

CITY OF AURORA, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
December 31, 2014



CITY OF AURORA, 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***

The Honorable Mayor
Members of the City Council
City of Aurora, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aurora, Illinois (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 entity'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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2014-001.

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

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Naperville, Illinois
June 4, 2015

Handwritten signature in black ink that reads "Sibel LLP".



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

The Honorable Mayor
Members of the City Council
City of Aurora, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Aurora, Illinois' (the City) 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 City's major federal programs for the year ended December 31, 2014. The City'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 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 City'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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Aurora, Illinois 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-002 through 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the City 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 City'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 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 City'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 4, 2015, 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 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 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.

Naperville, Illinois
June 4, 2015

Handwritten signature in cursive script that reads "Sibil LLP".

CITY OF AURORA, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

| Federal Grantor | Pass-Through Grantor | Program Title | Federal CFDA Number | Program/Grant Number | Expenditures |
|--|--|--|----------------------------|-----------------------------|---------------------|
| U.S. Department of Housing and Urban Development | | Community Development Block Grants/Entitlement Grants | | | |
| | N/A | Community Development Block Grants/Entitlement Grants | 14.218* | B-13-MC-170002 | \$ 912,215 |
| | N/A | Community Development Block Grants/Entitlement Grants | 14.218* | B-14-MC-170002 | 720,581 |
| | N/A | Community Development Block Grants/Entitlement Grants (NSP1) | 14.218* | B-08-MN-170001 | <u>316,353</u> |
| | | Total Community Development Block Grants/Entitlement Grants | | | <u>1,949,149</u> |
| | | Home Investment Partnerships Program | | | |
| | N/A | Home Investment Partnerships Program | 14.239 | M-12-MC-17-0221 | 14,308 |
| | N/A | Home Investment Partnerships Program | 14.239 | M-13-MC-17-0221 | 392,091 |
| | N/A | Home Investment Partnerships Program | 14.239 | M-14-MC-17-0221 | <u>7,093</u> |
| | | Total Home Investment Partnerships Programs | | | <u>413,492</u> |
| | Total U.S. Department of Housing and Urban Development | | | <u>2,362,641</u> | |
| U.S. Department of Justice | | Juvenile Accountability Block Grants | | | |
| | Illinois Juvenile Justice Commission/DHS | Juvenile Accountability Block Grants | 16.523 | 2013/2014 Grant | 7,305 |
| | Illinois Juvenile Justice Commission/DHS | Juvenile Accountability Block Grants | 16.523 | 2014/2015 Grant | <u>6,127</u> |
| | | Total Juvenile Accountability Block Grants | | | <u>13,432</u> |
| | | Edward Byrne Memorial Justice Assistance Grant Program | | | |
| | N/A | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2010-DJ-BX-1568 | 64,731 |
| | N/A | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2011-DJ-BX-2893 | 11,475 |
| | N/A | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-DJ-BX-0657 | 7,745 |
| | N/A | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2013-DJ-BX-1043 | 57,611 |
| | N/A | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2014-DJ-BX-0228 | <u>27,258</u> |
| | | Total Edward Byrne Memorial Justice Assistance Grant Program | | | <u>168,820</u> |
| | N/A | Equitable Sharing Program | 16.922 | IL0450100 | <u>147,291</u> |
| | | Total U.S. Department of Justice | | | <u>329,543</u> |

CITY OF AURORA, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2014

| Federal Grantor | Pass-Through Grantor | Program Title | Federal CFDA Number | Program/Grant Number | Expenditures |
|---|---------------------------------------|--|----------------------------|-----------------------------|----------------------------|
| U.S. Department of Transportation | Illinois Department of Transportation | Airport Improvement Program | 20.106 | Multiple | \$ 69,795 |
| | Illinois Department of Transportation | Highway Planning and Construction | 20.205 | Multiple | <u>1,158,586</u> |
| | | Total U.S. Department of Transportation | | | <u>1,228,381</u> |
| U.S. Department of Homeland Security | Illinois Emergency Management Agency | Emergency Management Performance Grants | 97.042 | FY2013 | <u>60,633</u> |
| | | Total U.S. Department of Homeland Security | | | <u>60,633</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | | <u><u>\$ 3,981,198</u></u> |

* denotes major program

CITY OF AURORA, ILLINOIS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

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 City'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 - Other Information

The City did not receive any federal insurance or noncash assistance and the City provided federal awards to subrecipients from its Community Development Block Grant and JAG Program Cluster Awards in the amounts of \$1,065,869 and \$44,784, respectively.

