

COUNTY OF MCHENRY

REPORT ON FEDERAL AWARDS

For the Year Ended November 30, 2012

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, 2012, which collectively comprise the County of McHenry's basic financial statements and have issued our report thereon dated May 8, 2013. Our report includes 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

Management of the County of McHenry is responsible for establishing and maintaining effective 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 audit 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 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 deficiencies, 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 deficiencies are items 2012-1, 2012-2, 2012-3, and 2012-4. 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.

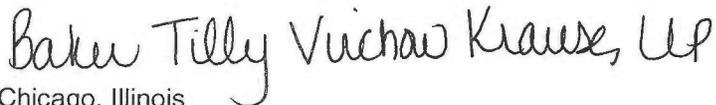
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of McHenry's 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 8, 2013.

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, governing body, 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.



Chicago, Illinois
May 8, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON 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 County of McHenry's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of McHenry's major federal programs for the year ended November 30, 2012. The County of McHenry's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2012. 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 2012-5, 2012-6, 2012-7, 2012-8, and 2012-9.

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

Internal Control Over Compliance

Management of the County of McHenry is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of McHenry's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of McHenry's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-5, 2012-7, and 2012-8. 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, 2012, and have issued our report thereon dated May 8, 2013 which contained an unqualified opinion on those financial statements. Our audit was conducted 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 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements 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 the responses.

This report is intended solely for the information and use of the County of McHenry's management, governing body, 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 Vuchow Krause, LLP

Chicago, Illinois
July 9, 2013

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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 - 2012)	10.557	*	011GQ01226	\$ 553,884	\$ 333,360
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC - 2013)	10.557	*	FCSRE01062	597,142	227,709
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Breastfeeding Peer Counseling - 2012)	10.557	*	011GQ00340	37,408	24,817
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Breastfeeding Peer Counseling - 2013)	10.557	*	FCSRE01156	35,000	14,096
Special Supplemental Nutrition Program for Women, Infants, and Children (Noncash Food Instruments - 2012)	10.557	*	n/a	-	815,322
Special Supplemental Nutrition Program for Women, Infants, and Children (Noncash Food Instruments - 2013)	10.557	*	n/a	-	778,423
			10.557 - subtotal	<u>1,223,434</u>	<u>2,193,727</u>
WIC Farmers' Market Nutrition Program - 2012	10.572		011GQ01451	1,000	942
WIC Farmers' Market Nutrition Program - 2013	10.572		FCSRE01244	1,000	25
			10.572 - subtotal	<u>2,000</u>	<u>967</u>
Total U.S. Department of Agriculture				<u>1,225,434</u>	<u>2,194,694</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grant (CDBG) - 2010	14.218	* @	B-10-UC-17-0007	1,045,438	36,565
Community Development Block Grant (CDBG) - 2011	14.218	* @	B-11-UC-17-0007	1,189,947	657,689
Community Development Block Grant (CDBG) - 2012	14.218	* @	B-12-UC-17-0007	1,274,467	585,567
Neighborhood Stabilization Program (NSP)	14.218	* @	B-08-UN-17-0005	3,085,695	92,351
Neighborhood Stabilization Program (NSP) - Program income	14.218	* @	n/a	-	364,994
			14.218 - subtotal	<u>6,595,547</u>	<u>1,737,166</u>

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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	*	M-03-UC-17-0219	\$ 551,423	\$ 12
2007	14.239	*	M-07-UC-17-0219	509,595	39,205
2008	14.239	*	M-08-UC-17-0219	483,766	38,628
2009	14.239	*	M-09-UC-17-0219	534,447	90,750
2010	14.239	*	M-10-UC-17-0219	532,300	256,230
2011	14.239	*	M-11-UC-17-0219	478,909	21,663
			14.239 - subtotal	<u>3,090,440</u>	<u>446,488</u>
ARRA - Community Development Block Grant (CDBG-R)	14.253-ARRA	* @	B-09-UY-17-0007	<u>353,648</u>	<u>108,182</u>
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257-ARRA	*	S-09-UY-17-0007	<u>540,732</u>	<u>151,801</u>
Total U.S. Department of Housing and Urban Developmen				<u><u>10,580,367</u></u>	<u><u>2,443,637</u></u>
U.S. Department of Justice					
Bureau of Justice Assistance					
State Criminal Alien Assistance Program (SCAAP) - 2008	16.606		n/a	237,291	55,813
State Criminal Alien Assistance Program (SCAAP) - 2010	16.606		n/a	163,531	12,093
State Criminal Alien Assistance Program (SCAAP) - 2011	16.606		n/a	<u>100,820</u>	<u>23,893</u>
			16.606 - subtotal	<u>501,642</u>	<u>91,799</u>
Drug Court Discretionary Grant Program	16.585		2011-DC-BX-0024	<u>305,717</u>	<u>89,981</u>
Passed through Illinois Criminal Justice Information Authority					
Edward Byrne Memorial Justice Assistance Grant Program - 2012	16.738		409024	<u>83,394</u>	<u>83,394</u>
Total U.S. Department of Justice				<u><u>890,753</u></u>	<u><u>265,174</u></u>

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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				
Passed through Illinois Department of Commerce and Economic Opportunity				
Workforce Investment Act				
Trade Adjustment Assistance	17.245	10-661002	\$ 66,998	\$ 39,272
Trade Adjustment Assistance	17.245	10-662002	251,037	194,617
Trade Adjustment Assistance	17.245	11-661002	<u>115,766</u>	<u>33,265</u>
		17.245 - subtotal	<u>433,801</u>	<u>267,154</u>
WIA Adult Program - (Program Income - 2011)	17.258	@ n/a	-	397
WIA Adult Program - 2010	17.258	@ 10-681002	462,485	3,777
WIA Adult Program - (Local Incentive)	17.258	@ 09-672002	10,002	9,380
WIA Adult Program - 2011	17.258	@ 11-681002	428,660	356,565
WIA Adult Program - 2012	17.258	@ 12-681002	<u>364,733</u>	<u>55,827</u>
		17.258 - subtotal	<u>1,265,880</u>	<u>425,946</u>
WIA Youth Activities - (Program Income - 2011)	17.259	@ n/a	-	592
WIA Youth Activities - 2010	17.259	@ 10-681002	684,233	-
WIA Youth Activities - (Local Incentive)	17.259	@ 09-672002	14,798	13,878
WIA Youth Activities - 2011	17.259	@ 11-681002	638,920	479,750
WIA Youth Activities - 2012	17.259	@ 12-681002	<u>571,247</u>	<u>135,871</u>
		17.259 - subtotal	<u>1,909,198</u>	<u>630,091</u>
WIA Dislocated Workers - (Local Incentive)	17.260	@ 09-672002	<u>21,039</u>	<u>19,731</u>

