93.667	011GL340000	39,400	16,469
Social Services Block Grant - (Title XX - 2009)	93.667	981XK041000	257,643	150,294
Social Services Block Grant - (Title XX - 2010)	93.667	081XL128000	257,643	107,348
		93.667 - subtotal	594,086	296,094
Temporary Assistance for Needy Families - (Front Door - 2009)	93.558	981XKFD0007	4,675	3,195
Temporary Assistance for Needy Families - (Front Door - 2010)	93.558	081XL128000	10,265	2,533
Temporary Assistance for Needy Families - (Teen Reach - 2009)	93.558	911GK341000	98,829	-
Temporary Assistance for Needy Families - (Teen Reach - 2010)	93.558	011GL341000	90,540	50,627
		93.558 - subtotal	204,309	56,355
Child Care and Development Block Grant - 2009	93.575	911GK340420	40,000	22,948
Child Care and Development Block Grant - 2010	93.575	011GL340420	40,000	16,087
		93.575 - subtotal	80,000	39,035

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed through Illinois Department of Human Services (Continued)				
Block Grants for Community Mental Health Services - 2009	93.938	940CK001456	\$ 1,460	\$ 1,460
Passed through Illinois Department of Healthcare and Family Services				
Medical Assistance Program	93.778	n/a	380,972	380,972
Child Support Enforcement	93.563	n/a	8,525	8,525
Passed through Illinois Public Health Association				
HIV Prevention Activities - Health Department Based - 2008	93.940	08 G75 7-005	30,000	1,524
HIV Prevention Activities - Health Department Based - 2009	93.940	19 G75 7-005	30,000	27,293
Passed through McHenry County Housing Authority				
ARRA Funds - Community Services Block Grant	93.710-ARRA	VAC	4,100	636
93.940 -subtotal			60,000	28,817
Total U.S. Department of Health and Human Services			6,438,455	3,883,440
Corporation For National and Community Service				
Passed through Illinois Department of Human Services				
AmeriCorps - 2009	94.006	911G7814000	79,795	36,326
AmeriCorps - 2010	94.006	011G7814000	4,302	4,302
AmeriCorps - 2010	94.006	011GL801000	183,932	48,068
AmeriCorps - program income	94.006	n/a	-	1,050
ARRA Funds - AmeriCorps	94.006-ARRA	011GK922000	49,240	7,790
94.006 -subtotal			268,029	89,746
Total Corporation For National And Community Service			317,269	97,536

See accompanying notes to schedule of expenditures of federal awards.

County of McHenry, Illinois
 Schedule of Expenditures of Federal Awards
 Year Ended November 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantors' Number	Program or Award Amount	Federal Expenditures
Department of Homeland Security				
Passed through Illinois Emergency Management Agency				
Disaster Grants - Public Assistance	97.036	n/a	\$ 1,882	\$ 1,882
Hazard Mitigation Grant	97.039	00HM10MCHEN	64,326	9,238
Emergency Management Performance Grants - 2008 reallocation	97.042	08EMA2	35,047	35,047
Emergency Management Performance Grants - 2009	97.042	09EMA95	56,949	47,449
Emergency Management Performance Grants - 2010	97.042	10EMA95	71,242	11,900
		97.042 - subtotal	163,238	94,396
Total Department of Homeland Security			229,446	105,516
Total Expenditures of Federal Awards			\$ 31,763,364	\$ 16,306,933

* Denotes a major program.

@ Denotes a federal program cluster, see note 4 in the notes to schedule of expenditures of federal awards.

COUNTY OF MCHENRY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended November 30, 2009

NOTE 1 – REPORTING ENTITY

This report on Federal Awards includes the federal awards of the County of McHenry, Illinois. The reporting entity for the county is based upon criteria established by the Governmental Accounting Standards Board.

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

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

NOTE 2 – BASIS OF PRESENTATION

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

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

NOTE 3 – NONCASH PAYMENTS

The County of McHenry, Illinois receives vaccines at no charge from the Illinois Department of Public Health through federally assisted programs – Immunization Grants (CFDA 93.268). The value of vaccines received during the year ended November 30, 2009 was \$241,132. Of this amount, \$75,646 remained unused, and was included as inventory at November 30, 2009.

The County of McHenry, Illinois receives non-cash assistance from the Illinois Department of Human Services under the Special Supplemental Food Program for Women, Infants and Children (WIC – CFDA 10.557), in the form of food instruments, which are distributed to qualifying WIC participants. Total distributions during the year ended November 30, 2009 were \$1,883,639.

COUNTY OF MCHENRY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2009

NOTE 4 – FEDERAL PROGRAM CLUSTER

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

<u>CFDA No.</u>	<u>WIA Cluster</u>	
17.258	WIA Adult Programs	\$ 622,170
17.259	WIA Youth Activities	1,101,087
17.260	WIA Dislocated Workers	<u>1,332,420</u>
	Total	<u>\$ 3,055,677</u>

<u>CFDA No.</u>	<u>Highway Safety Cluster</u>	
20.600	State and Community Highway Safety	\$ 27,899
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants	4,173
20.609	Safety Belt Performance Grants	31,600
20.613	Child Safety and Child Booster Seats Incentive Grants	<u>16,688</u>
	Total	<u>\$ 80,360</u>