Note C - Illinois Environmental Protection Agency Loans

The City had Illinois Environmental Protection Agency Loans outstanding in the amount of \$8,893,714 at December 31, 2014. The loans have no continuing compliance requirements aside from loan repayment.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2014

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? | <u> X </u> yes | <u> </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

| | | |
|---|-------------------|----------------------------|
| Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.218 | Community Development Block Grants/Entitlement Grants |

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

Auditee qualified as low-risk auditee? X yes no

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

Section II - Financial Statement Findings

2014-001: Material Weakness

Requirement for Grant-Related Adjustments and Revisions

Criteria: While many of our clients rely upon our expertise when developing adjusting journal entries for unusual or exceptionally complicated transactions, we encourage management to make every effort to properly record routine grant-related closing entries prior to the beginning of each audit.

Condition: Multiple audit adjustments were needed to properly record grant revenue earned during the year ended December 31, 2014. Specifically, a material audit adjustment was required in order to record additional grant revenue related to a Library Grant Project. Further, various other revisions were required to properly adjust other grant-related accounts. Multiple revisions were also needed to accurately report information in the Schedule of Expenditures of Federal Awards prepared for the year ended December 31, 2014.

Cause: The City had turnover in its Grants Management staff during Fiscal Year 2014. The learning curve associated with new individuals staffing the Grants Management Department led to the need to revise and adjust the City's subsidiary grant schedules and Schedule of Expenditures of Federal Awards (SEFA) in order to properly state the amounts reported in the SEFA prepared for the year ended December 31, 2014.

Effect: Multiple audit adjustments were needed to properly record grant revenue earned during the year ended December 31, 2014. Specifically, a material audit adjustment was required in order to record additional grant revenue related to a Library Grant Project. Further, various other revisions were required to properly adjust other grant-related accounts. Multiple revisions were also needed to accurately report information in the Schedule of Expenditures of Federal Awards prepared for the year ended December 31, 2014.

Recommendation: We recommend that management review its quarter- and year-end grant-related accounting procedures to incorporate all necessary adjustments required to present the accounts in accordance with generally accepted accounting principles prior to the start of the audit process. Additionally, account analyses of significant grant-related accounts should be maintained on an interim basis in order to assure the accuracy of interim financial information provided to the Council and City management.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

Section II - Financial Statement Findings (Continued)

2014-001: Material Weakness (Continued)

Requirement for Grant-Related Adjustments and Revisions (Continued)

Corrective Action Plan: The Finance Department accounting staff will meet quarterly to review the grant documentation, schedules and accounts on an interim basis. The final year-end schedules will be reviewed by the Accounting Division management to ensure the grant accounts and Schedule of Expenditures of Federal Awards are presented in accordance with generally accepted accounting principles prior to the start of the audit process.

Section III - Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2014-002: Community Development Block Grants/Entitlement Grants (CDBG) - CFDA # 14.218

Criteria: Procurement and suspension and debarment requirements are contained in the OMB guidance in 2 CFR Section 180. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. All non-procurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking www.sam.gov, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR Section 180.300).

Condition: The City did not verify that the subrecipients that it provided subawards to during Fiscal Year 2014 were not federally suspended or debarred pursuant to 2 CFR Section 180.300. We consider this finding to be an instance of noncompliance with the Procurement and Suspension and Debarment Compliance Requirements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to all of the CDBG subgrants awarded by the City to subrecipients during calendar year 2014.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)

**2014-002: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218 (Continued)**

Cause: The City did not have a set policy in place that called for verification that the subrecipients that it passed subawards to were not federally suspended or debarred pursuant to 2 CFR Section 180.300.

Effect: Lack of a policy or procedure requiring verification of a subrecipient's suspension and debarment statuses could result in a subaward being made to a suspended or debarred subrecipient.

Recommendation: We recommend that the City develop a policy that calls for the verification of the suspension and debarment statuses of all entities receiving CDBG monies through the City under covered transactions. The verification called for by the policy may be accomplished by checking www.sam.gov, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity pursuant to 2 CFR Section 180.300.

Corrective Action Plan: The Neighborhood Redevelopment Division (NRD) has re-instituted the checklist form and verified via www.sam.gov that the 2015 CDBG subrecipient agencies were not on the debarment list. The NRD will continue to confirm that subrecipient agencies are not debarred and that the respective documentation is in each file.

