



PEORIA COUNTY, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended December 31, 2017



SIKICH.COM

PEORIA COUNTY, ILLINOIS
SINGLE AUDIT REPORT
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1-2
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3-5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6-10
NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS	11-12
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	13-21
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	22
CORRECTIVE ACTION PLAN	23

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

**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**

To the Members of the County Board
Peoria County
Peoria, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peoria County, Illinois (the County) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Peoria County, Illinois' basic financial statements and have issued our report thereon dated June 27, 2018.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weaknesses. (2017-001)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiencies. (2017-002, 2017-003, 2017-004, 2017-005 and 2017-006)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County'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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
June 27, 2018

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

**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**

To the Members of the County Board
Peoria County
Peoria, Illinois

Report on Compliance for Each Major Federal Program

We have audited Peoria County, Illinois’ (the County) 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 County’s major federal programs for the year ended December 31, 2017. The County’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 County’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 County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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 County of Peoria, Illinois, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 27, 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 those 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 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

Springfield, Illinois
September 25, 2018

PEORIA COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Health and Human Services:			
Passed through the National Association of County and City Health Officials:			
Medical Reserve Corps Small Grant Program	93.008	MRC 17-0075	\$ 2,312
Passed through the Illinois Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	7067180176D	11,889
		7077180070E	94,310
		7077180115E	31,793
		8087180070F	46,863
		8087180115F	21,410
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			206,265
Passed through University of Illinois College of Medicine at Peoria:			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth			
	93.153	CN-00027237	6,842
Passed through the Illinois Department of Public Health:			
Immunization Cooperative Agreements - Non Cash			
	93.268	Commodities	145,378
Passed through the Illinois Department of Healthcare and Family Services:			
Child Support Enforcement			
	93.563	715KCC00071	8,879
		818KCC00071	11,171
Total Child Support Enforcement			20,050
Grants to States for Access and Visitation Programs			
	93.597	715KAVG0003	20,412
		815KAVG0003	20,333
Total Grants to States for Access and Visitation Programs			40,745
Passed through the Illinois Supreme Court:			
State Court Improvement Program			
	93.586	70CIPDG1601	7,421
		80CIPDG1601	4,768
		80CIPDG1702	3,388
Total State Court Improvement Program			15,577
			(Continued)

PEORIA COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Health and Human Services: (Continued)			
Passed through the Illinois Department of Public Health:			
State Public Health Approaches for Ensuring Quitline Capacity	93.735	7073281070E	\$ 43,455
		8073281070E	<u>24,861</u>
Total State Public Health Approaches for Ensuring Quitline Capacity			<u>68,316</u>
Medicaid Cluster:			
Passed through the Illinois Department of Healthcare and Family Services:			
Medical Assistance Program	93.778	medmatch	<u>37,254</u>
Total Medicaid cluster			<u>37,254</u>
Passed through University of Illinois College of Medicine at Peoria:			
HIV Care Formula Grants	93.917	P1476727	30,552
		65780046D	<u>5,039</u>
Total HIV Care Formula Grants			<u>35,591</u>
Passed through the Illinois Public Health Association:			
HIV Prevention Activities_Health Department Based	93.940	17-75-04	<u>4,875</u>
Maternal and Child Health Services Block Grant to the States	93.994	7073489025E	15,915
		8083489024F	<u>9,968</u>
Total Maternal and Child Health Services Block Grant to the States			<u>25,883</u>
Total U.S. Department of Health and Human Services			<u>609,088</u>
U.S. Department of Agriculture:			
Passed through the Illinois Department of Human Services:			
Special Supplemental Food Program for Women, Infants, and Children	10.557*	7FCSVQ01177	24,574
		7FCSVQ01078	384,305
		8FCSWQ01177	18,483
		8FCSWQ01078	336,853
Special Supplemental Food Program for Women, Infants, and Children - Noncash Food Vouchers	10.557*	2017	1,138,784
		2018	<u>938,788</u>
Total Special Supplemental Food Program for Women, Infants, and Children			<u>2,841,787</u>

(Continued)

