



VILLAGE OF CARPENTERSVILLE, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended December 31, 2017



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

Honorable Village President and
Members of the Board of Trustees
Village of Carpentersville, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carpentersville, Illinois (the Village), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 19, 2018.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

The Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sibich LLP

Naperville, Illinois
June 19, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Village President and
Members of the Board of Trustees
Village of Carpentersville, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Village of Carpentersville, Illinois' (the Village) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended December 31, 2017. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and the Uniform Guidance 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 Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Village of complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated June 19, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sikich LLP

Naperville, Illinois
June 19, 2018

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Program/Grant Number	Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development	Kane County, Illinois	<u>CDBG - Entitlement Grants Cluster</u>				
		Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 160,711	\$ -
		Total US Department of Housing and Urban Development			160,711	-
U.S. Department of Justice	N/A	<u>Bulletproof Vest Partnership Program</u>				
		Bulletproof Vest Partnership Program	16.607	N/A	310	-
		Total U.S. Department of Justice			310	-
U.S. Department of Transportation	Illinois Department of Transportation	<u>Highway Planning and Construction Cluster</u>				
		Highway Planning and Construction	* 20.205	D-91-386-08	5,614	-
		Highway Planning and Construction	* 20.205	R-91-019-08	652,013	-
	Total Highway Planning and Construction			657,627	-	
	Illinois Department of Transportation	<u>Highway Safety Cluster</u>				
National Priority Safety Programs		20.616	N/A	6,288	-	
		Total National Priority Safety Programs			6,288	-
		Total U.S. Department of Transportation			663,915	-
U.S. Department of Homeland Security	N/A	<u>Assistance to Firefighters Grant</u>				
		Assistance to Firefighters Grant	97.044	EMW-2015-FO-05393	238,637	-
		Total U.S. Department of Homeland Security			238,637	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 1,063,573	\$ -

* Denotes major federal program

VILLAGE OF CARPENTERSVILLE, ILLINOIS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Note A - Significant Accounting Policies

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

Note B - Noncash Transactions

The Village did not receive or provide any federal insurance, free rent, or noncash assistance during the year ended December 31, 2017.

Note C - Illinois Environmental Protection Agency Loans

The Village had Illinois Environmental Protection Agency Loans outstanding in the amount of \$2,063,296 at December 31, 2017. The loans were initially funded in part with federal monies. The loans have no continuing compliance requirements aside from loan repayment.

Note D - 10% De Minimis Indirect Cost Rate

The Village has elected to use the 10% de minimis indirect cost rate as permitted by 2 CFR Section 200.414.

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with Generally Accepted Accounting Principles (GAAP): *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

Section II - Financial Statement Findings

2017-001: Internal Control over Financial Reporting - Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Criteria: 2 CFR section 200.302(b) states, “The financial management system of each nonfederal entity must provide for the identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received. Federal program and federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the federal agency, and name of the pass-through entity, if any.” Additionally, 2 CFR section 200.510(b) states, “The auditee must also prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee’s financial statements which must include the total federal awards expended as determined in accordance with 2 CFR section 200.502.” The regulations contained in state and local grant agreements require similar procedures to be followed.

Condition: During our audit of grant activity, the following items were noted:

- a) The grant financial tracking and recording system in place did not include the checks and balances needed to ensure that the Village was able to accurately prepare the Schedule of Expenditures of Federal Awards.
- b) The Village departments that are in charge of administering the Village’s grant programs were not always providing copies of the grant-related information that Finance Department personnel needed for the audit and preparation of the Schedule of Expenditures of Federal Awards.

Context:

- a) This issue relates to the Village’s financial grant activity tracking system as a whole. Specific issues were noted with several of the grants tested during our audit of the Schedule of Expenditures of Federal Awards.
- b) This issue relates to the Village’s grant management system as a whole.

Effect:

- a) This issue resulted in the need for adjustments to be made in order to properly state the Village’s Schedule of Expenditures of Federal Awards prepared for the year ended December 31, 2017.
- b) This issue resulted in the need for Village personnel to expend additional time and effort during the 2017 audit in order to locate the documentation needed for audit purposes as complete grant files were not available for several of the grants audited.

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

Section II - Financial Statement Findings (Continued)

2017-001: Internal Control over Financial Reporting - Preparation of the Schedule of Expenditures of Federal Awards (SEFA) (Continued)

Cause:

- a) The grant financial tracking and recording system in place did not include the checks and balances needed to ensure that the Village was able to accurately prepare the Schedule of Expenditures of Federal Awards.
- b) There were no procedures in place that require one of the Village's departments to be the central storehouse for all grant-related documentation.

Questioned Costs: There were no questioned costs noted in relation to this finding.

Year First Reported: This finding is partially repeated from finding 2016-001.

Recommendation: We recommend that the Village charge an individual in each department with the task of identifying each federal program in operation by CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. This information along with supporting documentation of revenues and expenditures (i.e. project worksheets, quarterly fiscal report forms, etc.) should be submitted to the Finance Department within a reasonable time frame upon receipt of the grant and after year-end to ensure timely and accurate completion of the Schedule of Expenditures of Federal Awards. Additionally, we recommend that the Village departments that are in charge of administering the Village's grant programs provide and retain copies of all grant-related documentation that Finance Department personnel need for the audit and preparation of the Schedule of Expenditures of Federal Awards.