**2014-003: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218**

Criteria: Pursuant to 24 CFR 570.200(a)(3), "Entitlement recipients, recipients of the HUD administered Small Cities program in Hawaii, and recipients of insular area funds under section 106 of the Act must ensure that over a period of time specified in their certification not to exceed three years, not less than 70 percent of the aggregate of CDBG fund expenditures shall be for activities meeting the criteria under §570.208(a) or under §570.208(d)(5) or (6) for benefiting low and moderate income persons." Pursuant to 24 CFR 91.520(a), information on the above requirement is to be reported annually in the Consolidated Annual Performance and Evaluation Report (CAPER) submitted to the U.S. Department of Housing and Urban Development (HUD).

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)

**2014-003: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218 (Continued)**

Condition: The City's PR26 CDBG Financial Summary Report for Program Year 2014 indicates that only 59.39% of its CDBG Program Year 2014 monies were spent on activities benefiting low and moderate income persons. However, based upon a review of expenditures, it was determined that the City's FY14 CDBG expenditures benefitted low and moderate income persons at a rate greater than 70%. We consider this finding to be an instance of noncompliance with the Reporting Compliance Requirements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to one percentage calculation contained in the City's Program Year 2014 CAPER.

Cause: The City did not review the PR26 Report included in the CAPER prior to submitting it to HUD.

Effect: The PR26 report included in the Consolidated Annual Performance and Evaluation Report (CAPER) prepared for Program Year 2014 shows information indicating that the City was not in compliance with the 70% earmarking threshold requirement for activities benefitting low and moderate income persons when the City was actually in compliance with this requirement during 2014.

Recommendation: We recommend that the City work with HUD to resolve the PR26 Reporting Issue.

Corrective Action Plan: The Neighborhood Redevelopment Division staff is currently working on a response to HUD to confirm the City's compliance with the low-mod income requirement as per the associated IDIS corrective action.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)

**2014-004: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218 (Continued)**

Criteria: Pursuant to Subpart D, Section 400(d)(1) of OMB Circular A-133: “A pass-through entity shall identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of the Federal agency.”

Condition: The City did not properly inform each subrecipient receiving CDBG funds from the City of the CFDA number and title, the award name and number, award year, and if the award was R&D or not. The City did identify to its subrecipients the name of the Federal Agency that was the source of the grant funds. We consider this finding to be an instance of noncompliance with the Subrecipient Monitoring Compliance Requirements. This finding is a repeat finding from 12/31/13 and it also reported in Section IV- Summary Schedule of Prior Audit Findings as finding 2013-003.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to all of the CDBG subgrants awarded by the City to subrecipients during Fiscal Year 2014.

Cause: The City did not properly identify the pass-through entity requirements set forth in Subpart D, Section 400(d)(1) of OMB Circular A-133.

Effect: The City did not properly identify to all subrecipients all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Recommendation: We recommend that the City revise its CDBG subrecipient agreements to include all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Corrective Action Plan: As a corrective action to the CFDA partial finding, upon receipt of HUD's approval of the City's 2015 Annual Action Plan, the Neighborhood Redevelopment Division (NRD) staff will ensure that all 2015 CDBG subrecipients are notified accordingly as per Subpart D, Section 400 (d)(1) of OMB Circular A-133. The NRD will also update its 2016 subrecipient agreements with the required OMB Circular A-133 language to ensure that they are in compliance with the Subpart D, Section 400 (d)(1) of OMB Circular A-133 requirements noted above.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF JUSTICE (Continued)

2014-005: Equitable Sharing Program - CFDA # 16.922

Criteria: Pursuant to Section IX(A)(2) of the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (the Guide) issued by the U.S. Department of Justice “The state or local participating law enforcement agency must not commingle Department of Justice equitable sharing funds with funds from any other source.”

Condition: The City commingled Department of Justice equitable sharing funds with funds from other sources. We consider this finding to be an instance of noncompliance with the Cash Management Compliance Requirements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to the U.S. Department of Justice Equitable Sharing Program as a whole.

Cause: The City did not identify the prohibition against the commingling of Department of Justice equitable sharing funds with funds from other sources as set forth in Section IX(A)(2) of the Guide.

Effect: The City commingled U.S. Department of Justice equitable sharing funds with funds from other sources.

Recommendation: We recommend that separate bank and investment accounts be opened and utilized solely for U.S. Department of Justice Equitable Sharing Program transactions.

Corrective Action Plan: The Finance Department will create separate funds for the Department of Justice and Treasury equitable sharing transactions retroactive to January 1, 2015.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF JUSTICE (Continued)

**2014-006: Edward Byrne Memorial Justice Assistance Grant Program -
CFDA # 16.738**

Criteria: Pursuant to Subpart D, Section 400(d)(1) of OMB Circular A-133: “A pass-through entity shall identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of the Federal agency.”