NOTE 5 – SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant (CDBG)	14.218	\$ 985,605
Home Investment Partnership (HOME)	14.239	139,371
Neighborhood Stabilization Program (NSP)	14.256	48,600
Public Safety Interoperable Communications Grant	11.555	3,687,224
Social Services Block Grant – Title XX	93.667	257,642
Child Mental Health Service Initiative	93.104	1,317,191
Temporary Assistance to Needy Families	93.558	<u>43,005</u>
Total		<u>\$ 6,478,638</u>

NOTE 6 – INSURANCE AND LOANS OR LOAN GUARANTEES

During the year ended November 30, 2009, McHenry County received no insurance, loans, or loan guarantees for the purpose of administering federal programs.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended November 30, 2009

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: *unqualified*

Internal control over financial reporting:

- > Material weakness(es) identified? yes X no
- > Significant deficiencies identified that are
not considered to be material weaknesses? X yes none reported

Noncompliance material to basic financial statements noted? yes X no

FEDERAL AWARDS

Internal control over major programs:

- > Material weakness(es) identified? yes X no
- > Significant deficiencies identified that are
not considered to be material weakness(es)? X yes none reported

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

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

Auditee qualified as low-risk auditee? yes X no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
11.555	Public Safety Interoperable Communications Grant
16.710	Public Safety Partnership and Community Policing Grants
17.258, 17.259, 17.260	Workforce Investment Act Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 489,208

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 2009-1 – VENDOR APPROVAL

The ability to create new vendors is appropriately centralized within the county but there should also be a formalized and documented control to assure the validity of all new vendors. We have recently discussed several options and methods with county staff as to how this could be accomplished.

Management's Response by Cathy Link – Purchasing Director

Purchasing has been working with the Auditor's Office, who has provided specialized reports to assist with a clean-up of the present vendor listing. Purchasing is also working jointly with the County Auditor on developing a vendor maintenance procedural guide to develop steps on how new vendors are processed and approved for entry into the financial system. These steps will include controls for determining the validity of the vendor. In addition, annual reviews of the vendor listing will be conducted and necessary changes will be performed to keep the listing current.

FINDING 2009-2 – DECENTRALIZED BANK ACCOUNTS

The county maintains numerous bank accounts, some of which have significant activity each day of the year, and others that have minimal activity. Included in these bank accounts are fourteen checking accounts that are maintained in departments outside of the Treasurer's office and, therefore, are not subject to the same set of controls as the majority of the county's bank accounts. We bring this to your attention as there are increased risks associated with maintaining decentralized bank accounts.

Management's Response by Pamela Palmer – McHenry County Auditor

The Auditor's Office agrees with the increased risk of these accounts. These accounts are within elected official's offices per their statutory duties and are reconciled by their staff. A year-end reconciled statement is requested by the Auditor's Office and reviewed for inclusion in the annual financial report. To test the controls in place and the timeliness and accuracy in the reconciliation process, the Internal Audit Program will add a monitoring and review process to the Annual Audit Plan. A report of this review and any recommendations noted will be presented to the Finance and Audit Committee and the elected official's board liaison committee.

We noted that two checking accounts maintained in the Sheriff's Narcotics Forfeiture division are not reconciled and one other Sheriff checking account maintained for purchasing equipment is no longer being used. All bank accounts should be reconciled on a monthly basis. The dormant bank account should be reviewed and if it is determined that it is no longer needed, it should be closed.

COUNTY OF MCHENRY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended November 30, 2009**

SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

FINDING 2009-2 – DECENTRALIZED BANK ACCOUNTS (cont.)

Management's Response by Angela Wood-Zuzevich – Sheriff's Department Business Manager

The Sheriff's Department maintains a ledger and reconciles the Narcotics Forfeiture's two checking accounts on a monthly basis. The monthly reconciliation is then provided to Narcotics for their review and filing. However, the Department will also prepare the bank reconciliation in a standard format for review and institute a formal approval process by a separate supervisor.

Management's Response by Chief Dan Sedlock – Sheriff's Department – Chief of Corrections

The CERT Training Account held at Harris Bank was opened several years ago and the deposits were from the sales of CERT Training t-shirts. CERT equipment was purchased with these funds. Presently, the account has a balance of approximately \$178 and has not been used for an extended period of time. The funds will be utilized in FY2010 for a small purchase in order to close out the account.

Two checking accounts maintained by the County Clerk have unresolved variances between the bank balance and the book balance. The bank accounts have been reconciled monthly and at year-end, but a complete reconciliation of activity to the supporting documentation has not been occurring in a timely fashion. All reconciliations should be performed upon receipt of the bank statement to detect and resolve any variances in a timely manner. In addition, all reconciling items should be supportable and consist of known items.

Management's Response by Katherine C. Schultz – McHenry County Clerk

I have spoken with staff on this matter. They have been instructed to not only reconcile the monthly bank statement with our office account records, but to reconcile the DevNet computer system records of the redemption account (monies outstanding, to be paid to tax buyers, clerk fees, etc.). By doing these each month, errors will be caught immediately and corrected. Staff has also been instructed to check the manual judgment records with the computer records to ensure that both records agree with each other.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

FINDING 2009-3 – COMPLIANCE WITH PURCHASING ORDINANCE

We tested purchases made during 2009 for compliance with the county's purchasing ordinance and Illinois State Statutes. Four out of the fifteen purchases tested did not utilize centralized purchasing, did not have a purchase order, and quotes were not obtained as required by S5-103 of the McHenry County purchasing ordinance. It is our understanding that these purchases should have used purchasing as all of them exceeded \$500 and originated in departments required to adhere to the purchasing ordinance. Three of the invoices originated in the County Health department and one originated in the County Sheriff department. Failure to utilize centralized purchasing not only results in non-compliance with county policies, but could result in lost saving opportunities often obtained through central purchasing efforts.