PEORIA COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Agriculture: (Continued)			
Child Nutrition Cluster:			
Passed through the Illinois State Board of Education:			
School Breakfast Program	10.553	2017-4220-00	\$ 20,487
		2018-4220-00	6,968
Total School Breakfast Program			<u>27,455</u>
National School Lunch Program	10.555	2017-4210-00	32,234
		2018-4210-00	11,039
Total National School Lunch Program			<u>43,273</u>
Passed through the Illinois Department of Public Health:			
Summer Food Service Program for Children	10.559	7055280034C	2,250
Total Child Nutrition cluster			<u>72,978</u>
Passed through the Illinois Department of Human Services:			
WIC Farmers' Market Nutrition Program	10.572	8FCSWQ01251	1,000
Total U.S. Department of Agriculture			<u>2,915,765</u>
U.S. Department of Transportation:			
Highway Planning and Construction Cluster:			
Passed through the Illinois Department of Transportation:			
Highway Planning and Construction	20.205	RS-1387(109)	95,873
		BRS-0389(105)	182,880
		HSIP-0386(106)	28,302
Total Highway Planning and Construction			<u>307,055</u>
Total Highway Planning and Construction cluster			<u>307,055</u>
Passed through the Illinois Department of Transportation:			
Formula Grants for Rural Areas	20.509	OP-18-00-FED	147,743
Highway Safety Cluster:			
Passed through the Illinois Department of Transportation:			
State and Community Highway Safety	20.600	700AP170197	378
		800OP170197	16,726
Total State and Community Highway Safety			<u>17,104</u>
National Priority Safety Programs	20.616	700AP170203	45,622
		800AP170203	71,321
		800AP180140	55,251
Total National Priority Safety Programs			<u>172,194</u>
Total Highway Safety Cluster			<u>189,298</u>
Total U.S. Department of Transportation			<u>644,096</u>

(Continued)

PEORIA COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Justice:			
Passed through the Illinois Criminal Justice Information Authority:			
Crime Victims Assistance	16.575	2015-VA-GX-0049	\$ 9,866
Violence Against Women Formula Grants	16.588	70AWL614040	35,491
		70AWL614041	144,549
		80AWL614040	26,595
		80AWL614041	117,344
		80AWL613043	113,750
Total Violence Against Women Formula Grants			<u>437,729</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	80FVC384110	<u>20,442</u>
Direct:			
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2016-H3136-IL-DJ	<u>14,728</u>
Passed through the National Children's Alliance:			
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	n/a	9,000
		n/a	<u>7,000</u>
Total Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers			<u>16,000</u>
Total U.S. Department of Justice			<u>498,765</u>
U.S. Department of Housing and Urban Development:			
CDBG - Entitlement Grants Cluster:			
Passed through the City of Peoria:			
Community Development Block Grants/Entitlement Grants	14.218	n/a	23,118
Total CDBG - Entitlement Grants Cluster			<u>23,118</u>
Direct:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	ILLHB0595-15	<u>825,552</u>
Total U.S. Department of Housing and Urban Development			<u>848,670</u>
U.S. Environmental Protection Agency:			
Passed through Illinois Department of Public Health:			
Performance Partnership Grants	66.605	7075380173E	1,588
		8085380173E	400
Total Performance Partnership Grants			<u>1,988</u>
Total U.S. Environmental Protection Agency			<u>1,988</u>

(Continued)

PEORIA COUNTY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Department of Homeland Security:			
Passed through Illinois Emergency Management Agency:			
Hazard Mitigation Grant			
	97.039*	7HM16PEORIA	\$ 144,169
		7HM16COPEOR	442
		8HM16PEORIA	567,926
		8HM16COPEOR	188,435
		8HM16PEOCTY	6,114
Total Hazard Mitigation Grant			<u>907,086</u>
Emergency Management Performance Grants			
	97.042	816EMAPEOC2	11,516
		817EMAPEOCO	19,776
Total Emergency Management Performance Grants			<u>31,292</u>
Passed through Illinois Law Enforcement Alarm System:			
Homeland Security Grant Program			
	97.067	n/a	<u>63,433</u>
Total Department of Homeland Security			<u>1,001,811</u>
TOTAL EXPENDITURES			<u><u>\$ 6,520,183</u></u>

* Denotes Major Federal Program

PEORIA COUNTY, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Peoria County, Illinois (the County) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the County it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

2. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The underlying 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 County has elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

3. NONCASH PAYMENTS

The County 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 December 31, 2017 was \$145,378.

The County received food vouchers at no charge from the Illinois Department of Human Services through the federally assisted program – Special Supplemental Food Program for Women, Infants, and Children (CFDA 10.557). The value of vouchers received during the year ended December 31, 2017 was \$2,077,572.

PEORIA COUNTY, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended December 31, 2017

4. ADDITIONAL INFORMATION

As of and during the year ended December 31, 2017, the County did not receive any federal insurance or federal loans or loan guarantees. In addition, The County did not pass through any federal grants to sub-recipients.