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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 Dislocated Workers - (Program Income - 2011)	17.278	@	n/a	\$ -	\$ 851
WIA Dislocated Workers - 2010	17.278	@	10-681002	972,787	10,889
WIA Dislocated Workers - 2011	17.278	@	11-681002	918,169	738,779
WIA Dislocated Workers - 2012	17.278	@	12-681002	793,218	108,357
WIA Dislocated Workers - (Trade Case Management)	17.278	@	11-653002	208,387	182,976
WIA Dislocated Workers - (Trade Case Management)	17.278	@	12-653002	70,632	12,694
			17.278 - subtotal	<u>2,963,193</u>	<u>1,054,546</u>
Total U.S. Department of Labor				<u>6,593,111</u>	<u>2,397,468</u>
U.S. Department of Transportation					
Passed through Illinois Department of Transportation					
State and Community Highway Safety - (STEP - 2012)	20.600	@	OP2-0056-045	27,918	21,027
Alcohol Impaired Driving Countermeasures Incentive Grants I - (STEP - 2012)	20.601	@	OP2-0056-045	19,270	17,805
Child Safety and Child Booster Seats Incentive Grants - (Sheriff - 2012)	20.613	@	OP2-0056-102	5,850	5,850
Child Safety and Child Booster Seats Incentive Grants - (Health Dept - 2012)	20.613	@	OP2-0056-216	7,755	7,755
			20.613 - subtotal	<u>13,605</u>	<u>13,605</u>
Passed through Illinois Emergency Management Agency					
Interagency Hazardous Materials Public Sector Training and Planning Grants - (HMEP - 2012)	20.703		11HMEPMCHE	5,315	5,315
Interagency Hazardous Materials Public Sector Training and Planning Grants - (HMEP - 2013)	20.703		12HMEPMCHE	9,230	425
			20.703 - subtotal	<u>14,545</u>	<u>5,740</u>

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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 (Continued)					
Passed through Chicago Metropolitan Agency for Planning					
Highway Planning and Construction - 2012	20.205		C-12-0007	\$ 83,395	\$ 52,965
Highway Planning and Construction - 2013	20.205		C-13-0007	93,130	30,435
Highway Planning and Construction - (2040 Planning Grant)	20.205		C-11-0044	200,000	69,594
Highway Planning and Construction - (Sub Area Plan)	20.205		C-12-0036	<u>80,000</u>	<u>79,994</u>
			20.205 - subtotal	<u>456,525</u>	<u>232,988</u>
Passed through Regional Transportation Authority					
Job Access Reverse Commute - (JARC)	20.516	* @	JARC-2010-08	<u>502,825</u>	<u>120,324</u>
New Freedom Program	20.521	* @	NF-2010-05	<u>302,617</u>	<u>180,096</u>
Total U.S. Department of Transportator				1,337,305	591,585
U.S. Environmental Protection Agency					
Passed through Illinois Department of Public Health					
State Public Water System Supervision - (Potable Water - 2012)	66.432		25380281	20,063	20,063
Total U.S. Environmental Protection Agency				20,063	20,063
U.S. Department of Education					
Passed through Illinois State Board of Education					
Special Education - Grants to States - 2012	84.027A		65-108-1080-51	14,016	8,397
Total U.S. Department of Educator				14,016	8,397

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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				
Passed through Illinois Department of Children and Family Services				
Promoting Safe and Stable Families - (FCS - 2012)	93.556	5430072	\$ <u>8,208</u>	\$ <u>-</u>
Passed through Illinois Department of Public Health				
Maternal and Child Health Services Block Grant to the States - (Oral Health - 2012)	93.994	23480129	2,281	2,072
Maternal and Child Health Services Block Grant to the States - (Oral Health - 2013)	93.994	33480128A	<u>4,500</u>	<u>959</u>
		93.994 - subtotal	<u>6,781</u>	<u>3,031</u>
Centers for Disease Control and Prevention-Investigations and Technical Assistance - (Breast & Cervical Cancer - 2012)	93.283	26180021	117,393	76,404
Centers for Disease Control and Prevention-Investigations and Technical Assistance - (Breast & Cervical Cancer - 2013)	93.283	36180021A	<u>109,000</u>	<u>44,038</u>
		93.283 - subtotal	<u>226,393</u>	<u>120,442</u>
Public Health Emergency Preparedness - 2012-2013	93.069	27180060	178,670	93,220
Public Health Emergency Preparedness - (Cities Readiness - 2012 - 2013)	93.069	27180112	<u>85,121</u>	<u>48,535</u>
		93.069 - subtotal	<u>263,791</u>	<u>141,755</u>
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - 2013	93.074	37180060A	193,165	67,668
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - (Cities Readiness - 2013)	93.074	37180112A	<u>60,574</u>	<u>18,630</u>
		93.074 - subtotal	<u>253,739</u>	<u>86,298</u>

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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)				
Immunization Grants - (Noncash Assistance)	93.268	n/a	\$ -	\$ 213,440
Immunization Grants - (Vaccines for Children (AFIX) - 2011-2012)	93.268	15180110	35,000	5,558
Immunization Grants - (Vaccines for Children (AFIX) - 2012-2013)	93.268	25180034	<u>35,000</u>	<u>31,883</u>
		93.268 - subtotal	<u>70,000</u>	<u>250,881</u>
Passed through Illinois Department of Human Services				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances - (McHenry Co Care & SOC Exp - 2012)	93.104	45CQ081456	216,192	216,192
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances - (McHenry Co Care & SOC Exp - 2013)	93.104	45CQ081456	100,000	70,681
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances - Program income	93.104	n/a	<u>-</u>	<u>119</u>
		93.104 - subtotal	<u>316,192</u>	<u>286,992</u>
Maternal and Child Health Services Block Grant to the States (Coordinated School Health Education - 2012)	93.994	011GQ01393	26,500	13,054
Maternal and Child Health Services Block Grant to the States (Coordinated School Health Education - 2013)	93.994	FCSRE01075	<u>26,500</u>	<u>13,443</u>
		93.994 - subtotal	<u>53,000</u>	<u>26,497</u>
Social Services Block Grant - (Family Case Management/Downstate - 2012)	93.667	011GQ01144	37,900	21,318
Social Services Block Grant - (Family Case Management/Downstate - 2013)	93.667	FCSRE01570	<u>37,900</u>	<u>15,545</u>
		93.667 - subtotal	<u>75,800</u>	<u>36,863</u>
Child Care and Development Block Grant - (Healthy Child Care Illinois - 2012)	93.575	011GQ01551	60,000	36,021
Child Care and Development Block Grant - (Healthy Child Care Illinois - 2013)	93.575	FCSRI01762	<u>60,000</u>	<u>23,462</u>
		93.575 - subtotal	<u>120,000</u>	<u>59,483</u>

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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 Healthcare and Family Services				
Medical Assistance Program	93.778	n/a	\$ <u>181,055</u>	\$ <u>181,055</u>
Child Support Enforcement	93.563	n/a	<u>8,269</u>	<u>8,269</u>
Passed through Illinois Public Health Association				
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance - 2011 - 2012	93.944	1175703	34,796	12,146
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance - 2013	93.944	13-142-03	<u>11,000</u>	<u>3,339</u>
		93.944 - subtotal	<u>45,796</u>	<u>15,485</u>
Passed through Administrative Office of the Illinois Courts				
State Court Improvement Program (CPDC Grant) - FFY12	93.586	CIPData-G-1105	<u>8,570</u>	<u>8,570</u>
Total U.S. Department of Health and Human Services			<u>1,637,594</u>	<u>1,225,621</u>
Corporation For National And Community Service				
Passed through Illinois Department of Human Services				
AmeriCorps - 2012	94.006	11GL801000	88,481	33,649
AmeriCorps - 2013	94.006	FCSRE02065	84,900	55,445
AmeriCorps - 2013	94.006	FCSRE01336	<u>106,400</u>	<u>5,734</u>
		94.006 - subtotal	<u>279,781</u>	<u>94,828</u>
Total Corporation For National And Community Servic			<u>279,781</u>	<u>94,828</u>
Department of Homeland Security				
Passed through Illinois Emergency Management Agency				
Emergency Management Performance Grants - 2011 - 2012	97.042	11EMAMCHEN	90,723	11,862
Emergency Management Performance Grants - 2012 - 2013	97.042	12EMAMCHEN	<u>78,017</u>	<u>78,017</u>
		97.042 - subtotal	<u>168,740</u>	<u>89,879</u>