Management's Response by Cathy Link, Purchasing Director

The Purchasing Department will be conducting training sessions during FY2010 regarding the Purchasing Ordinance and its applicability to the county departments. In addition, Purchasing will be working jointly with the Auditor's Office on the enforcement of the Ordinance through the monitoring of invoices submitted for payment. Invoices that should have used Purchasing will be discussed with the Elected Official/Department Director and the appropriate action will take place. We also will review customized reports from the financial management system to assess the usage of the purchasing process.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2009

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS

FINDING 2009-4 – SPECIAL SUPPLEMENT NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN – CFDA No. 10.557

Criteria:

The County is required to test applicants for anemia. Those individuals who only present anemia as a risk factor must be tested for anemia at the time of certification. Those individuals who do not present anemia as the only risk factor must be tested for anemia within 90 days of certification. Infants younger than 9 months are exempt from these requirements. Also, the County is required to document approval of eligibility and certification by the signatures of a certifying health official and a certifying nutritionist on the certification form.

Condition:

During our testing of eligibility controls and compliance two exceptions were found. Two out of forty files tested did not contain documentation that the anemia test was administered to the patient within the prescribed timelines. Also, two out of forty certification forms were not signed by either a certifying official or a nutritionist.

Effect:

Two out of forty individuals whose files were selected for testing were not in compliance with the anemia testing requirements. Also, the absence of the control (no signature of certifying officials on the eligibility form) could cause eligibility compliance deficiencies.

Recommendation:

We recommend that the County strive to ensure that all certification forms are signed by both certifying officials and that hemoglobin tests are documented in the files. We recommend that a designated person review the charts/files of each patient seen during the day to ensure all paperwork is in order.

Questioned Costs: None

Management's Response by Pat McNulty, Public Health Administrator

Hemoglobin testing is performed to check for presence of anemia according to Illinois WIC Policy. In the event a client or parent refuses testing or the presence of an extenuating circumstance precludes testing at the time of the WIC visit, it is documented in the client's chart on the appropriate form; i.e., child's growth chart, women's weight gain sheet, and/or Cornerstone case note. In the cited instances, documentation had not been completed. Absence of certifying individual's signatures on forms has been addressed with all WIC staff. Forms in question have been reviewed and are now in compliance.

The importance of accuracy and completeness of records was stressed to all WIC staff, with emphasis on meeting and maintaining all eligibility requirements of the program. Implementation of a review process at the end of each day to check the charts before returning for filing into the locked Bradford files had been initiated. CHP's (certifying health professionals) will check their work and clerical staff will double check for necessary documentation prior to file back.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2009

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2009-5 – SPECIAL SUPPLEMENT NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN – CFDA No. 10.557

Criteria and Conditions:

Per the grant agreement, prior approval by the Illinois Department of Human Services is required for equipment items costing \$5,000 or above and having a useful life greater than one year. Program guidelines also require that purchases of computer software or hardware (regardless of amount) be approved by the designated regional staff. We noted one purchase of software or hardware, totaling \$5,672, which did not receive prior approval.

Equipment property management guidelines also require that inventory lists be maintained of the property purchased with federal funds. These listings should identify description (including serial number or other identification number); source; who holds title; acquisition date and cost; percentage of Federal participation in the cost; location; condition; and any ultimate disposition data including the date of disposal and sales price or method used to determine current fair market value. Per review of the WIC inventory listing, we noted that the listing did not identify who holds title or condition. It was also noted that certain assets on the list did not contain cost or date of acquisition information. Lastly, certain current year purchases were not included in the original listing given to the auditors. A revised list was later sent which included all 2009 additions.

Effect:

It is possible that certain costs will be disallowed as the County did not obtain the proper approvals for the purchase of certain hardware or software. Also, the County did not maintain all information required by federal guidelines in their inventory listing which could result in compliance deficiencies if the property is ever disposed.

Recommendation:

We recommend that the County ensure that all equipment, software and hardware purchases receive proper approval per the grant policies and procedures. Further, we recommend that the County revise its inventory listings to ensure that they contain all of the information required by the federal guidelines.

Questioned Costs: None

Management's Response by Pat McNulty, Public Health Administrator

Prior approval had not consistently been requested for all computer software and hardware previously purchased. Going forward, approval in writing for all computer software and hardware purchases will be requested from the designated regional staff per Illinois WIC policy. This will be the responsibility of the WIC Program Coordinator in the Health Department.

The acquisition of a computerized inventory system by the Health Department has enabled the WIC program to accurately enter all equipment into a verifiable system. All required information per WIC guidelines i.e., a unique identifier, accurate description, serial number, date of purchase, unit cost and location/condition of property, have all been entered into the inventory listing. All future equipment will be added as acquired and an annual inventory of all equipment will be performed and documented.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2009

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

**FINDING 2009-6 – PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS – CFDA No. 16.710
AND PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM – CFDA No. 11.555**

Criteria:

The A-102 Common rule requires that equipment and property records be maintained for equipment and property purchased with federal funds. Property records should contain the following information about the equipment: description (including serial number or other identification number); source; who holds title; acquisition date and cost; percentage Federal participation in the cost; location; condition; and any ultimate disposition data including, the date of disposal and sales price or the method used to determine current fair market value.

