

MENARD COUNTY, ILLINOIS
SINGLE AUDIT REPORT
FOR THE YEAR ENDED NOVEMBER 30, 2011

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MJF
Michael J. Feriozzi, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Chairman and other County Commissioners
Menard County, Illinois

I 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 Menard County as of and for the year ended November 30, 2011, which collectively comprise Menard County's basic financial statements and have issued my report thereon dated August 17, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Menard County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Menard County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Menard County's internal control over financial reporting.

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 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 *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.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be *significant deficiencies* or *material weaknesses*. I did identify deficiencies in internal control over financial reporting and the safe guarding of assets by the Menard

County Health Department, a blended component unit of Menard County which I consider, in the aggregate, to be a material weakness, as defined above.

I noted certain other matters that I reported to you in a letter dated August 17, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Menard County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement's, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Menard County Board of Commissioners, the County's management, other within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Michael J. Feriozzi

Springfield, Illinois
August 17, 2012

MJF
Michael J. Feriozzi, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Chairman and other County Commissioners
Menard County, Illinois

Compliance

I have audited the compliance of Menard County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended November 30, 2011. Menard County's major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Menard County's management. My responsibility is to express an opinion on Menard County's compliance based on my audit.

I conducted my 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 I 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 Menard County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Menard County's compliance with those requirements.

In my opinion, Menard County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended November 30, 2011.

Internal Control over Compliance

The management of Menard County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Menard County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my

opinion on compliance, and to test and report on internal control over compliance in accordance with A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Menard County's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all *deficiencies* in Menard County's internal control that might be *significant deficiencies* or *material weaknesses* as defined below.

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 *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.

My consideration of the 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 *deficiencies*, *significant deficiencies*, or *material weaknesses*.

I did not identify any *deficiencies in internal control over compliance*.

Schedule of Expenditures of Federal Awards

I 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 Menard County, Illinois as of and for the year ended November 30, 2011, and have my issued my report thereon dated August 17, 2012, which contained unqualified opinions on those financial statements. My audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of federal expenditure of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of those financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying and other records used to prepare the financial statements or to the financial statements themselves. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Menard County Board of Commissioners, management, state and federal granting agencies, and pass-through entities and is not intended to be used by anyone other than these specified parties.

Michael J. Feriozzi

August 17, 2012

Menard County, Illinois

**Schedule of Expenditures of Federal Awards
For the year ended November 30, 2011**

<u>Federal Grantor/Pass through Grantor/Program title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Department of Agriculture Food and Nutrition Services			
Passed through Illinois Department of Human Services			
Women Infants and Children	10.557	11GQ01228	\$ 33,732
Women Infants and Children	10.557	11GQ01228	<u>142,742</u>
Total Department of Agriculture			<u>176,474</u>
Department of Commerce			
Passed Through Illinois Emergency Management Agency			
Public Safety Interoperable Communications Narrow Banding	11.555	county portion	<u>4,984</u>
Total Department of Commerce			<u>4,984</u>
Department of Justice			
Passed through Illinois Criminal Justice Authority			
Victim Services	16.575	20VFL210073	<u>13,908</u>
Total Department of Justice			<u>13,908</u>
Department of Transportation			
Passed through Illinois Department of Transportation			
ARRA - Highway Planning and Construction	20.205	ARA - 0574(209)	<u>73,100</u>
Total Department of Transportation			<u>73,100</u>
Environmental Protection Agency			
Passed through Illinois Department of Public Health			
Potable Water	66.432	25380283	<u>100</u>
Total Environmental Protection Agency			<u>100</u>
Department of Energy			
Passed through Illinois Department of Commerce and Economic			
Opportunity through the Western Illinois Regional Council			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	---	<u>69,407</u>
Total Department of Energy			<u>69,407</u>
Department of Health and Human Services			
Drug Free Communities	93.276	5H79SP017147-09	<u>170,303</u>
Passed through Illinois Department of Public Health			
Public Health Emergency Response	93.069	27180062	30,694
Immunization program	93.268	---	7,932
Dental Sealant	93.994	23480131	<u>750</u>
			<u>39,376</u>
Passed through Illinois Department of Human Services			
Family Case Management	93.667	11GQ00344	<u>35,901</u>

(continued)

See accompanying independent auditor's report

Menard County, Illinois

**Schedule of Expenditures of Federal Awards
For the year ended November 30, 2011**

<u>Federal Grantor/Pass through Grantor/Program title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Passed through Area Agency on Aging for Lincolnland, Inc.			
Senior Transportation	93.044	T20-12	13,005
Family Caregiver Resource Center	93.052	AA-11-12	3,500
In Home Respite	93.052	IHR-11-12	180
Senior Health Assistance	93.071	MIPPA II 20-11	<u>2,172</u>
			<u>18,857</u>
Passed through Illinois Department of Human Services Public Aid			
Child Support Enforcement	93.563	2008-55-007	<u>7,167</u>
Total Department of Health and Human Services			<u>271,604</u>
Department of Homeland Security Federal Emergency Management Agency			
Emergency Food and Shelter Program	97.024	Phase 29	<u>737</u>
Passed through Illinois Emergency Management Agency			
Disaster Grants Public Assistance	97.036	---	11,283
Emergency Management Performance	97.039	211EMAMENAR	35,311
Emergency Management Performance	97.042	211EMAMENAR	18,052
Emergency Management Performance	97.042	---	<u>4,473</u>
Total Department of Homeland Security Federal Emergency Management Agency			<u>69,119</u>
 Total Federal Awards			 <u><u>\$ 679,433</u></u>

See accompanying independent auditor's report

MENARD COUNTY, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended November 30, 2011

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Menard County, Illinois and its component units including the Menard County Emergency Services Disaster Agency (County). All federal assistance received directly from federal agencies as well as federal financial assistance passed through from other governmental agencies is included in this schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue from federal awards is recognized when the County has incurred certain qualifying costs to establish its right to revenue. Accordingly, expenditures are recognized when the fund liability has been incurred and revenues are recognized when the qualifying expenditure has been incurred.