County of McHenry, Illinois
Schedule of Expenditures of Federal Awards
Year Ended November 30, 2012

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 (Continued)				
Passed through Illinois Emergency Management Agency (Continued)				
Homeland Security Grant Program - (Citizen Corps Grant)	97.067	11CCPMCHEN	\$ 7,000	\$ 4,398
Passed through Illinois Law Enforcement Alarm System				
Homeland Security Grant Program - (EOC Grant)	97.067	10ILEASEOC	37,665	5,979
Homeland Security Grant Program - (2009 ILEAS Generator Grant)	97.067	09ILEASGEN	<u>182,023</u>	<u>182,023</u>
		97.067 - subtotal	<u>226,688</u>	<u>192,400</u>
Total Department of Homeland Security			<u>395,428</u>	<u>282,279</u>
Total Expenditures of Federal Award:			<u>\$ 22,973,852</u>	<u>\$ 9,523,746</u>

* 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, 2012

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, 2012 was \$184,702. Of this amount, \$62,896 remained unused, and was included as inventory at November 30, 2012.

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, 2012 were \$1,593,745.

The County of McHenry, Illinois received a non-cash grant from the Illinois Law Enforcement Alarm System (CFDA 97.067) in the form of mobile generators and related equipment, which will provide auxiliary power during times of emergencies. The total value of equipment received during the year ended November 30, 2012 was \$182,023.

COUNTY OF MCHENRY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended November 30, 2012

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> CDBG – Entitlement Grants Cluster</u>	
14.218	Community Development Block Grant (CDBG)	\$ 1,737,166
14.253	ARRA - Community Development Block Grant (CDBG-R)	<u>108,182</u>
	Total	<u>\$ 1,845,348</u>
<u>CFDA No.</u>	<u> WIA Cluster</u>	
17.258	WIA Adult Programs	\$ 425,946
17.259	WIA Youth Activities	630,091
17.260	WIA Dislocated Workers	19,731
17.278	WIA Dislocated Workers	<u>1,054,546</u>
	Total	<u>\$ 2,130,314</u>
<u>CFDA No.</u>	<u> Highway Safety Cluster</u>	
20.600	State and Community Highway Safety	\$ 21,027
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	17,805
20.613	Child Safety and Child Booster Seats Incentive Grants	<u>13,605</u>
	Total	<u>\$ 52,437</u>
<u>CFDA No.</u>	<u> Transit Service Program Cluster</u>	
20.516	Job Access-Reverse Commute Program	\$ 120,324
20.521	New Freedom Program	<u>180,096</u>
	Total	<u>\$ 300,420</u>

COUNTY OF MCHENRY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended November 30, 2012

NOTE 5 – SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant (CDBG)	14.218	\$ 1,097,075
CDBG - Neighborhood Stabilization Program (NSP)	14.218	1,245
Home Investment Partnership Program (HOME)	14.239	339,070
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257-ARRA	151,801
ARRA - Community Development Block Grant (CDBG-R)	14.253-ARRA	108,182
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	169,597
Americorps	94.006	<u>26,786</u>
Total		<u>\$ 1,893,756</u>

NOTE 6 – INSURANCE AND LOANS OR LOAN GUARANTEES

During the year ended November 30, 2012, 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, 2012

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? X yes no

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended November 30, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL AWARDS (cont.)

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
14.218, 14.253	CDBG – Entitlement Grants Cluster (including ARRA)
14.239	Housing Investment Partnership Program
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program
20.516, 20.521	Transit Services Programs Cluster

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

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 2012-1 – DIVISION OF TRANSPORTATION

One individual in the Division of Transportation department is responsible for preparing and sending invoices, monitoring outstanding receivables, collecting payments, maintaining the receivables system, and depositing collections with the County Treasurer’s office. Having one person responsible for all of these functions does not allow for adequate segregation of duties. We recommend the County determine how to further segregate these responsibilities or implement additional monitoring controls over these critical areas.

Management’s Response by Joe Korpalski – County Engineer

The McHenry County Division of Transportation (MCDOT) is committed to working with the County Auditor to address the comments presented by the external auditor. Some procedural changes have been drafted to provide additional oversight of staff’s duties. The review of MCDOT administrative staff functions will continue, with the aid of the County Auditor, to determine the best course of action given the staffing limitations at the MCDOT.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (CONT.)

FINDING 2012-2 – TREASURER’S OFFICE CASHIER’S CHECK

The County does not have appropriate controls in place for the review and approval of disbursements processed by the Treasurer’s Office as cashier’s checks. Specifically, there was one transaction identified where the Treasurer’s Office had the bank issue a cashier’s check for the purpose of paying an individual property tax bill. Upon further inquiry, we discovered that this transaction was processed as an alternative to the State of Illinois Senior Tax Deferral program. The state-administered program allows eligible seniors to defer their annual property tax bill while a lien is placed on their home to ensure future payment. Based on our conversation with the County Treasurer, we understand the Treasurer’s Office became aware in October 2012 that the necessary program paperwork had not been received by the state, and therefore, the County Treasurer determined that the County would pay the taxes on behalf of the property owner. We understand a lien on the property was subsequently filed which allows the County to collect these funds from the property owner at a future point in time. Since the County does not have a formal program for these types of activities, and the disbursement was processed as a cashier’s check, which does not follow the County’s internal control policies for disbursements, we consider this to be an unapproved disbursement of County funds in the amount of approximately \$8,000. We recommend the County implement additional controls surrounding the issuance of cashier’s checks. In addition, we recommend the County develop policies to be approved by the County Board or the appropriate committee for future activities of this type.

Management’s Response by William LeFew – McHenry County Treasurer

In regards to the issuance of cashier’s check, the Treasurer’s office will work with the County Auditor to review all situations where a check may have to be issued from the Treasurer’s office and determine the best procedure with good internal controls in place. Over the past 17 years, my office has produced thousands of checks and this is the only check of this type to have been issued and it will not repeat. This review and steps that will be implemented will resolve this issue by mid-June.

Next, with the help of McHenry County Auditor Pam Palmer, the Treasurer’s office has put in a triple check system to track the senior deferral applications, which includes checking by 3 people, making copies of the application, calling of every senior in the County that has applied for this program in the past to see if they applied this year and check that against our list of applications that we have received, and sending the applications to the State of Illinois by certified mail so our office will have proof that the state received the application. Both the Auditor and I believe that these controls resolve this issue.

As to the case in question, this senior citizen couple asked my office to help them complete the senior deferral application in February, and we did so. This was the 4th year in a row that they have applied for this program. This program is income based and is used only by seniors that are completely out of money and are having problems paying for medicine and food, much less property taxes. We have helped 1,000’s of seniors with these forms, with no problems, until this one. Our office did not find out until late October that the State could not locate this application,

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

FINDING 2012-2 – TREASURER’S OFFICE CASHIER’S CHECK (CONT.)