Condition:

The inventory listing maintained by the Sheriff's Department does not include the condition of the property and the percentage of federal participation in the property.

Effect:

Accurate and complete property records help the County identify which assets were purchased with federal funds. Also, complete records permit the County to comply with the federal property disposition regulations by allowing the County to identify that a disposed piece of equipment was originally purchased with federal funds. Without these complete property records, the County may not be able to accurately identify all equipment purchased with federal funds. Also, the County may not follow federal equipment disposition regulations properly if they are unable to identify that a disposed piece of equipment was originally purchased with federal funds.

Recommendation:

We recommend that the Sheriff's Department review its inventory listing and add any pertinent fields required by the federal regulations.

Questioned Costs: None

Management's Response by Angela Wood-Zuzevich, Sheriff's Department Business Manager

All property is inventoried by serial number and jurisdiction location. In addition, all local jurisdictions sign a form stating they have received said equipment. All property is newly purchased and operational. The McHenry County Sheriff's Office corrective action plan will be to review its inventory listing and to ensure that any pertinent fields required by federal regulations be added to its data that is collected. Namely, the condition of the equipment at each of the thirty-five jurisdictions will be recorded on a spreadsheet that has been expanded to include a column specific to equipment condition. This updated field will allow the Sheriff's Office to track condition of all equipment for the amount specified by the federal government.

Internal controls will include the oversight by applicable command staff who will ensure that all applicable federal guidelines related to maintaining proper equipment and property records is maintained and updated as required by federal regulation.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2009

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2009-7 – PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS – CFDA No. 16.710

Criteria:

Quarterly Financial Status Reports (SF-269A) are to be submitted on a quarterly basis. Each report should reflect the actual federal monies spent, un-liquidated obligations incurred, and the unobligated balance of federal funds. These reports must be submitted to the awarding agency by 45 calendar days after the quarter end.

Condition:

Our review of the Financial Status Reports prepared for Award 2008CKWZ0198 determined that the expenditures were improperly reported. The dates of the outlay were reported as 10/1/08 - 12/31/08. However, \$21,168 was incurred during the period 4/1/09 - 6/30/09 and \$405,427 was incurred during the period 10/1/09 - 12/31/09. As of November 30, 2009, \$17,672 of expenditures had not yet been incurred. However, the Financial Status Report ending 12/31/08 had reported the grant as fully expended. Also, the quarterly reports were not filed in a timely fashion. Quarterly reports are due 45 calendar days following the quarter end. The quarterly reports were submitted past this deadline.

Our review of the Financial Status Reports prepared for Award 2008CKWX0304 also determined that this report was not prepared accurately. The reports listed \$93,530 as being expended in the fourth quarter of 2008. However, these amounts were actually expended in fourth quarter of 2009. The reports under this award number were also filed after the 45 day deadline.

Lastly, our review of the Financial Status Reports for award 2008CKWX0175 also noted that they were filed after the 45 day deadline.

Effect:

Noncompliance with program reporting requirements may result in penalties or disallowed costs.

Recommendation:

We recommend that the County evaluate the procedures and controls surrounding the preparation of the Financial Status Reports. We recommend that the County use the general ledger detail as a basis for completing these reports. Also, we recommend that a system of reminders be established to remind staff of when the Financial Status Reports are due so that the reports are filed in a timely manner.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2009

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2009-7 – PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS – CFDA No. 16.710 (cont.)

Questioned Costs:

For award 2008CKWX0198, the questioned costs are \$17,672 as these amounts were reported as expended in the Financial Status Report, but had not yet actually been expended by the audit date (November 30, 2009).

Management's Response by Angela Wood-Zuzevich, Sheriff's Department Business Manager

The recommendation to use the general ledger detail as the basis for completing the Financial Status Reports will become standard operating procedure. The McHenry County Sheriff's Office will seek appropriate and applicable oversight and guidance from the Auditor's Office. In addition, the sheriff's office will maintain internal controls through a corrective action plan that will ensure that the general ledger detail is used as the sole source for completing the federal financial status reports and that there internal oversight by applicable command staff through a review and final approval of all federal reports prior to submission to the federal government.

FINDING 2009-8 – PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS – CFDA No. 16.710

Criteria:

Per the program requirements, if funds are received through electronic transfer, the county is allowed ten days to disburse the funds. There should be no excess federal grant funds on hand beyond ten days.

Condition:

Program requirements state that cash must not be drawn down more than 10 days in advance of payment of expenditures. Per review of the cash draw downs performed, the time elapsed between draw down of funds and expenditure of funds was greater than 10 days for award 2008CKWX0198 and award 2008CKWX0304. For award 2008CKWX0198, cash was drawn down by the County in the amount of \$444,268 on June 16, 2009. On June 30, 2009, \$21,168 in expenditures was paid and on November 17, 2009, \$405,427 was paid. Both of these payments occurred outside the 10 day period. Also, as of the date of the audit, November 30, 2009, \$17,672 of cash drawn down had not been expended.

Effect:

The County had federal grant funds on hand in excess of the ten days permitted by the program requirements.

Recommendation:

We recommend that the County determine the date that expenditures are expected to be paid in order to determine the date that cash can be drawn down.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2009

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2009-8 – PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS – CFDA No. 16.710 (cont.)

