



CITY OF AURORA, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended December 31, 2017



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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 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, 2017, and the related notes to financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 8, 2018. The financial statements of the Aurora Public Library, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Aurora Public Library.

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.

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 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*.

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Naperville, Illinois
June 8, 2018

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

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 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, 2017. 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 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 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 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 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, 2017.

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 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 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 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, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 8, 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 8, 2018

CITY OF AURORA, 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	N/A	Community Development Block Grants/Entitlement Grant Cluster				
		Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-17-0002	\$ 5,913	\$ -
		Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-17-0002	265,459	248,808
		Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-17-0002	465,998	194,315
		Total Community Development Block Grants/Entitlement Grant Cluster			<u>737,370</u>	<u>443,123</u>
		Home Investment Partnerships Program				
	N/A	Home Investment Partnerships Program	14.239		<u>28,988</u>	<u>-</u>
	N/A	Community Development Block Grants- Section 108 Loan Guarantees	14.248*		<u>3,000,000</u>	<u>-</u>
		Total U.S. Department of Housing and Urban Development			<u>3,766,358</u>	<u>443,123</u>
U.S. Department of Justice		Edward Byrne Memorial Justice Assistance Grant Program				
	N/A	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014	9,366	-
	N/A	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016	40,468	23,411
		Total Edward Byrne Memorial Justice Assistance Grant Program			<u>49,834</u>	<u>23,411</u>
		Equitable Sharing Program				
	N/A	Equitable Sharing Program	16.922		<u>219,043</u>	<u>-</u>
		Total U.S. Department of Justice			<u>268,877</u>	<u>23,411</u>
U.S. Department of Transportation	Illinois Department of Transportation Illinois Department of Transportation	Airport Improvement Program	20.106		48,025	-
		Highway Planning and Construction Cluster	20.205	Multiple	952,455	-
		Total U.S. Department of Transportation			<u>1,000,480</u>	<u>-</u>
U.S. Department of Homeland Security	Illinois Emergency Management Agency	Emergency Management Performance Grants	97.042		31,879	-
		Total U.S. Department of Homeland Security			<u>31,879</u>	<u>-</u>
U.S. Department of Agriculture	N/A N/A	Farmers Market Promotion Program	10.168		33,132	-
		Food Insecurity Nutrition Incentive Grants Program	10.331		30,000	-
		Total U.S. Department of Agriculture			<u>63,132</u>	<u>-</u>
National Endowment for the Arts	N/A	Promotion of the Arts-Grants to Organizations and Individuals	45.024		10,000	-
		Total National Endowment for the Arts			<u>10,000</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 5,140,726</u>	<u>\$ 466,534</u>

* denotes federal major program

CITY OF AURORA, 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 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, free rent, or noncash assistance during the year ended December 31, 2017.

Note C - Illinois Environmental Protection Agency Loans

The City had Illinois Environmental Protection Agency Loans outstanding in the amount of \$12,651,604 at December 31, 2017. The loans were initially partially funded with federal monies. The loans have no continuing compliance requirements aside from loan repayment.

Note D - 10% De Minimis Indirect Cost Rate

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

CITY OF AURORA, 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 auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X 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 X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.248	Community Development Block Grants Section 108 Loan Guarantees

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

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, 2017

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Audit Findings

U.S. ENVIRONMENTAL PROTECTION AGENCY

2016-001: Clean Water State Revolving Funds - CFDA # 66.458

Criteria: Pursuant to 2 CFR Section 200.328(b)(1): “The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity.” Per the loan agreement, the requirement of the pass-through entity, Illinois Environmental Protection Agency, is in compliance with the Illinois Grant Recovery Act, 30 ILCS 705/4(b)(2), which requires, “The filing of quarterly reports describing the progress of the program, project, or use and the expenditure of the grant funds related thereto.”

Condition: The City began the sewer separation project specified in the loan document in May 2016. The City did not submit quarterly reports to the Agency during the year ended December 31, 2016. 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 the one EPA revolving loan granted during Fiscal Year 2016.

Effect: The City’s engineering division did not properly report the progress of the project pursuant to 2 CFR Section 200.328(b)(1) during the year ended December 31, 2016.