Management’s Response by William LeFew – McHenry County Treasurer (cont.)

when the couple called wondering why they got a tax sale notice. With the tax sale being only weeks away, there were only two options. First I could tell the couple that, even though they did everything right, their house was going to tax sale and they would eventually become homeless. The next option was to find a way to protect the County, all of the other taxing bodies, while at the same time helping the couple to get the benefits that they had applied for. I made the decision to use the second choice because it put all parties in the exact same position they would have been in had the application been located. The County is protected by a property tax lien that pays us 6% and the taxpayers get to remain in their home. This was a one-time only case and with the safe guards in place, it would be impossible for it to repeat.

FINDING 2012-3 – VENDOR APPROVAL

In prior years, we noted that the County does not have a formalized process for vendor approval. There should be a formalized process and documented control to assure the validity of all new vendors.

Current Year Status

Over the last two years, the County has made progress towards reducing the risks associated with duplicate vendors by identifying and eliminating them within the financial system. In addition, a vendor maintenance policy is being developed that will include procedures for establishing new vendors, maintaining the vendor list, and other user responsibilities. We recommend this policy be finalized, adopted and utilized to assure the validity of new vendors.

Management’s Response by Pam Palmer – County Auditor

Considerable progress has been made in the past couple of years in eliminating not only duplicate vendors, with concentration also on inactivating or eliminating vendors who either have never been used or had not had activity in recent years. With a more current list now in place, we will work on finishing the vendor maintenance policy. We will be working with the Purchasing Department on the specifics of the final policy as vendor requests and the maintenance of the vendor data is under their duties. Since last year’s response, I have signed up for the Internal Revenue Service TIN (Taxpayer Identification Number) service and will utilize this to confirm the FEIN (Federal Employer Identification Number) and SSN (Social Security Number) on potential new vendors. As access to this system is limited to IRS approval and also for confidentiality purposes, the Auditor’s Office will enter the new vendor FEIN/SSN into the service for further verification. Vendor approval will also involve interaction of the requesting department as to the method that they have used to confirm the existence of the vendor. Key to policy compliance of this new vendor verification/approval procedure is the holding of a training session for all departments to inform them of our new required steps for vendor verification. All the steps from policy finalization to the vendor verification steps will be accomplished during FY2013.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

FINDING 2012-4 –PURCHASING

Since the 2009 audit, we have recommended that the County consider implementing certain best practices in regards to purchasing in order to standardize procedures throughout the County and improve controls over this critical area. These recommendations have included:

- > An approval trail should be required for creation, modification, and cancellation of purchase orders. There should be clear guidance on when approval is required (dollar amount threshold and who should be designated with approval authority). Guidance should also be given to County staff on when a purchase order should be created, modified or cancelled.
- > In addition to requiring an approval trail, the County should identify the types of documents that should be maintained for each purchase order (such as bid results, contracts, board approval, etc.). The County policy should also indicate which department has responsibility for maintaining these documents.
- > Guidance should be given to employees on the dollar amounts to be assigned to a purchase order. For example, should the purchase order be issued for the amount of an invoice, the amount of the project, or the amount to be spent with a vendor for the fiscal year.
- > To monitor the usage of the purchase order system, the County could consider implementing a tracking mechanism to determine the volume and frequency of purchase orders. A useful report may include the number and dollar amount of purchase orders created, modified and cancelled by department during a given period.
- > The County should develop a purchasing manual which would provide instruction to employees on how to navigate the purchasing process within the County. Such a document would provide County staff greater understanding and consistency in implementing the legal requirements contained in the purchasing ordinance on a daily basis.
- > For certain areas where services or goods are commonly procured, the County has entered into cooperative purchasing agreements with vendors. The concept behind these agreements is to take advantage of pooled purchasing efforts with other governments to secure more favorable pricing. While these cooperative purchasing agreements are commonly used, are advantageous to McHenry and other counties throughout the state, and specifically allowed within Article 10 of the Purchasing Ordinance, they do not always guarantee the best price or desired products. We recommend purchasing periodically seek additional competitive bids for these types of purchases to assure that the best price and product is still being obtained when compared to the cooperative purchasing agreements.
- > For items purchased in excess of \$500, there are numerous exceptions as to when the County's purchasing ordinance does not need to be followed. Some elected officials departments are exempt, while others are not. If there is a separate board that governs that department, use of the Purchasing Department is optional. Many other exceptions exist as well. To clarify these situations, provide training, and to serve as an internal audit tool so as to ensure compliance, we recommend a set of guidelines or a flow-chart type of approach be develop to clarify when the Purchasing Department and ordinance would apply, and when it would not. This document should be distributed to other departments and training should be provided.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

FINDING 2012-4 – PURCHASING (cont.)

Current Year Status

The County is in the process of developing a purchasing guide that is expected to address the items noted above, among others. A task force has been developed and meetings are held on a regular basis. In addition, consideration is being given to utilizing a contract maintenance function within the County's procurement system. Formalization of this policy and training related to it are anticipated.

Management's Response by Donald Gray – Purchasing Director

A Purchasing Task Force was formed and has been meeting on a regular basis every Monday morning to review the Purchasing Ordinance. This team has been making suggested changes to the ordinance and once completed and agreed upon will present to the Management Services Committee for approval. Some of the topics discussed for change are Professional Services, Prevailing Wages, Emergency Purchases and most notably the possible change in the dollar thresholds that are in place now to mandate using Purchasing and the method of how Purchasing will fulfill the end user requests either by quotes or sealed Bids/RFP's. Contract Management and how contracts will be administered will also be an important part of this group. Purchasing is being charged with having control and managing all of the County's contracts. A method of storing these documents will be discussed and a plan put in place with the help of Information Technology. Once all of the steps have been completed and passed by the Board we will complete our Purchasing Guide and Manual for distribution to all County departments. The expected completion date is mid-summer this year with recommendation to Management Services Committee and then seeking Board approval. Implementation planned for 12/1/2013.

SECTION III – FEDERAL FINDINGS AND QUESTIONED COSTS

FINDING 2012-5 – CDBG – ENTITLEMENT GRANTS, CFDA No. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239

Criteria:

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

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

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

FINDING 2012-5 – CDBG – ENTITLEMENT GRANTS, CFDA No. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239 (cont.)

Condition:

From January to April 2012, payroll expenditures were allocated to the various federal grants based upon budgeted percentages. The County did not validate these percentages with timecards, personnel activity reports, or time studies.

Effect:

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

Recommendation:

During our prior year audit, we recommended that the County review its policies and procedures by which it is allocating payroll expenditures to the various federal grants to ensure they are compliant with the requirements noted in OMB Circular A-87. The County was able to resolve this issue in April 2012 after our reported prior year finding; however, the deficiency existed during part of 2012 until the changes were implemented.

Questioned Costs: Questioned costs are not able to be determined.

Management's Response by Jeffrey Harris – Community Development Administrator

This deficiency was addressed during the year prior to the single audit review. As indicated in the report, McHenry County recognized this deficiency and initiated new time sheet records in April of 2012 that addresses this issue. McHenry County is continuing to utilize time sheet records to keep track of time spent on projects and has instituted a review process to monitor the records in order to make revisions to the time keeping as changes in projects warrant. The County will be able to provide complete time sheet records for future audits.