Questioned Costs:

For award 2008CKWX018, the questioned costs are \$17,672 as this was the excess cash on hand as of November 30, 2009. This amount is also reported in finding 2009-7.

Management's Response by Angela Wood-Zuzevich, Sheriff's Department Business Manager

The project was scheduled to proceed and the draw down was approved and executed. Federal fund can be drawn down prior to use or as a reimbursement. Funds were received/drawn down with the anticipation that the funds would be expended. The project suffered many delays due to the complex expansiveness of the radio StarCom Project; most notably, its issues with communications interoperability (i.e. staggering array of systems supporting the services we provide, integrated mesh of communications and information systems). Interoperable radio communications allows police, fire, EMS and other first responders to talk to one another during an emergency across agencies and across boundary lines. Achieving interoperability is crucial for the mission-critical communications industry where an interruption in communication can cost lives.

Issues impacting the project funded by this grant were related to the regional use of legacy radios as well as taking into consideration the purchase of a P25 compliant system which does not necessarily enable instant interoperability. The issue of bridging systems to provide the means to patch disparate radios was an ongoing evaluative process. Equipment was ordered but final billing or "Certificate of System Acceptance" could not take place until the equipment was fully operational within a very complex interoperable environment which resulted in funds not being spent within ten days of the draw down.

The corrective action plan for any future grant expenditures will include the creation of a procedure for drawing down funds which will include the use of final invoices, internal oversight that equipment has been ordered and is in place and onsite. Funds will not be drawn down unless they can be spent within the ten day federal window. Internal controls will include the oversight by applicable command staff who will assess whether it is appropriate to draw funds down.

PAMELA PALMER
County Auditor

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



PHONE: 815 334-4204
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
November 30, 2009

FINDING 2008-1 – INTERNAL CONTROLS

The following internal control weaknesses were identified during the audit.

VENDOR APPROVAL

- The ability to create new vendors is appropriately centralized within the county but there should also be a formalized and documented control to assure the validity of all new vendors. We have recently discussed several options and methods with county staff as to how this could be accomplished.

DECENTRALIZED BANK ACCOUNTS

- The county maintains numerous bank accounts, some of which have significant activity each day of the year, and others that have minimal activity. The bank reconciliations for these accounts should be independently reviewed by someone other than the preparer on a regular basis, depending upon the activity in the accounts. Those with significant activity should be independently reviewed every month.

VALLEY HI RECEIVABLES

- An employee at Valley Hi is currently responsible for invoicing for hospice care, private pay, Medicaid, and other receivables. This same employee is also responsible for collecting the payments, preparing the deposit made with the County Treasurer's office, and has access to the financial reporting system. This results in a segregation of duties issue.

Corrective Action Taken During Fiscal Year 2009

VENDOR APPROVAL

McHenry County has some good controls in place for the entry of new vendors into the County's accounting and purchasing systems. All new vendors are entered by the Purchasing Department after on-line requests are forwarded by the County's departments who need vendors to be added to the system for ordering or payments. Changes to the vendor files are either initiated by the individual Department, through corrections noted by the audit of invoices by the Auditor's Office, or by documents or application form received by the Purchasing Department. The Purchasing Department continues to work on a project to clean-up the present vendor system, with assistance from the County Auditor. When a new vendor is requested to be added to the system, a W-9 form is faxed or sent out by Purchasing and the completed form is attached to the vendor record in the software system. However, it was agreed that some further controls be put in place to ensure that verification is performed on vendors. There was a revision to the on-line Vendor Request Form with a field for verification by the department. The Purchasing Department ensures that all W-9 forms are received back on a timely basis, or the vendor number will be put on hold until it is received.

County of McHenry, Illinois
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
November 30, 2009

Corrective Action Taken During Fiscal Year 2009 (Continued)

VENDOR APPROVAL (Continued)

Additionally, the Purchasing Department does scrutinize any vendors with a P.O. Box for an address or those who do not supply a phone number. The Auditor's Office will continue to conduct audits of the vendor list.

DECENTRALIZED BANK ACCOUNTS

The Treasurer's Office is the central location for the control of the majority of bank accounts holding the County's funds. However, there are bank accounts that are maintained within different departments, mainly within Elected Official's offices. The Auditor's Office had endorsed a plan in FY2009 to request that quarterly reconciled bank account statements be forwarded to the Auditor's Office for review. However, from working on implementing this procedure, it has been decided by the County Auditor that a more efficient method needs to be employed. The Auditor's Office will write a Cash Control Policy, which will describe procedures for bank account controls, cash handling, and other controls and combine this with the present Petty Cash Policy. This will be distributed to all County Departments. This policy in specific will require that the Supervisor sign off monthly on decentralized bank account reconciliations. The County Auditor will add an audit of decentralized bank accounts to the Internal Audit Annual Plan to ensure that procedures within the policy are being followed and to determine that all decentralized bank accounts are listed. This will achieve greater efficiencies in monitoring these accounts.

VALLEY HI RECEIVABLES

Segregation of duties was re-established. Different staff accomplish tasks such that the same employee does not collect payments and make entries to the financial system. These tasks had been segregated previously. However, due to certain staff vacancies in 2008, due to resignation and FMLA, the tasks had to be temporarily re-assigned.

PAMELA PALMER
County Auditor

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



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CORRECTIVE ACTION PLAN
November 30, 2009

FINDING 2009-1 – VENDOR APPROVAL

The ability to create new vendors is appropriately centralized within the county but there should also be a formalized and documented control to assure the validity of all new vendors. We have recently discussed several options and methods with county staff as to how this could be accomplished.