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major federal programs: unmodified

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance? Yes X No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Food Program for Women, Infants and children
97.039	Hazard Mitigation Grant

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

Auditee qualified as low-risk auditee? Yes X No

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2017

Section II – Financial Statement Findings

Finding 2017-001 – Circuit Clerk Account Reconciliations - Inadequate system of controls over reconciliations performed over Circuit Clerk activity.

Criteria/Specific Requirement: The County is required to maintain a system of controls over the reconciliation of Circuit Clerk activity to verify transactions have been recorded properly and to discover errors.

Condition: During our testing we noted that the Circuit Clerk did not have proper controls implemented over reconciliations performed over Circuit Clerk activity.

Effect: Management or employees in the normal course of performing their assigned functions may not prevent or detect misstatements in the financial statements.

Cause: Lack of oversight by the Circuit Clerk.

Recommendation: We recommend reconciliations be prepared and reviewed on a timely basis for all accounts to verify transactions have been recorded properly and to discover errors. All reconciliations should be reviewed and documented by an appropriate level of management for accuracy and completeness on a timely basis. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded.

Views from Responsible Officials: The internal control functions of the Circuit Clerk's office historically operated on an informal basis, where reviews and approvals were conducted and granted orally. Various immaterial variances have existed historically, and due to their immaterial nature, resources have not been devoted to their reconciliation.

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2017

Section II – Financial Statement Findings

Finding 2017-002 – Bank Accounts - Inadequate system of controls over the identification, reporting, and reconciliation of bank accounts. (Repeat of prior year finding: 2016-001)

Criteria/Specific Requirement: The County is required to maintain a system of controls over the identification, reporting, and reconciliation of bank accounts to prevent or detect misappropriation of cash or misstatements in the financial statements.

Condition: During our testing of cash, we noted the County prepared a bank confirmation which contained an account that was not recorded in the general ledger. In addition, we received a collateral confirmation from the bank that included an account that was not recorded in the general ledger and did not have a related bank reconciliation. While investigating the accounts not included in the general ledger, the County identified another account that was not recorded in the general ledger and did not have a related bank reconciliation.

Effect: Management or employees in the normal course of performing their assigned functions may not prevent or detect misappropriation of cash or misstatements in the financial statements.

Cause: Lack of oversight by the County.

Recommendation: We recommend that the County maintain an up-to-date log of all cash accounts in the County's name and perform bank reconciliations for all bank accounts for which they are custodian, to ensure the general ledger is accurate. In addition, we recommend the County develop a policy or form be signed and approved for opening new bank counts. Such information should be communicated to the Finance Department in a timely manner to ensure accurate reporting in the general ledger.

Views from Responsible Officials: We agree that all bank accounts in the County should be recorded in the general ledger.

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2017

Section II – Financial Statement Findings (Continued)

Finding 2017-003 – Grant Expenditure Reconciliation - Inadequate system of controls over tracking grant expenditures County's accounting system.

Criteria/Specific Requirement: The County is required to maintain a system of controls over tracking grant expenditures County's accounting system to prevent inaccurate reporting and duplicate request for reimbursements.

Condition: During our audit of grant revenues and expenditures, it was noted that the County does not have process for tracking grant expenditures in the general ledger. On an annual basis, the County performs a reconciliation of grant revenues to the general ledger. However, grant expenditures reported to state and federal agencies are not reconciled to the general ledger. At our request during the audit, certain departments prepared and provided us with reconciliations of expenditures to the general ledger.

Effect: Management or employees in the normal course of performing their assigned functions may not prevent or detect inaccurate reporting or duplicate request for reimbursements.

Cause: Lack of oversight by the County.

Recommendation: We recommend the County develop a process to reconcile grant expenditures reported to state and federal agencies to the general ledger on a regular basis.

Views from Responsible Officials: Based on Peoria City/County Health Department's current program/account structure for expenditures, grant reimbursement requests could include expenses from one or more programs/accounts. Grant expenditures are identified by the check register description entered from the purchase order during the accounts payable process. A check register report is run monthly and converted to excel format, where grant expenditures are then documented for reimbursement. Time tracking spreadsheets are utilized to document actual time worked, which are used with payroll reports to calculate grant personnel/fringe expenses for reimbursement. These processes ensure that reimbursement requests for grant expenditures and personnel expenses are accurate and not duplicated. Additionally, individual grant expenditures are identified on a fiscal year expenditure audit trail report run from the general ledger and converted to excel.

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2017

Section II – Financial Statement Findings (Continued)

Finding 2017-004 – Segregation of Duties - Inadequate segregation of duties over the billing process at Heddington Oaks and over network, application, and database user access. (Repeat of prior year finding: 2016-004)

Criteria/Specific Requirement: To reduce the risk that errors may occur and go undetected and reduce the risk of fraud, the County should maintain adequate segregation of duties.