Condition: The City did not properly inform each subrecipient receiving JAG funds from the City of the CFDA number and title, the award name and number, award year, and if the award was R&D or not. We consider this finding to be an instance of noncompliance with the Subrecipient Monitoring Compliance Requirements. This finding is a repeat finding from 2013 and is also reported in Section IV- Summary Schedule of Prior Audit Findings as finding 2013-002.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to all of the JAG subgrants awarded by the City to subrecipients during Fiscal Year 2014.

Cause: The City did not properly identify the pass-through entity requirements set forth in Subpart D, Section 400(d)(1) of OMB Circular A-133.

Effect: The City did not properly identify to all subrecipients all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Recommendation: We recommend that the City revise its JAG subrecipient agreements to include all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Corrective Action Plan: The Aurora Police Department program manager will notify the subrecipients in writing of the reporting requirements.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

Section IV - Summary Schedule of Prior Audit Findings

U.S. DEPARTMENT OF JUSTICE

**2013-001: Edward Byrne Memorial Justice Assistance Grant Program -
CFDA # 16.738**

Criteria: As noted on FSRS.gov: “Prime Grant Recipients awarded a new Federal grant greater than or equal to \$25,000 as of October 1, 2010 are subject to Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements as outlined in the Office of Management and Budget’s guidance issued August 27, 2010. The prime awardee is required to file an FFATA subaward report by the end of the month following the month in which the prime recipient awards any subgrant greater than or equal to \$25,000.”

Condition: The City did not file the required subaward reports required under the FFATA for the subawards it made with its JAG Funding which were greater than or equal to \$25,000 within the timeframe set forth by the FFATA. We consider this finding to be an instance of noncompliance with the Reporting Compliance Requirements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to three of the six JAG subgrants awarded by the City under its 2011, 2012, and 2013 JAG Programs. The total of those subawards was \$84,341.

Cause: The City did not properly identify the timeframe applicable to reporting subaward information in accordance with the requirements of the FFATA.

Effect: The City did not file the subgrant information required under the FFATA within the timeframe set forth by the FFATA.

Recommendation: We recommend that the City designate an individual in the Police Department to be in charge of ensuring that all FFATA subaward reporting is done within the period set forth by the FFATA.

Corrective Action Plan: A lieutenant in the City’s Police Department has now been assigned to handle all FFATA subaward reporting.

2014 Update

This finding was not repeated for the Year Ended December 31, 2014. No further action is required in relation to this finding.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF JUSTICE (Continued)

**2013-002: Edward Byrne Memorial Justice Assistance Grant Program -
CFDA # 16.738**

Criteria: Pursuant to Subpart D, Section 400(d)(1) of OMB Circular A-133: “A pass-through entity shall identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of the Federal agency.”

Condition: The City did not properly inform each subrecipient receiving JAG funds from the City of the CFDA number and title, the award name and number, award year, and if the award was R&D or not. We consider this finding to be an instance of noncompliance with the Subrecipient Monitoring Compliance Requirements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to all of the JAG subgrants awarded by the City to subrecipients during Fiscal Year 2013.

Cause: The City did not properly identify the pass-through entity requirements set forth in Subpart D, Section 400(d)(1) of OMB Circular A-133.

Effect: The City did not properly identify to all subrecipients all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Recommendation: We recommend that the City revise its JAG subrecipient agreements to include all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Corrective Action Plan: The Police Department program manager will notify the subrecipients in writing of the reporting requirements.

2014 Update

This Finding is still open as of December 31, 2014. This Finding is also reported in Section III – Federal Award Findings and Questioned Costs as Finding 2014-006.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2013-003: Community Development Block Grants/Entitlement Grants (CDBG) - CFDA # 14.218

Criteria: Pursuant to Subpart D, Section 400(d)(1) of OMB Circular A-133: "A pass-through entity shall identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of the Federal agency."

Condition: The City did not properly inform each subrecipient receiving CDBG funds from the City of the CFDA number and title, the award name and number, award year, and if the award was R&D or not. The City did identify to its subrecipients the name of the Federal Agency that was the source of the grant funds. We consider this finding to be an instance of noncompliance with the Subrecipient Monitoring Compliance Requirements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to all of the CDBG subgrants awarded by the City to subrecipients during Fiscal Year 2013.

Cause: The City did not properly identify the pass-through entity requirements set forth in Subpart D, Section 400(d)(1) of OMB Circular A-133.

Effect: The City did not properly identify to all subrecipients all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Recommendation: We recommend that the City revise its CDBG subrecipient agreements to include all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Corrective Action Plan: The applicable subrecipient agreements have been revised to include the Single Audit reporting requirements.