Management's Response by Cathy Link – Purchasing Director

Purchasing has been working with the Auditor's Office, who has provided specialized reports to assist with a clean-up of the present vendor listing. Purchasing is also working jointly with the County Auditor on developing a vendor maintenance procedural guide to develop steps on how new vendors are processed and approved for entry into the financial system. These steps will include controls for determining the validity of the vendor. In addition, annual reviews of the vendor listing will be conducted and necessary changes will be performed to keep the listing current.

FINDING 2009-2 – DECENTRALIZED BANK ACCOUNTS

The county maintains numerous bank accounts, some of which have significant activity each day of the year, and others that have minimal activity. Included in these bank accounts are fourteen checking accounts that are maintained in departments outside of the Treasurer's office and, therefore, are not subject to the same set of controls as the majority of the county's bank accounts. We bring this to your attention as there are increased risks associated with maintaining decentralized bank accounts.

Management's Response by Pamela Palmer – McHenry County Auditor

The Auditor's Office agrees with the increased risk of these accounts. These accounts are within elected official's offices per their statutory duties and are reconciled by their staff. A year-end reconciled statement is requested by the Auditor's Office and reviewed for inclusion in the annual financial report. To test the controls in place and the timeliness and accuracy in the reconciliation process, the Internal Audit Program will add a monitoring and review process to the Annual Audit Plan. A report of this review and any recommendations noted will be presented to the Finance and Audit Committee and the elected official's board liaison committee.

We noted that two checking accounts maintained in the Sheriff's Narcotics Forfeiture division are not reconciled and one other Sheriff checking account maintained for purchasing equipment is no longer being used. All bank accounts should be reconciled on a monthly basis. The dormant bank account should be reviewed and if it is determined that it is no longer needed, it should be closed.

FINDING 2009-2 – DECENTRALIZED BANK ACCOUNTS (Continued)

Management's Response by Angela Wood-Zuzevich – Sheriff's Department Business Manager

The Sheriff's Department maintains a ledger and reconciles the Narcotics Forfeiture's two checking accounts on a monthly basis. The monthly reconciliation is then provided to Narcotics for their review and filing. However, the Department will also prepare the bank reconciliation in a standard format for review and institute a formal approval process by a separate supervisor.

Management's Response by Chief Dan Sedlock – Sheriff's Department – Chief of Corrections

The CERT Training Account held at Harris Bank was opened several years ago and the deposits were from the sales of CERT Training t-shirts. CERT equipment was purchased with these funds. Presently, the account has a balance of approximately \$178 and has not been used for an extended period of time. The funds will be utilized in FY2010 for a small purchase in order to close out the account.

Two checking accounts maintained by the County Clerk have unresolved variances between the bank balance and the book balance. The bank accounts have been reconciled monthly and at year-end, but a complete reconciliation of activity to the supporting documentation has not been occurring in a timely fashion. All reconciliations should be performed upon receipt of the bank statement to detect and resolve any variances in a timely manner. In addition, all reconciling items should be supportable and consist of known items.

Management's Response by Katherine C. Schultz – McHenry County Clerk

I have spoken with staff on this matter. They have been instructed to not only reconcile the monthly bank statement with our office account records, but to reconcile the DevNet computer system records of the redemption account (monies outstanding, to be paid to tax buyers, clerk fees, etc.). By doing these each month, errors will be caught immediately and corrected. Staff has also been instructed to check the manual judgment records with the computer records to ensure that both records agree with each other.

FINDING 2009-3 – COMPLIANCE WITH PURCHASING ORDINANCE

We tested purchases made during 2009 for compliance with the county's purchasing ordinance and Illinois State Statutes. Four out of the fifteen purchases tested did not utilize centralized purchasing, did not have a purchase order, and quotes were not obtained as required by S5-103 of the McHenry County purchasing ordinance. It is our understanding that these purchases should have used purchasing as all of them exceeded \$500 and originated in departments required to adhere to the purchasing ordinance. Three of the invoices originated in the County Health department and one originated in the County Sheriff department. Failure to utilize centralized purchasing not only results in non-compliance with county policies, but could result in lost saving opportunities often obtained through central purchasing efforts.

Management's Response by Cathy Link - Purchasing Director

The Purchasing Department will be conducting training sessions during FY2010 regarding the Purchasing Ordinance and its applicability to the county departments. In addition, Purchasing will be working jointly with the Auditor's Office on the enforcement of the Ordinance through the monitoring of invoices submitted for payment. Invoices that should have used Purchasing will be discussed with the Elected Official/Department Director and the appropriate action will take place. We also will review customized reports from the financial management system to assess the usage of the purchasing process.

FINDING 2009-4 – SPECIAL SUPPLEMENT NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN – CFDA NO. 10.557

Criteria:

The County is required to test applicants for anemia. Those individuals who only present anemia as a risk factor must be tested for anemia at the time of certification. Those individuals who do not present anemia as the only risk factor must be tested for anemia within 90 days of certification. Infants younger than 9 months are exempt from these requirements. Also, the County is required to document approval of eligibility and certification by the signatures of a certifying health official and a certifying nutritionist on the certification form.

Condition:

During our testing of eligibility controls and compliance two exceptions were found. Two out of forty files tested did not contain documentation that the anemia test was administered to the patient within the prescribed timelines. Also, two out of forty certification forms were not signed by either a certifying official or a nutritionist.