Condition: When obtaining an understanding of Heddington Oaks billing process, it was noted that patient invoices are automatically generated by the Matrix Care system each month. The invoices are reviewed by an employee, however, that employee has the ability to make changes to the billing system, without subsequent review or approval.

During our testing of user access controls in the Pentamation system that several users did not appear to have properly restricted access rights. For example, we noted several users that had the ability to both enter/modify requisitions and approve requisitions. Additionally, we noted that departments are not reviewing Pentamation access rights on a regular basis.

We also noted several shared user accounts within the Odyssey application. Additionally, Odyssey accounts are not being reviewed on a regular basis by the Circuit Clerk.

Effect: Fraud due to employee dishonesty or errors in financial reporting may go undetected.

Cause: Lack of oversight by the County and Circuit Clerk.

Recommendation: With respect to patient billing, we recommend that the individual reviewing the patient invoices not have the ability to modify the billing system.

With respect to the Pentamation and Odyssey applications, User access rights should be granted on a need-to-know, need-to-do basis that considers appropriate segregation of duties. User accounts should be restricted to individual users and access rights be reviewed on a regular basis. We recommend the County develop and follow formal policies and procedures to ensure appropriate user access rights. Such policies should ensure timely action relating to requesting, establishing, issuing, suspending, modifying, closing and reviewing user accounts.

Views from Responsible Officials: The Heddington Oaks billing process has been an issue of concern because while the Matrixcare system produces the invoices and they are reviewed by the employees, those same employees currently have the ability to make changes to the bill after it has been produced by the system. This opens up the potential for fraud because too much accessibility rests with one individual.

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2017

Section II – Financial Statement Findings (Continued)

Finding 2017-004 (Continued)

Views from Responsible Officials: (Continued)

Security access within Pentamation is requested by the employee's manager or supervisor. Historically the access has been based on the employee's role within the department or the role of the person they are replacing. The manager or supervisor determines the security required based upon the size of the department and the internal processes and workflows. In some cases, it may require individuals to have both creation and approval rights within Pentamation.

Pentamation security reports are available for every user in the system but are not easily understandable. Historically Peoria County IT has contacted the vendor for all questions related to security because of the limited details within the system. IT has submitted numerous request to Pentamation regarding improving the security reporting within the system. So far, no changes have been made by Pentamation to improve this.

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2017

Section II – Financial Statement Findings (Continued)

Finding 2017-005 – Failure to assess and collect – Failure to assess and collect certain fines and fees required by the Illinois Compiled Statutes. (Repeat of prior year finding: 2016-007)

Criteria/Specific Requirement: The County is required by the Illinois Compiled Statutes to assess and collect certain fines and fees.

Condition: The Peoria County court and the Circuit Clerk's office failed to assess and collect certain fines and fees required by the Illinois Compiled Statutes on several cases selected for testing during our audit.

Effect: The County is not in compliance with State statutes.

Cause: Lack of oversight by the County Court and Circuit Clerk.

Recommendation: We recommend the Peoria County Office of the Circuit Clerk ensure all fines and fees are properly assessed in accordance with the Illinois Compiled Statutes.

Views from Responsible Officials: The Circuit Clerk holds no authority to levy specific fines. Rather, the exaction of fines is a judicial act controlled solely by the trial court and the agents thereof. The court, through signed judgment orders, assesses various fines, and the Clerk is limited to assessing and collecting these fines as provided by the court. In some situations, the fines were not levied in accordance with Illinois Compiled Statutes prior to receipt by the Circuit Clerk's office.

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2017

Section II – Financial Statement Findings (Continued)

Finding 2017-006 – Purchasing – Not all departments are following the County purchasing policy. (Repeat of prior year finding: 2016-006)

Criteria/Specific Requirement: The County has approved a purchasing ordinance that applies to contracts for procurement of goods, services, construction, and professional services entered into by the County. It applies to every expenditure of public funds by a County agency for public purchasing irrespective of its source, except as otherwise provided by the state law and state regulation. Per the purchasing ordinance, the Purchasing Agent is responsible for procuring and supervising the procurement of all goods and services, and construction needed by the County.

Condition: When obtaining an understanding of internal controls and through discussions with management, we noted that not all departments are consistently following the purchasing policy. It was noted that not all purchases are going through the Purchasing Agent that may result in the County entering into unapproved contracts and receiving goods and services that did not receive prior approval. Based on our review purchasing transactions selected for testing, we did not note non-compliance with the purchasing policy. However, based on the nature of our audit, we do not review all purchasing transactions.