2014 Update

This Finding was partially addressed during fiscal year 2014. The revised agreements do not provide the award year, award number, or a statement as to whether the award is for Research and Development. The revised agreements contain all of the other required language. This Finding is still open as of December 31, 2014. This finding is also reported in Section III – Federal Award Findings and Questioned Costs as Finding 2014-004.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)

**2013-004: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218**

Criteria: Pursuant to Subpart D, Section 400(d)(4) of OMB Circular A-133: “A pass-through entity shall ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements required by OMB Circular A-133 for that fiscal year.”

Condition: The City did not ensure that its CDBG subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year met the audit requirements required by OMB Circular A-133 for that fiscal year. We consider this finding to be an instance of noncompliance with the Subrecipient Monitoring Compliance Requirements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to all of the CDBG subgrants awarded by the City to subrecipients during Fiscal Year 2013.

Cause: The policy in place requiring subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year to submit copies of their Single Audit reports to the CDBG Department as a condition of receiving funding from the City was not being enforced during Fiscal Year 2013.

Effect: The City did not ensure that subrecipients of its CDBG Awards expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year met the audit requirements required by OMB Circular A-133 for that fiscal year.

Recommendation: We recommend that the City designate an individual within the CDBG Department to be responsible for making sure that all subrecipients of the City’s CDBG Awards expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year meet the audit requirements required by OMB Circular A-133 for that fiscal year. We also suggest that this individual ensures that the latest available Single Audit report prepared for each such subrecipient is obtained by the City. If a subrecipient indicates that it expended less than \$500,000 in Federal awards during its fiscal year, we suggest that a signed statement be obtained from the subrecipient indicating that it was not subject to a Single Audit for that year.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)

2013-004: Community Development Block Grants/Entitlement Grants (CDBG) - CFDA # 14.218 (Continued)

Recommendation (Continued): We suggest that the statement be kept in the subrecipient's file for management and audit purposes. We also suggest that the individual designated by the City to enforce the above rules should then search the Federal Audit Clearinghouse's database to ensure that the reports were actually filed or that no record exists for that subrecipient if it indicated to the City that it was not subject to filing a Single Audit for that year. The results of the searches should be kept in each subrecipient's file for management and audit purposes.

We also suggest that a review process be put in place requiring the designated individual to determine whether any findings were noted in the subrecipient's Single Audit report which would require a management decision on the part of the City pursuant to Subpart D, Section 400(d)(5) of OMB Circular A-133. That Section states that "a pass-through entity shall issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action."

A document should be kept in each subrecipient's file noting that the City reviewed the reports and whether any Single Audit Findings were found that related to the CDBG funds passed through to that subrecipient by the City. If findings related to the CDBG funds passed through to that subrecipient by the City were noted, a description of the follow-up action and ultimate outcome should be documented for management and audit purposes.

Corrective Action Plan: A staff member in the Neighborhood Redevelopment Division of the City's Department of Community Services will be assigned as the manager of the program. The program manager will manage the program and its associated files. The subrecipient agreement has already been revised to include Single Audit requirements. The program manager will ensure that required Single Audit reports are obtained or obtain a certification from the subrecipient that a Single Audit report is not required.

2014 Update

This finding was not repeated for the Year Ended December 31, 2014. No further action is required in relation to this finding.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)

**2013-005: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218**

Criteria: Pursuant to Subpart D, Section 400(d)(1) of OMB Circular A-133: "A pass-through entity shall identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of the Federal agency."

Condition: The City did not have a signed subrecipient agreement in its files for one of the subrecipients that it passed CDBG funds through to during Fiscal Year 2013. We consider this finding to be an instance of noncompliance with the Subrecipient Monitoring Compliance Requirements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This finding relates to one of the twenty CDBG subrecipients that received CDBG monies from the City during Fiscal Year 2013. The total passed through to that subrecipient during Fiscal Year 2013 was \$175,000. \$175,000 represents 28.3% of the total (\$618,287) passed through to subrecipients during Fiscal Year 2013.

Cause: The City did not review subrecipient files for completeness.

Effect: The City did not have documentation that it properly identified to all subrecipients all of the information required by Subpart D, Section 400(d)(1) of OMB Circular A-133.

Recommendation: We recommend that the City implement a policy that calls for all subrecipient agreements to be 1) scanned into an electronic database and 2) placed in a hard-copy file for management and audit purposes.

Corrective Action Plan: The program manager in the Neighborhood Redevelopment Division will scan subrecipient agreements into an electronic database and maintain a hardcopy file for management and audit purposes.

2014 Update

This finding was not repeated for the Year Ended December 31, 2014. No further action is required in relation to this finding.