Views of Responsible Officials: Management agrees with this finding and their response is included within the Corrective Action Plan.

Section III - Federal Award Findings and Questioned Costs

None

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

Section IV - Summary Schedule of Prior Audit Findings

2016-001: Internal Control over Financial Reporting - Grant Revenue Recognition/Grant Activity Tracking System/Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Criteria: 2 CFR section 200.302(b) states, “The financial management system of each nonfederal entity must provide for the identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received. Federal program and federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the federal agency, and name of the pass-through entity, if any.” Additionally, 2 CFR section 200.510(b) states, “The auditee must also prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee’s financial statements which must include the total federal awards expended as determined in accordance with 2 CFR section 200.502.” The regulations contained in state and local grant agreements require similar procedures to be followed. Relatedly, generally accepted accounting principles (GAAP) require that grant revenue related to a particular program is recognized based upon the underlying grant expenditures incurred under that program.

Condition: During our audit of grant activity, the following items were noted:

- a) The grant financial tracking and recording system in place did not include the checks and balances needed to ensure that the Village was able to properly recognize grant revenue and expenditures in accordance with generally accepted accounting principles.
- b) The Village departments that are in charge of administering the Village’s grant programs were not always providing copies of the grant-related information that Finance Department personnel needed for audit, SEFA preparation, and management review purposes.
- c) Grant revenue related to several grant programs was not being recognized based upon the underlying grant expenditures incurred under those programs.

Context:

- a) This issue relates to the Village’s financial grant activity tracking system as a whole. There were issues noted with several of the grants.
- b) This issue relates to the Village’s grant management system as a whole.
- c) This issue relates to four of the Village’s sixteen grants. Adjustments were required to properly state the Village’s 2016 grant-related balances.

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

Section IV - Summary Schedule of Prior Audit Findings (Continued)

2016-001: Internal Control over Financial Reporting - Grant Revenue Recognition/Grant Activity Tracking System/Preparation of the Schedule of Expenditures of Federal Awards (SEFA) (Continued)

Effect:

- a) This issue resulted in the need for adjustments to be made in order to properly state the Village's grant-related balances in the financial statements and SEFA prepared for 2016.
- b) This issue resulted in the need for Village personnel to expend additional time and effort during the 2016 audit in order to locate the documentation needed for audit purposes as complete grant files were not available for any of the grants audited. Some of the documents requested could not be located by Village personnel. The decentralized nature of the grants management system currently in place also resulted in the need for the adjustments referred to in Item A of this section.
- c) The effect of this issue is the same as that described in Item A in this section.

Cause:

- a) The grant financial tracking and recording system in place did not include the checks and balances needed to ensure that the Village was able to properly recognize grant revenue and expenditures in accordance with generally accepted accounting principles.
- b) There were no procedures in place that required one of the Village's departments to be the central storehouse for all grant-related documentation.
- c) The cause of this issue is the same as that for Item A in this section.

Questioned Costs: There were no questioned costs noted in relation to this finding.

Recommendation: We recommend that the Village charge an individual in each department with the task of identifying each federal program in operation by CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. This information along with supporting documentation of revenues and expenditures (i.e. project worksheets, quarterly fiscal report forms, etc.) should be submitted to the Finance Department within a reasonable time frame upon receipt of the grant and after year-end to ensure timely and accurate completion of the SEFA. We recommend that similar procedures are developed and implemented for non-federal grants as well. Additionally, we recommend that the Village departments that are in charge of administering the Village's grant programs provide copies of all grant-related documentation that Finance Department personnel need for audit,

VILLAGE OF CARPENTERSVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

Section IV - Summary Schedule of Prior Audit Findings (Continued)

2016-001: Internal Control over Financial Reporting - Grant Revenue Recognition/Grant Activity Tracking System/Preparation of the Schedule of Expenditures of Federal Awards (SEFA) (Continued)

Recommendation (Continued): SEFA preparation, and management review purposes. Finally, we recommend that all grant-related information should be updated periodically so that an accurate accounting of all grant activities is available at all times for management review and audit purposes.

2017 Status: This finding is considered partially resolved in the current year. Per testing performed in the current year, no adjustments were required to correct grant revenue recognition. However, adjustments were required to properly present Federal grant information and amounts presented on the Schedule of Expenditures of Federal Awards as of December 31, 2017. Elements of this finding have been repeated as finding 2017-001.



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Corrective Action Plan

For the Year Ended December 31, 2017

017-001: Internal Control over Financial Reporting - Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Condition

During our audit of grant activity, the following items were noted:

- a) The grant financial tracking and recording system in place did not include the checks and balances needed to ensure that the Village was able to accurately prepare the Schedule of Expenditures of Federal Awards.
- b) The Village departments that are in charge of administering the Village's grant programs were not always providing copies of the grant-related information that Finance Department personnel needed for the audit and preparation of the Schedule of Expenditures of Federal Awards.

Corrective Action Plan

The departments were notified to provide the Finance Department with copies of grant related information. In addition, the Finance department appointed a liaison to the departments for grant related activity. Finance will also review agendas to spot potential grants and communicate with the departments on an ongoing basis.

Contact Person Responsible for Corrective Action

Village Manager

Anticipated Completion Date

This was implemented in June 2018.