Cause: The City’s engineering division staff was not aware of the reporting requirements of the agreement.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

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

U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)

2016-001: Clean Water State Revolving Funds - CFDA # 66.458 (Continued)

Recommendation: We recommend that the City submit the required quarterly reports pursuant to 2 CFR Section 200.328(b)(1) within the appropriate time for submission.

2017 Status: Per current year testing it was noted that the City has been regularly submitting reports to the IEPA as part of the loan requirements. The finding is considered resolved and was not repeated for December 31, 2017.

U.S. DEPARTMENT OF JUSTICE

2016-002: Equitable Sharing Program - CFDA # 16.922

Criteria: Procurement and suspension and debarment requirements are contained in 2 CFR Section 180. Non-Federal entities are prohibited from contracting with parties that are suspended or debarred or whose principals are suspended or debarred. 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 contractor utilized for projects related to the Equitable Sharing Program during Fiscal Year 2016 was 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 the one Equitable Sharing contract awarded by the City during fiscal year 2016.

Cause: The City's police department did not have a set policy in place that called for verification that the contractor was not federally suspended or debarred pursuant to 2 CFR Section 180.300.

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

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

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

U.S. DEPARTMENT OF JUSTICE (Continued)

2016-002: Equitable Sharing Program - CFDA # 16.922 (Continued)

Recommendation: We recommend that the City develop a policy that calls for the verification of the suspension and debarment statuses of all entities receiving contracts with the City prior to the execution of the contract. 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.

2017 Status: Per discussion with Finance staff, new policies have been developed and implemented related to grant administration with an emphasis on debarment checks. The finding is considered resolved and was not repeated for December 31, 2017.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2016-003: Community Development Block Grants/Entitlement Grants (CDBG) - CFDA # 14.218

Criteria: Pursuant to 2 CFR Section 200.331(a): “All pass through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modifications. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal award identification;
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier [i.e., its DUNS number]);
 - (ii) Subrecipient’s unique entity identifier [i.e., its DUNS number];
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal award date of award to the recipient by the federal agency [in accordance with 2 CFR Section 200.39];
 - (v) Subaward period of performance start and end date;
 - (vi) Amount of federal funds obligated by this action by the pass-through entity to the subrecipient;
 - (vii) Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current obligation;

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

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

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

**2016-003: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218 (Continued)**

Criteria (Continued):

- (viii) Total amount of the federal award committed to the subrecipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of federal awarding agency, pass-through entity, and contact information for the awarding official of the pass-through entity;
- (xi) CFDA number and name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at the time of disbursement;
- (xii) Identification of whether the award is R&D; and
- (xiii) Indirect cost rate for the federal award (including if the de minimis rate is charged per 2 CFR Section 200.414 Indirect (F&A) costs);
- (2) All requirements imposed by the pass-through entity on the subrecipient so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award;
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the federal awarding agency including identification of any required financial and performance reports;
- (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with [2 CFR Section 200]), or a de minimis indirect cost rate as defined in 2 CFR Section 200.414 Indirect (F&A) costs, paragraph (f);
- (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- (6) Appropriate terms and conditions concerning closeout of the subaward."

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2017

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

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

**2016-003: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218 (Continued)**

Condition: The City did not ensure that every subaward included the following information at the time of the subaward:

- (ii) Subrecipient's unique entity identifier [i.e., its DUNS number];
- (iv) Federal award date of award [as defined in 2 CFR Section 200.39] to the recipient by the federal agency;
- (xiii) Indirect cost rate for the federal award (including if the de minimis rate is charged per 2 CFR Section 200.414 Indirect (F&A) costs);
- (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with [2 CFR Section 200]), or a de minimis indirect cost rate as defined in 2 CFR Section 200.414 Indirect (F&A) costs, paragraph (f);

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 sixteen (16) of the CDBG subgrants awarded by the City to subrecipients during Fiscal Year 2016.

Effect: The City did not properly identify to all subrecipients all of the information required by 2 CFR Section 200.331(a) during Fiscal Year 2016.

Cause: The City did not properly identify the pass-through entity requirements set forth in 2 CFR Section 200.331(a).

Recommendation: We recommend that the City revise its CDBG subrecipient agreements to include all of the information required by 2 CFR Section 200.331(a).

2017 Status: During testing, it was noted that the subrecipient agreements used during FY17 CDBG funding were properly updated with the required language. The finding is considered resolved and was not repeated for December 31, 2017.