FINDING 2012-6 – WIC – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, CFDA No. 10.557

Criteria:

Individuals served under the WIC program must meet eligibility requirement of having a nutritional risk. One of the nutritional risk factors is anemia; and as such, hematological tests for anemia must be performed. A hematological test for anemia must be reported or documented at certification if the applicant has no nutritional risk factor other than anemia. Other certified applicants with qualifying nutritional risks other than anemia must be tested for anemia within ninety days of certification. Children are allowed to be certified for a period of one year if the State agency ensures that the child receives the required health and nutrition assessments.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

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

FINDING 2012-6 – WIC – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, CFDA No. 10.557 (cont.)

Conditions:

Of the forty participants selected for eligibility testing, two did not properly receive an anemia test within 90 days of certification. The two exceptions were both children between the ages of 1 and 5.

Effect:

The required hematological test was not performed.

Recommendation:

We recommend that the County should have systems in place to ensure that hematological tests are performed as required. The County may consider providing additional training to staff to ensure hematological tests are offered if required.

Questioned Costs: None noted.

Management's Response by Patrick McNulty – Public Health Administrator

We discussed the findings in the staff meeting along with the policy on Biochemical Assessment (CS-6:3 A.4) on 6/18/2013. The policy states:

Blood work data must be collected for children:

- (1) Once between the ages of 12-24 months;*
- (2) If the child's blood value is in the normal range at 15-18 months, blood work does not need to be repeated until 27-30 months and once every 12 months thereafter.*
- (3) Annually between the ages of 24-60 months as long as the results are in the normal range.*
- (4) Children ages 12-60 months with a positive anemia screening result (low hemoglobin or hematocrit) require a follow up blood test at 6 month intervals until the results are in the normal range.*

A new form is added to the chart in FY 2013 that reflects the hemoglobin results and testing dates. Staff will use the form to ensure the timely performance of hemoglobin testing.

Staff will continue to conduct quarterly chart audits. Coordinator will discuss the chart findings with the concerned staff members after each audit. The person responsible for this finding is Muna Siddiqi (WIC Program Coordinator). The completion date is 6/18/2013.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

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

***FINDING 2012-7 – CDBG – ENTITLEMENT GRANTS CLUSTER – CFDA No. 14.218 AND 14.253 (ARRA),
HOME – HOUSING INVESTMENT PARTNERSHIP PROGRAM – CFDA No. 14.239***

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

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

Questioned Costs: Questioned costs are not able to be determined.

Management's Response by Jeffrey Harris – Community Development Administrator

As recommended in the finding, McHenry County has amended the existing written procurement procedures to include a step that requires staff to place a hard copy of the search for a vendor on the www.sams.gov suspended vendors website in the project file. Staff had been verifying bidders in the suspended vendor listing, but had not documented the verification in the project file. It is the County's intention that the amended written procedures be included for each project effective for all 2013 CDBG projects and open 2011-2012 HOME projects.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

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

FINDING 2012-8 – DOT – TRANSIT SERVICES PROGRAMS CLUSTER - CFDA No. 20.516 AND 20.521

Criteria:

The requirements for cash management are contained in the A-102 Common Rule, treasury regulations at 31 CFR part 205, program legislation, awarding agency regulations, and the terms and conditions of the award. Those regulations require that when awards are funded on a reimbursement basis, the costs for which reimbursement was requested must be paid prior to the date of the reimbursement request.

Condition:

It was noted that of the 10 reimbursement requests made during 2012, three requests were done with errors resulting in additional funding being reimbursed from the Regional Transportation Authority (RTA) to the County.

Effect:

The reimbursement requests are not an accurate display of allowable expenditures; thus, the County received excess funding.

Recommendation:

We recommend the County establish additional procedures to ensure proper reimbursement methods are being followed. However, it was noted that subsequent to year-end, the County implemented processing methods that they believe will avoid this error in the future.

Questioned Costs: The amount of reimbursements that exceeded eligible costs totaled \$44,334. We understand the County sent a letter to RTA on May 10, 2013 to adjust subsequent reimbursement requests by this amount.

Management's Response by Joe Korpalski – County Engineer

As stated in the recommendation, the County has implemented processing methods to avoid this error in the future. The error that occurred was discovered and corrected by Division of Transportation staff prior to this audit. The steps taken by staff include a screening process highlighting areas to review with a step by step check list. Also, a second review is performed by different staff independent from the person who enters the data to ensure its accuracy.

COUNTY OF MCHENRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended November 30, 2012

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

FINDING 2012-9 – WIC – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, CFDA No. 10.557

Criteria:

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

Condition:

Of a sample of 40 expenditures, we noted that one employee charged to a payroll claimed under the grant did not have a related time and effort report or substitute documentation to comply with OMB Circular A-87.

Effect:

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

Recommendation:

The County should have systems in place to ensure compliance with the requirements of OMB Circular A-87.

Questioned Costs: Questioned costs are not able to be determined.

Management's Response by Patrick McNulty – Public Health Administrator

Staff was informed on 5/29/2013 that time and effort report completion is a requirement for all staff members paid by the grant. Time and effort report will be completed by all the staff members in FY 2013. The person responsible for this finding is Muna Siddiqi (WIC Program Coordinator). The completion date is 5/29/2013.

PAMELA PALMER
County Auditor

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

OFFICE OF
THE COUNTY AUDITOR

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
November 30, 2012

FINDING 2011-5 – CDBG – ENTITLEMENT GRANTS CLUSTER, CFDA NO. 14.218 AND 14.253 (ARRA); HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239; HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM, CFDA NO.14.257 (ARRA); PUBLIC HEALTH EMERGENCY PREPAREDNESS, CFDA NO. 93.069

Criteria:

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

Condition:

Currently, payroll expenditures are allocated to the various federal grants based upon set percentages. The County does not validate these percentages with timecards, personnel activity reports, or time studies.

Effect:

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

Recommendation:

We recommend that the County review its policies and procedures by which it is allocating payroll expenditures to the various federal grants to ensure they are compliant with the requirements noted in Circular A-87.

FINDING 2011-5 – CDBG – ENTITLEMENT GRANTS CLUSTER, CFDA NO. 14.218 AND 14.253 (ARRA); HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA NO. 14.239; HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM, CFDA NO.14.257 (ARRA); PUBLIC HEALTH EMERGENCY PREPAREDNESS, CFDA NO. 93.069 (Continued)

Questioned Costs:

Questioned costs are not able to be determined.

Corrective Action Taken During Fiscal Year 2012

As of April 2012, Community Development (CD) Division staff is now submitting a weekly timesheet to the CD Administrator for entry into the County's payroll tracking system through ADP. Payroll draws processed through the Housing and Urban Development's Integrated Disbursement Information System (IDIS) and Disaster Relief Grant Reporting (DRGR) software systems are attributable to actual hours spent on each grant and not an estimated percentage of time. The Internal Audit Division at the County confirmed that all CD Division staff work on multiple grants or multiple activities throughout the year and submit actual time through payroll processing and fill out a weekly time sheet signed by each employee.