Effect:

Two out of forty individuals whose files were selected for testing were not in compliance with the anemia testing requirements. Also, the absence of the control (no signature of certifying officials on the eligibility form) could cause eligibility compliance deficiencies.

Recommendation:

We recommend that the County strive to ensure that all certification forms are signed by both certifying officials and that hemoglobin tests are documented in the files. We recommend that a designated person review the charts/files of each patient seen during the day to ensure all paperwork is in order.

Questioned Costs:

None

Management's Response by Pat McNulty – Public Health Administrator

Hemoglobin testing is performed to check for presence of anemia according to Illinois WIC Policy. In the event a client or parent refuses testing or the presence of an extenuating circumstance precludes testing at the time of the WIC visit, it is documented in the client's chart on the appropriate form; i.e., child's growth chart, women's weight gain sheet, and/or Cornerstone case note. In the cited instances, documentation had not been completed.

Absence of certifying individual's signatures on forms has been addressed with all WIC staff. Forms in question have been reviewed and are now in compliance.

The importance of accuracy and completeness of records was stressed to all WIC staff, with emphasis on meeting and maintaining all eligibility requirements of the program. Implementation of a review process at the end of each day to check the charts before returning for filing into the locked Bradford files had been initiated. CHP's (certifying health professionals) will check their work and clerical staff will double check for necessary documentation prior to file back.

FINDING 2009-5 – SPECIAL SUPPLEMENT NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN – CFDA NO. 10.557

Criteria and Conditions:

Per the grant agreement, prior approval by the Illinois Department of Human Services is required for equipment items costing \$5,000 or above and having a useful life greater than one year. Program guidelines also require that purchases of computer software or hardware (regardless of amount) be approved by the designated regional staff. We noted one purchase of software or hardware, totaling \$5,672, which did not receive prior approval.

Equipment property management guidelines also require that inventory lists be maintained of the property purchased with federal funds. These listings should identify description (including serial number or other identification number); source; who holds title; acquisition date and cost; percentage of Federal participation in the cost; location; condition; and any ultimate disposition data including the date of disposal and sales price or method used to determine current fair market value. Per review of the WIC inventory listing, we noted that the listing did not identify who holds title or condition. It was also noted that certain assets on the list did not contain cost or date of acquisition information. Lastly, certain current year purchases were not included in the original listing given to the auditors. A revised list was later sent which included all 2009 additions.

Effect:

It is possible that certain costs will be disallowed as the County did not obtain the proper approvals for the purchase of certain equipment and software. Also, the County did not maintain all information required by federal guidelines in their inventory listing which could result in compliance deficiencies if the property is ever disposed.

Recommendation:

We recommend that the County ensure that all equipment, software and hardware purchases receive proper approval per the grant policies and procedures. Further, we recommend that the County revise its inventory listings to ensure that they contain all of the information required by the federal guidelines.

Questioned Costs:

None

Management's Response by Pat McNulty – Public Health Administrator

Prior approval had not consistently been requested for all computer software and hardware previously purchased. Going forward, approval in writing for all computer software and hardware purchases will be requested from the designated regional staff per Illinois WIC policy. This will be the responsibility of the WIC Program Coordinator in the Health Department.

The acquisition of a computerized inventory system by the Health Department has enabled the WIC program to accurately enter all equipment into a verifiable system. All required information per WIC guidelines i.e., a unique identifier, accurate description, serial number, date of purchase, unit cost and location/condition of property, have all been entered into the inventory listing. All future equipment will be added as acquired and an annual inventory of all equipment will be performed and documented.

FINDING 2009-6 – PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS – CFDA NO. 16.710 AND PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM – CFDA NO. 11.555

Criteria:

The A-102 Common rule requires that equipment and property records be maintained for equipment and property purchased with federal funds. Property records should contain the following information about the equipment: description (including serial number or other identification number); source; who holds title; acquisition date and cost; percentage Federal participation in the cost; location; condition; and any ultimate disposition data including, the date of disposal and sales price or the method used to determine current fair market value.

Condition:

The inventory listing maintained by the Sheriff's Department does not include the condition of the property and the percentage of federal participation in the property.

Effect:

Accurate and complete property records help the County identify which assets were purchased with federal funds. Also, complete records permit the County to comply with the federal property disposition regulations by allowing the County to identify that a disposed piece of equipment was originally purchased with federal funds. Without these complete property records, the County may not be able to accurately identify all equipment purchased with federal funds. Also, the County may not follow federal equipment disposition regulations properly if they are unable to identify that a disposed piece of equipment was originally purchased with federal funds.

Recommendation:

We recommend that the Sheriff's Department review its inventory listing and add any pertinent fields required by the federal regulations.

Questioned Costs:

None

Management's Response by Angela Wood-Zuzevich – Sheriff's Department Business Manager

All property is inventoried by serial number and jurisdiction location. In addition, all local jurisdictions sign a form stating they have received said equipment. All property is newly purchased and operational. The McHenry County Sheriff's Office corrective action plan will be to review its inventory listing and to ensure that any pertinent fields required by federal regulations be added to its data that is collected. Namely, the condition of the equipment at each of the thirty-five jurisdictions will be recorded on a spreadsheet that has been expanded to include a column specific to equipment condition. This updated field will allow the Sheriff's Office to track condition of all equipment for the amount specified by the federal government.

