

CITY OF AURORA, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
December 31, 2015



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, 2015, 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 17, 2016. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Naperville, Illinois
June 17, 2016

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1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; 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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings 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 compliance and, accordingly, we express no opinion on the response.

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 17, 2016, 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 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 17, 2016

A handwritten signature in cursive script, appearing to read "A. M. 22P".

CITY OF AURORA, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2015

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 Grants					
		Community Development Block Grants/Entitlement Grants	14.218*	B-14-MC-17-0002	\$ 135,125	\$ 115,038	
		Community Development Block Grants/Entitlement Grants	14.218*	B-15-MC-17-0002	1,073,115	530,706	
		Community Development Block Grants/Entitlement Grants (NSP1)	14.218*	B-08-MN-17-0001	28,735	-	
			Total Community Development Block Grants/Entitlement Grants			1,236,975	645,744
	N/A	N/A	Home Investment Partnerships Program				
			Home Investment Partnerships Program	14.239	M-13-MC-17-0221	67,378	-
			Home Investment Partnerships Program	14.239	M-15-MC-17-0221	29,595	-
			Total Home Investment Partnerships Programs			96,973	-
			Total U.S. Department of Housing and Urban Development			1,333,948	645,744
U.S. Department of Justice	Illinois Juvenile Justice Commission/DHS County of Kane / Juvenile Justice Council	Juvenile Accountability Block Grants					
		Juvenile Accountability Block Grants	16.523	2014/2015 Grant	6,392	-	
		Juvenile Accountability Block Grants	16.523	2015/2016 Grant	6,264	-	
			Total Juvenile Accountability Block Grants			12,656	-
	N/A	N/A	Edward Byrne Memorial Justice Assistance Grant Program				
			Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2893	10,256	-
			Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0657	19,930	19,930
			Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-1043	27,532	25,215
			Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0228	35,978	9,253
			Total Edward Byrne Memorial Justice Assistance Grant Program			93,696	54,398
	N/A		Equitable Sharing Program	16.922	IL0450100	65,878	-
			Total U.S. Department of Justice			172,230	54,398
	U.S. Department of Transportation	Illinois Department of Transportation	Airport Improvement Program	20.106	Multiple	33,057	-
Highway Planning and Construction			20.205*	Multiple	1,315,783	-	
			Total U.S. Department of Transportation			1,348,840	-

CITY OF AURORA, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2015

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Program/Grant Number	Expenditures	Amount Provided to Subrecipients
U.S. Department of the Treasury	N/A	Equitable Sharing Program	21.000	IL0450100	\$ 535	\$ -
		Total U.S. Department of the Treasury			535	-
U.S. Department of Homeland Security	Illinois Emergency Management Agency	Emergency Management Performance Grants	97.042	Multiple	53,831	-
		Total U.S. Department of Homeland Security			53,831	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 2,909,384</u>	<u>\$ 700,142</u>

* denotes major program

CITY OF AURORA, ILLINOIS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2015

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, 2015.

Note C - Illinois Environmental Protection Agency Loans

The City had Illinois Environmental Protection Agency Loans outstanding in the amount of \$8,009,198 at December 31, 2015. 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, 2015

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)? X yes _____ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2015-001: 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;
 - (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);

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

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

**2015-001: Community Development Block Grants/Entitlement Grants (CDBG) -
CFDA # 14.218 (Continued)**

Criteria (Continued):

- (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.”

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.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

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

2015-001: Community Development Block Grants/Entitlement Grants (CDBG) - CFDA # 14.218 (Continued)

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 2015.

Effect: The City did not properly identify to all subrecipients all of the information required by 2 CFR Section 200.331(a) during FY15.

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).

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.

Section IV - Summary Schedule of Prior Audit Findings

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.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

Financial Statement Findings (Continued)

2014-001: Material Weakness (Continued)

Requirement for Grant-Related Adjustments and Revisions (Continued)

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.

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.

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.

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, 2015

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

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.

2015 Update

No similar findings were noted in the current year. The Corrective Action Plan, as described above, was implemented in fiscal year 2015. This finding is considered resolved.

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).

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

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)

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.

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.

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.

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.

2015 Update

No similar findings were noted in the current year. The Corrective Action Plan, as described above, was implemented in fiscal year 2015. This finding is considered resolved.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

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**

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).

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.

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.

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

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

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)**

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.

2015 Update

No similar findings were noted in the current year. The Corrective Action Plan, as described above, was implemented in fiscal year 2015. This finding is considered resolved.

**2014-004: 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. This finding is a repeat finding from 12/31/13 and is also reported in Section IV- Summary Schedule of Prior Audit Findings as finding 2013-003 [in the FY14 Single Audit Report].

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

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

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)**

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

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.

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.

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.

2015 Update

No similar findings were noted in the current year. The Corrective Action Plan, as described above, was implemented in fiscal year 2015. This finding is considered resolved.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

Federal Award Findings and Questioned Costs (Continued)

U.S. DEPARTMENT OF JUSTICE

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.

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

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.

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.

2015 Update

No similar findings were noted in the current year. The Corrective Action Plan, as described above, was implemented in fiscal year 2015. This finding is considered resolved.

CITY OF AURORA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

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 [in the FY14 Single Audit Report].

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.

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.

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.

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.

2015 Update

No similar findings were noted in the current year. The Corrective Action Plan, as described above, was implemented in fiscal year 2015. This finding is considered resolved.