For the Public Health Emergency Preparedness (PHEP) program, all payroll costs charged to the program for employees that worked on multiple activities were properly supported by quarterly time studies, as required by Circular A-87. Also, for the employees that worked only on the PHEP program, quarterly time studies were also completed, which essentially attests to the fact that 100% of their time was spent on the grant. The Internal Audit Division at the County reviewed the quarterly time studies from October 2012 and January 2013 for all the employees that worked on the PHEP program and noted compliance with Circular A-87.

FINDING 2011-6 – CDBG – ENTITLEMENT GRANTS CLUSTER – CFDA NO. 14.218 AND 14.253 (ARRA)

Criteria:

Program requirements described in 24 CFR part 570 require the submission of SF-272 Federal Cash Transactions Report on a quarterly basis.

Conditions:

The Federal Cash Transactions Reports for all quarters of 2011 were not mathematically accurate. The County is entering the beginning and ending balances per bank statements, the total receipts per HUD reports, and the gross disbursements per the bank statements withdrawals. The difference (usually caused by timing issues) is not noted on the report, thereby causing the report to not foot. Instructions for line item 11j state that the total amount of cash on hand at the end of the reporting period should be total cash available less gross disbursements plus/minus any adjustments.

In addition, we noted that the reports are not reviewed by someone other than the preparer prior to submission.

Effect:

The report is not an accurate display of the account activity during each quarter.

Questioned Costs:

Questioned costs are not able to be determined.

FINDING 2010-6 – CDBG – ENTITLEMENT GRANTS CLUSTER – CFDA NO. 14.218 AND 14.253 (ARRA) (Continued)

Corrective Action Taken During Fiscal Year 2012

A corrected report was created, and the CD Administrator reviewed the report with the CD Specialist prior to re-submitting the revised report to Region V, U.S. Department of Housing and Urban Development (HUD). CD Division has created a Report Review form that must be signed by the CD Administrator confirming his review prior to submittal to HUD. The Report Review form is used for all reports, not just the SF-272 report. The CD Administrator review will include verifying the mathematical accuracy of the report. The Internal Audit Division reviewed reports completed for FY2012 and noted that reports were mathematically accurate and had Report Review forms attached indicating a independent second review.

FINDING 2011-7 – CDBG – ENTITLEMENT GRANTS CLUSTER – CFDA NO. 14.218 AND 14.253 (ARRA), HOME – HOUSING INVESTMENT PARTNERSHIP PROGRAM – CFDA NO. 14.239

Criteria:

The requirements for procurement are contained in the A-102 Common Rule, program legislation, Section 1605 of ARRA, 2 CFR part 176, Federal awarding agency regulations, and the terms and conditions of the award. To minimize the risk of errors, internal controls should be in place for all federal program compliance requirements, including preparing documentation evidencing that the county verified each vendor was not on the debarred and suspended vendor list found at www.epls.gov.

Condition:

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

Effect:

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

Recommendation:

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

Questioned Costs:

Questioned costs are not able to be determined.

Corrective Action Taken During Fiscal Year 2012

The County has it in our contracts to subrecipients that they must search the epls.gov (now www.sam.gov) website and the state excluded parties' listings. Some of our files have evidence that the agency did a search while others do not. As of the 3/1/2013 the CD Division Procurement Officer has made an additional step in the procurement review process to document that the www.sam.gov website has been reviewed by the County for each vendor and that the documentation is included in the project files.

FINDING 2011-8 – CDBG – ENTITLEMENT GRANTS CLUSTER – CFDA NO. 14.218 AND 14.253 (ARRA)

Criteria:

The A-102 Common Rule and Code of Federal Regulations require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. To minimize the risk of errors, internal controls should be in place for all program compliance requirements, including the preparation and submission of required program reports, which should be reviewed and approved by a reasonable party other than the original preparer.

Condition:

The Community Development Specialist is preparing all reports, and there is not an independent review and approval before they are submitted to HUD, which is also noted in finding 2011-6.

Effect:

There could be errors in the reports that are not detected before being submitted. A footing error was identified in one of the reports, which is reported in a separate finding, 2011-6.

Recommendation:

We recommend that all future reports and schedules be reviewed prior to submission by someone other than the preparer.

Questioned Costs: None

Corrective Action Taken During Fiscal Year 2012

A draft of the report is submitted to the CD Division Administrator for his review and signature approval on the Report Review form, which authorizes for the report to be submitted to HUD. Corrections or updates are made on the Report Review form and re-submitted to the CD Administrator until such time as the report is accepted and authorized by the CD Administrator to be submitted to HUD. The Internal Audit Division reviewed reports completed for FY2012 and noted that reports were mathematically accurate and had Report Review forms attached indicating a second independent review.

FINDING 2011-9 – HOME – HOUSING INVESTMENT PARTNERSHIP PROGRAM – CFDA NO. 14.239

Criteria:

Program match requirements described in 24 CFR sections 92.208 through 92.220, 92.222 and 92.508 require that each participating jurisdiction must provide eligible matching contributions of 25 percent of HOME funds drawn down during the fiscal year. Participating jurisdictions are required to maintain records, including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contributions by project.

Condition:

The county included additional grant years in the 2011 County Match Report causing the match liability for the current federal fiscal year to be incorrectly reported.

**FINDING 2011-9 – HOME – HOUSING INVESTMENT PARTNERSHIP PROGRAM – CFDA NO. 14.239
(Continued)**

Effect:

Incorrectly calculating the match requirement may result in errors which cause program noncompliance.

Recommendation:

We recommend that a review and approval be completed by someone other than the preparer of all reports before they are submitted to HUD.

Questioned Costs: None

Corrective Action Taken During Fiscal Year 2012

CD Division revised the 2011 HOME Match Report to account for the match that the sub-recipient generated during the calendar year of 2011. The CD Division staff referenced the HOME Match report instructions to verify what information must be reported when preparing the 2012 HOME Match Report. All required reports are now independently reviewed on a Report Review form by the CD Administrator prior to being submitted. The Internal Audit Division reviewed the 2012 HOME Match Report. We verified that information has been reported correctly based on support and the report is mathematically accurate. We noted a Report Review form indicating an independent review. However, it was dated a couple days after the report was sent to HUD. It is CD Division goal to have the report independently reviewed before it is submitted to HUD.

PAMELA PALMER
County Auditor

JAMES BERNIER, CPA,
CPFO
Financial Reporting
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CORRECTIVE ACTION PLAN
November 30, 2012

FINDING 2012-1 – DIVISION OF TRANSPORTATION

One individual in the Division of Transportation department is responsible for preparing and sending invoices, monitoring outstanding receivables, collecting payments, maintaining the receivables system, and depositing collections with the County Treasurer's office. Having one person responsible for all of these functions does not allow for adequate segregation of duties. We recommend the county determine how to further segregate these responsibilities or implement additional monitoring controls over these critical areas.

Management's Response by Joe Korpalski - County Engineer

The McHenry County Division of Transportation (MCDOT) is committed to working with the County Auditor to address the comments presented by the external auditor. Some procedural changes have been drafted to provide additional oversight of staff's duties. The review of MCDOT administrative staff functions will continue, with the aid of the County Auditor, to determine the best course of action given the staffing limitations at the MCDOT.