Internal controls will include the oversight by applicable command staff who will ensure that all applicable federal guidelines related to maintaining proper equipment and property records is maintained and updated as required by federal regulation.

FINDING 2009-7 – PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS – CFDA NO. 16.710

Criteria:

Quarterly Financial Status Reports (SF-269A) are to be submitted on a quarterly basis. Each report should reflect the actual federal monies spent, un-liquidated obligations incurred, and the unobligated balance of federal funds. These reports must be submitted to the awarding agency by 45 calendar days after the quarter end.

Condition:

Our review of the Financial Status Reports prepared for Award 2008CKWZ0198 determined that the expenditures were improperly reported. The dates of the outlay were reported as 10/1/08 - 12/31/08. However, \$21,168 was incurred during the period 4/1/09 - 6/30/09 and \$405,427 was incurred during the period 10/1/09 - 12/31/09. As of November 30, 2009, \$17,672 of expenditures had not yet been incurred. However, the Financial Status Report ending 12/31/08 had reported the grant as fully expended. Also, the quarterly reports were not filed in a timely fashion. Quarterly reports are due 45 calendar days following the quarter end. The quarterly reports were submitted past this deadline.

Our review of the Financial Status Reports prepared for Award 2008CKWX0304 also determined that this report was not prepared accurately. The reports listed \$93,530 as being expended in the fourth quarter of 2008. However, these amounts were actually expended in fourth quarter of 2009. The reports under this award number were also filed after the 45 day deadline.

Lastly, our review of the Financial Status Reports for award 2008CKWX0175 also noted that they were filed after the 45 day deadline.

Effect:

Noncompliance with program reporting requirements may result in penalties or disallowed costs.

Recommendation:

We recommend that the County evaluate the procedures and controls surrounding the preparation of the Financial Status Reports. We recommend that the County use the general ledger detail as a basis for completing these reports. Also, we recommend that a system of reminders be established to remind staff of when the Financial Status Reports are due so that the reports are filed in a timely manner.

Questioned Costs:

For award 2008CKWX0198, the questioned costs are \$17,672 as these amounts were reported as expended in the Financial Status Report, but had not yet actually been expended by the audit date (November 30, 2009).

Management's Response by Angela Wood-Zuzevich – Sheriff's Department Business Manager

The recommendation to use the general ledger detail as the basis for completing the Financial Status Reports will become standard operating procedure. The McHenry County Sheriff's Office will seek appropriate and applicable oversight and guidance from the Auditor's Office. In addition, the sheriff's office will maintain internal controls through a corrective action plan that will ensure that the general ledger detail is used as the sole source for completing the federal financial status reports and that there internal oversight by applicable command staff through a review and final approval of all federal reports prior to submission to the federal government.

FINDING 2009-8 – PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS – CFDA NO. 16.710

Criteria:

Per the program requirements, if funds are received through electronic transfer, the county is allowed ten days to disburse the funds. There should be no excess federal grant funds on hand beyond ten days.

Condition:

Program requirements state that cash must not be drawn down more than 10 days in advance of payment of expenditures. Per review of the cash draw downs performed, the time elapsed between draw down of funds and expenditure of funds was greater than 10 days for award 2008CKWX0198 and award 2008CKWX0304. For award 2008CKWX0198, cash was drawn down by the County in the amount of \$444,268 on June 16, 2009. On June 30, 2009, \$21,168 in expenditures was paid and on November 17, 2009, \$405,427 was paid. Both of these payments occurred outside the 10 day period. Also, as of the date of the audit, November 30, 2009, \$17,672 of cash drawn down had not been expended.

Effect:

The County had federal grant funds on hand in excess of the ten days permitted by the program requirements.

Recommendation:

We recommend that the County determine the date that expenditures are expected to be paid in order to determine the date that cash can be drawn down.

Questioned Costs:

For award 2008CKWX018, the questioned costs are \$17,672 as this was the excess cash on hand as of November 30, 2009. This amount is also reported in finding 2009-7.

Management's Response by Angela Wood-Zuzevich – Sheriff's Department Business Manager

The project was scheduled to proceed and the draw down was approved and executed. Federal fund can be drawn down prior to use or as a reimbursement. Funds were received/drawn down with the anticipation that the funds would be expended. The project suffered many delays due to the complex expansiveness of the radio StarCom Project; most notably, its issues with communications interoperability (i.e. staggering array of systems supporting the services we provide, integrated mesh of communications and information systems). Interoperable radio communications allows police, fire, EMS and other first responders to talk to one another during an emergency across agencies and across boundary lines. Achieving interoperability is crucial for the mission-critical communications industry where an interruption in communication can cost lives.

Issues impacting the project funded by this grant were related to the regional use of legacy radios as well as taking into consideration the purchase of a P25 compliant system which does not necessarily enable instant interoperability. The issue of bridging systems to provide the means to patch disparate radios was an ongoing evaluative process. Equipment was ordered but final billing or "Certificate of System Acceptance" could not take place until the equipment was fully operational within a very complex interoperable environment which resulted in funds not being spent within ten days of the draw down.

The corrective action plan for any future grant expenditures will include the creation of a procedure for drawing down funds which will include the use of final invoices, internal oversight that equipment has been ordered and is in place and onsite. Funds will not be drawn down unless they can be spent within the ten day federal window. Internal controls will include the oversight by applicable command staff who will assess whether it is appropriate to draw funds down.