Effect: The County may enter into unapproved contracts and receive goods and services that did not receive prior approval.

Cause: Lack of oversight by the County.

Recommendation: To help monitor the volume of purchases due to budget constraints and ensure that purchases are initiated with proper approval, we recommend all County departments follow the established purchasing policy.

Views from Responsible Officials: As discussed with the external auditors, the larger purchases actually have seen an appropriate level of compliance. The concern is the compliance on smaller purchases. While it is a good reminder that all County offices and departments should comply with the purchasing policy, by and large there is an acceptable level of compliance from this group. The larger issue has to do with independent Boards and Commissions which often follow their own purchasing policy, which is separate from the County's policy.

PEORIA COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended December 31, 2017

Section III – Federal Award Findings and Questions Costs

None

PEORIA COUNTY, ILLINOIS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2017

<u>Prior Finding</u>	<u>Condition</u>	<u>Status</u>
2016-001	Bank Accounts - Inadequate system of controls over the identification, reporting, and reconciliation of bank accounts.	Repeated as Finding 2017-002
2016-002	Bank Accounts - Inadequate system of controls over the reconciliation of Circuit Clerk bank accounts.	Not Repeated
2016-003	Circuit Clerk Reconciliation - Inadequate system of controls over the reconciliation of Circuit Clerk records to the County's accounting system.	Not Repeated
2016-004	Segregation of Duties - Inadequate segregation of duties over the billing process at Heddington Oaks and over network, application, and database user access.	Repeated as Finding 2017-004
2016-005	Noncompliance with bond covenant.	Not Repeated
2016-006	Purchasing – Not all departments are following the County purchasing policy and not all invoices have documented approval prior to disbursements of funds to pay such invoices.	Repeated as Finding 2017-006
2016-007	Failure to assess and collect – Failure to assess and collect certain fines and fees required by the Illinois Compiled Statutes.	Repeated as Finding 2017-005



Scott A. Sorrel
County Administrator

County of Peoria

County Administration

Peoria County Courthouse, Room 502
324 Main Street, Peoria, Illinois 61602
Phone (309) 672-6056 Fax (309) 672-6054 TDD (309) 672-6073
Email: ssorrel@peoriacounty.org

PEORIA COUNTY, ILLINOIS

CORRECTIVE ACTION PLAN

For the Year Ended December 31, 2017

Finding Number	Finding	Corrective Action Plan	Anticipated Date of Completion	Contact Person
2017-001	Circuit Clerk Account Reconciliations	In respect to the audit recommendations, the Circuit Clerk's office will work with the audit team to ensure its review and approval procedures are formally documented in an appropriate manner.	2018	Kevin O'Connor, Circuit Clerk's Office Chief Accountant
2017-002	Bank Accounts	As these bank accounts have been discovered, usually with small dollar balances, we have recorded them in the general ledger. Some were discovered during 2017 and some were discovered as part of the FY 2017 audit. The Finance Department will work with other Departments to ensure all bank accounts are recorded in the general ledger.	2018	Randy Brunner, Interim CFO
2017-003	Grant Expenditure Reconciliation	The County will consider whether the project accounting module in the financial system is sufficient to accomplish this, or whether each grant needs a separate program number in the financial system to have grant revenues and expenses reconcile to the general ledger.	2018	Randy Brunner, Interim CFO
2017-004	Segregation of Duties	With respect to patient billing, a second bookkeeper has been recently hired along with a finance director for Heddington Oaks so the staffing of these additional positions should help with the segregation of duties with nursing home billing. With respect to the Pentamation and Odyssey applications, Peoria County IT and Finance will form a team to look closer at the segregations of duties within Pentamation. This team will work with Pentamation to determine if reports are available to better identify possible user access control issues. Peoria County IT and Finance are currently planning a project in 2020 to replace the Pentamation Finance system. A more robust security system with reporting will be a key requirement for the new system.	2018	Randy Brunner, Interim CFO
2017-005	Failure to assess and collect	In January of 2018, fee assessment forms for warrants and subpoenas were altered such that fees were hardcoded in composition with Illinois Compiled Statutes to prevent errors by way of manual fee entry.	2018	Randy Brunner, Interim CFO
2017-006	Purchasing	It is recommended that all county offices and departments, but particularly those reporting to independent Boards and Commissions follow the County's purchasing policy and contact the County's Purchasing Agent should questions arise related to compliance. Compliance with the County's purchasing policy is something that can be reinforced with department heads as part of the annual budget process.	2018	Randy Brunner, Interim CFO