FINDING 2012-2 – TREASURER'S OFFICE CASHIER'S CHECK

The County does not have appropriate controls in place for the review and approval of disbursements processed by the Treasurer's Office as cashier's checks. Specifically, there was one transaction identified where the Treasurer's Office had the bank issue a cashier's check for the purpose of paying an individual property tax bill. Upon further inquiry, we discovered that this transaction was processed as an alternative to the State of Illinois Senior Tax Deferral program. The state-administered program allows eligible seniors to defer their annual property tax bill while a lien is placed on their home to ensure future payment. Based on our conversation with the County Treasurer, we understand the Treasurer's Office became aware in October 2012 that the necessary program paperwork had not been received by the state, and therefore, the County Treasurer determined that the County would pay the taxes on behalf of the property owner. We understand a lien on the property was subsequently filed which allows the County to collect these funds from the property owner at a future point in time. Since the County does not have a formal program for these types of activities, and the disbursement was processed as a cashier's check, which does not follow the County's internal control policies for disbursements, we consider this to be an unapproved disbursement of county funds in the amount of approximately \$8,000. We recommend the County implement additional controls surrounding the issuance of cashier's checks. In addition, we recommend the County develop policies to be approved by the County Board or the appropriate committee for future activities of this type.

FINDING 2012-2 – TREASURER’S OFFICE CASHIER’S CHECK (Continued)

Management’s Response by William LeFew - McHenry County Treasurer

In regards to the issuance of cashier’s check, the Treasurer’s office will work with the County Auditor to review all situations where a check may have to be issued from the Treasurer’s office and determine the best procedure with good internal controls in place. Over the past 17 years, my office has produced thousands of checks and this is the only check of this type to have been issued and it will not repeat. This review and steps that will be implemented will resolve this issue by mid-June.

Next, with the help of McHenry County Auditor Pam Palmer, the Treasurer’s office has put in a triple check system to track the senior deferral applications, which includes checking by 3 people, making copies of the application, calling of every senior in the county that has applied for this program in the past to see if they applied this year and check that against our list of applications that we have received, and sending the applications to the State of Illinois by certified mail so our office will have proof that the state received the application. Both the Auditor and I believe that these controls resolve this issue.

As to the case in question, this senior citizen couple asked my office to help them complete the senior deferral application in February, and we did so. This was the 4th year in a row that they have applied for this program. This program is income based and is used only by seniors that are completely out of money and are having problems paying for medicine and food, much less property taxes. We have helped 1,000’s of seniors with these forms, with no problems, until this one. Our office did not find out until late October that the State could not locate this application, when the couple called wondering why they got a tax sale notice. With the tax sale being only weeks away, there were only two options. First I could tell the couple that, even though they did everything right, their house was going to tax sale and they would eventually become homeless. The next option was to find a way to protect the county, all of the other taxing bodies, while at the same time helping the couple to get the benefits that they had applied for. I made the decision to use the second choice because it put all parties in the exact same position they would have been in had the application been located. The county is protected by a property tax lien that pays us 6% and the taxpayers get to remain in their home. This was a one-time only case and with the safe guards in place, it would be impossible for it to repeat.

FINDING 2012-3 – VENDOR APPROVAL

In prior years, we noted that the county does not have a formalized process for vendor approval. There should be a formalized process and documented control to assure the validity of all new vendors.

Current Year Status

Over the last two years, the county has made progress towards reducing the risks associated with duplicate vendors by identifying and eliminating them within the financial system. In addition, a vendor maintenance policy is being developed that will include procedures for establishing new vendors, maintaining the vendor list, and other user responsibilities. We recommend this policy be finalized, adopted and utilized to assure the validity of new vendors.

FINDING 2012-3 – VENDOR APPROVAL (Continued)

Management’s Response by Pam Palmer - County Auditor

Considerable progress has been made in the past couple of years in eliminating not only duplicate vendors, with concentration also on inactivating or eliminating vendors who either have never been used or had not had activity in recent years. With a more current list now in place, we will work on finishing the vendor maintenance policy. We will be working with the Purchasing Department on the specifics of the final policy as vendor requests and the maintenance of the vendor data is under their duties. Since last year’s response, I have signed up for the Internal Revenue Service TIN (Taxpayer Identification Number) service and will utilize this to confirm the FEIN (Federal Employer Identification Number) and SSN (Social Security Number) on potential new vendors. As access to this system is limited to IRS approval and also for confidentiality purposes, the Auditor’s Office will enter the new vendor FEIN/SSN into the service for further verification. Vendor approval will also involve interaction of the requesting department as to the method that they have used to confirm the existence of the vendor. Key to policy compliance of this new vendor verification/approval procedure is the holding of a training session for all departments to inform them of our new required steps for vendor verification. All the steps from policy finalization to the vendor verification steps will be accomplished during FY2013.

FINDING 2012-4 – PURCHASING

Since the 2009 audit, we have recommended that the county consider implementing certain best practices in regards to purchasing in order to standardize procedures throughout the county and improve controls over this critical area. These recommendations have included:

- > An approval trail should be required for creation, modification, and cancellation of purchase orders. There should be clear guidance on when approval is required (dollar amount threshold and who should be designated with approval authority). Guidance should also be given to county staff on when a purchase order should be created, modified or cancelled.
- > In addition to requiring an approval trail, the county should identify the types of documents that should be maintained for each purchase order (such as bid results, contracts, board approval, etc.).The county policy should also indicate which department has responsibility for maintaining these documents.
- > Guidance should be given to employees on the dollar amounts to be assigned to a purchase order. For example, should the purchase order be issued for the amount of an invoice, the amount of the project, or the amount to be spent with a vendor for the fiscal year.
- > To monitor the usage of the purchase order system, the county could consider implementing a tracking mechanism to determine the volume and frequency of purchase orders. A useful report may include the number and dollar amount of purchase orders created, modified and cancelled by department during a given period.
- > The County should develop a purchasing manual which would provide instruction to employees on how to navigate the purchasing process within the County. Such a document would provide county staff greater understanding and consistency in implementing the legal requirements contained in the purchasing ordinance on a daily basis.

FINDING 2012-4 – PURCHASING (Continued)

- > For certain areas where services or goods are commonly procured, the county has entered into cooperative purchasing agreements with vendors. The concept behind these agreements is to take advantage of pooled purchasing efforts with other governments to secure more favorable pricing. While these cooperative purchasing agreements are commonly used, are advantageous to McHenry and other counties throughout the state, and specifically allowed within Article 10 of the Purchasing Ordinance, they do not always guarantee the best price or desired products. We recommend purchasing periodically seek additional competitive bids for these types of purchases to assure that the best price and product is still being obtained when compared to the cooperative purchasing agreements.
- > For items purchased in excess of \$500, there are numerous exceptions as to when the county's purchasing ordinance does not need to be followed. Some elected officials departments are exempt, while others are not. If there is a separate board that governs that department, use of the Purchasing Department is optional. Many other exceptions exist as well. To clarify these situations, provide training, and to serve as an internal audit tool so as to ensure compliance, we recommend a set of guidelines or a flow-chart type of approach be develop to clarify when the Purchasing Department and ordinance would apply, and when it would not. This document should be distributed to other departments and training should be provided.

Current Year Status

The county is in the process of developing a purchasing guide that is expected to address the items noted above, among others. A task force has been developed and meetings are held on a regular basis. In addition, consideration is being given to utilizing a contract maintenance function within the county's procurement system. Formalization of this policy and training related to it are anticipated.

Management's Response by Donald Gray - Purchasing Director

A Purchasing Task Force was formed and has been meeting on a regular basis every Monday morning to review the Purchasing Ordinance. This team has been making suggested changes to the ordinance and once completed and agreed upon will present to the Management Services Committee for approval. Some of the topics discussed for change are Professional Services, Prevailing Wages, Emergency Purchases and most notably the possible change in the dollar thresholds that are in place now to mandate using Purchasing and the method of how Purchasing will fulfill the end user requests either by quotes or sealed Bids/RFP's. Contract Management and how contracts will be administered will also be an important part of this group. Purchasing is being charged with having control and managing all of the County's contracts. A method of storing these documents will be discussed and a plan put in place with the help of Information Technology. Once all of the steps have been completed and passed by the Board we will complete our Purchasing Guide and Manual for distribution to all County departments. The expected completion date is mid-summer this year with recommendation to Management Services Committee and then seeking Board approval. Implementation planned for 12/1/2013.

FINDING 2012-5 – CDBG – ENTITLEMENT GRANTS , CFDA No. 14.218; HOUSING INVESTMENT PARTNERSHIP PROGRAM (HOME), CFDA No. 14.239

Criteria:

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

Condition:

From January to April 2012, payroll expenditures were allocated to the various federal grants based upon budgeted percentages. The County did not validate these percentages with timecards, personnel activity reports, or time studies.

Effect:

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

Recommendation:

During our prior year audit, we recommended that the County review its policies and procedures by which it is allocating payroll expenditures to the various federal grants to ensure they are compliant with the requirements noted in OMB Circular A-87. The County was able to resolve this issue in April 2012 after our reported prior year finding; however, the deficiency existed during part of 2012 until the changes were implemented.

Questioned Costs: Questioned costs are not able to be determined.

Management's Response by Jeffrey Harris – Community Development Administrator

This deficiency was addressed during the year prior to the single audit review. As indicated in the report, McHenry County recognized this deficiency and initiated new time sheet records in April of 2012 that addresses this issue. McHenry County is continuing to utilize time sheet records to keep track of time spent on projects and has instituted a review process to monitor the records in order to make revisions to the time keeping as changes in projects warrant. The County will be able to provide complete time sheet records for future audits.

FINDING 2012-6 – WIC – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, CFDA No. 10.557

Criteria:

Individuals served under the WIC program must meet eligibility requirement of having a nutritional risk. One of the nutritional risk factors is anemia; and as such, hematological tests for anemia must be performed. A hematological test for anemia must be reported or documented at certification if the applicant has no nutritional risk factor other than anemia. Other certified applicants with qualifying nutritional risks other than anemia must be tested for anemia within ninety days of certification. Children are allowed to be certified for a period of one year if the State agency ensures that the child receives the required health and nutrition assessments.

Conditions:

Of the forty participants selected for eligibility testing, two did not properly receive an anemia test within 90 days of certification. The two exceptions were both children between the ages of 1 and 5.

Effect:

The required hematological test was not performed.

Recommendation:

We recommend that the County should have systems in place to ensure that hematological tests are performed as required. The County may consider providing additional training to staff to ensure hematological tests are offered if required.

Questioned Costs: None noted.

Management's Response by Patrick McNulty - Public Health Administrator

We discussed the findings in the staff meeting along with the policy on Biochemical Assessment (CS-6:3 A.4) on 6/18/2013. The policy states:

Blood work data must be collected for children:

- (1) Once between the ages of 12-24 months;
- (2) If the child's blood value is in the normal range at 15-18 months, blood work does not need to be repeated until 27-30 months and once every 12 months thereafter.
- (3) Annually between the ages of 24-60 months as long as the results are in the normal range.
- (4) Children ages 12-60 months with a positive anemia screening result (low hemoglobin or hematocrit) require a follow up blood test at 6 month intervals until the results are in the normal range.

A new form is added to the chart in FY 2013 that reflects the hemoglobin results and testing dates. Staff will use the form to ensure the timely performance of hemoglobin testing.

Staff will continue to conduct quarterly chart audits. Coordinator will discuss the chart findings with the concerned staff members after each audit. The person responsible for this finding is Muna Siddiqi (WIC Program Coordinator). The completion date is 6/18/2013.

FINDING 2012-7 – CDBG – ENTITLEMENT GRANTS CLUSTER – CFDA No. 14.218 AND 14.253 (ARRA), HOME – HOUSING INVESTMENT PARTNERSHIP PROGRAM – CFDA No. 14.239

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

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

Questioned Costs: Questioned costs are not able to be determined.

Management's Response by Jeffrey Harris – Community Development Administrator

As recommended in the finding, McHenry County has amended the existing written procurement procedures to include a step that requires staff to place a hard copy of the search for a vendor on the www.sams.gov suspended vendors website in the project file. Staff had been verifying bidders in the suspended vendor listing, but had not documented the verification in the project file. It is the County's intention that the amended written procedures be included for each project effective for all 2013 CDBG projects and open 2011-2012 HOME projects.

FINDING 2012-8 – DOT – TRANSIT SERVICES PROGRAMS CLUSTER - CFDA NO. 20.516 AND 20.521

Criteria:

The requirements for cash management are contained in the A-102 Common Rule, treasury regulations at 31 CFR part 205, program legislation, awarding agency regulations, and the terms and conditions of the award. Those regulations require that when awards are funded on a reimbursement basis, the costs for which reimbursement was requested must be paid prior to the date of the reimbursement request.

Condition:

It was noted that of the 10 reimbursement requests made during 2012, three requests were done with errors resulting in additional funding being reimbursed from the Regional Transportation Authority (RTA) to the County.

Effect:

The reimbursement requests are not an accurate display of allowable expenditures; thus, the County received excess funding.

Recommendation:

We recommend the County establish additional procedures to ensure proper reimbursement methods are being followed. However, it was noted that subsequent to year-end, the County implemented processing methods that they believe will avoid this error in the future.

Questioned Costs:

The amount of reimbursements that exceeded eligible costs totaled \$44,334. We understand the County sent a letter to RTA on May 10, 2013 to adjust subsequent reimbursement requests by this amount.

Management's Response by Joe Korpalski - County Engineer

As stated in the recommendation, the County has implemented processing methods to avoid this error in the future. The error that occurred was discovered and corrected by Division of Transportation staff prior to this audit. The steps taken by staff include a screening process highlighting areas to review with a step by step check list. Also, a second review is performed by different staff independent from the person who enters the data to ensure its accuracy.

FINDING 2012-9 – WIC – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN, CFDA NO. 10.557

Criteria:

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

Condition:

Of a sample of 40 expenditures, we noted that one employee charged to a payroll claimed under the grant did not have a related time and effort report or substitute documentation to comply with OMB Circular A-87.

Effect:

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

Recommendation:

The County should have systems in place to ensure compliance with the requirements of OMB Circular A-87.

Questioned Costs: Questioned costs are not able to be determined.

Management's Response by Patrick McNulty - Public Health Administrator

Staff was informed on 5/29/2013 that time and effort report completion is a requirement for all staff members paid by the grant. Time and effort report will be completed by all the staff members in FY 2013. The person responsible for this finding is Muna Siddiqi (WIC Program Coordinator). The completion date is 5/29/2013.