3. DESCRIPTION OF MAJOR PROGRAMS

The County's major federal programs during the year ended November 30, 2011 were—

Drug Free Communities Program (93.276). The purpose of this program is to establish and strengthen collaboration to support the efforts of community coalitions working to prevent and reduce substance use among youth in the Menard County area. This program is administered by the Menard County Health Department. Funding is received directly from the Department of Health and Human Services.

Women Infants and Children (10.557). The objective of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) is to provide supplemental nutritious foods, nutrition education, and referrals to health care for low-income persons during critical periods of growth and development. This program is administered and maintained by the Menard County Health Department.

American Recovery and Reinvestment Act (ARRA). The County earned these so called "stimulus funds" during the year for costs incurred by two programs; Highway Planning and Construction (20.205) activities for a certain road safety project and an Energy and Efficiency Conservation (81.128) project for a portion of the costs incurred to replace windows and certain retrofit upgrades at Sunny Acres Nursing Home.

MENARD COUNTY, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

4. SUB RECIPIENTS

The County, through the Menard County Emergency Management Agency, provided a small portion of the awards presented in the schedule to sub recipients as follows –

Emergency Management Performance (97.042). \$4,473.

5. NON – CASH ASSISTANCE AND INSURANCE

The estimated value of product provided to clients enrolled in the Women, Infants and Children Program (10.557) during 2011 was \$142,742.

The County was not a recipient of any federal insurance during 2011.

MENARD COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended November 30, 2011

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor report issued: **unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? **Yes**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **No**
- Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **No**
- Type of auditor’s report issued on compliance for major programs: **unqualified**
- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A – 133 **No**

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Women, Infants, and Children Special Supplemental Nutrition Program
20.205	(ARRA) Highway Planning and Construction
81.128	(ARRA) Energy and Efficiency Conservation
93.276	Drug Free Communities Program

**MENARD COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED**

Dollar threshold used to distinguish between
Type A and Type B programs: \$20,383

Auditee qualified as a low risk auditee? No

SECTION 2 – FINANCIAL STATEMENTS FINDINGS

11-1 - The Menard County Health Department’s home health billing system has not been properly maintained.

Condition: The Menard County Health Department is a “blended” component unit of Menard County; its account balances and financial transactions are included in the County’s financial statements because it is fiscally dependent on the County. The Health Department’s management team reports the Department’s financial position and results of operations each month to both the Health Department Board and the Menard County Board of Commissioner’s. The integrity and reliability of that reporting is dependent on the completeness, and accuracy, and periodic review by management of certain financial data generated by the home health billing system. The billing system was not properly and adequately maintained during the year and consequently management’s monthly financial reports did not properly alert management and the two governing bodies to the extent of the deteriorated financial condition that occurred during the year; specifically caused by the diminished prospects for collection of certain accounts from third party payers.

Criteria: An adequate financial reporting process allows for the preparation of financial statements that are free of material misstatement. This includes underlying internal controls that assist in minimizing the risk that assets will be lost and or potentially impaired, and that assets are reported accurately and fairly. To assist in attaining these financial reporting and internal control objectives, management must develop estimates as to the realizable value of its accounts receivable based on its knowledge and experience about past and current events and assumptions about future events; including a thorough and thoughtful analysis of the collection status of the accounts receivable accounts using an aging report.

Effect: Accounts receivable could become uncollectible, while management continues to account and report the accounts as quality assets that will ultimately be realized in cash resulting in an unintended and inadvertent overstatement of assets and financial equity.

Questioned Costs: None

Recommendation: I recommend that the Menard County Health Department reconfigure and reconstruct its systems to assure that the home health billing system is properly maintained such that vital claims data is accurately captured, inputted and transmitted to third party payers like Medicare and to assure the generation of reliable reports that can be properly utilized by management to assist in monitoring collections status and the preparation of representative financial statements. In addition, management should report

***MENARD COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED***

the status of its home health accounts receivable to the Health Department Board and the Menard County Board of Commissioners each and every month. Both Boards should expect to be provided with the home health accounts receivable aging report and management's analysis as to whether collection risks have improved and or deteriorated since the previous month including management's evaluation of the adequacy of the related allowances for doubtful accounts and adjustments account levels at month end.

***Response and corrective plan:* The Health Department's management has implemented a new and enhanced system to monitor and assure the timely and accurate capture of vital and critical claims data that is accurate and facilitates the proper transmission of relevant data to third party payers and the generation of reliable management reports. We have provided both boards with the home health accounts receivable aging reports at July 31, 2012. We will expand that submission to include our evaluation of the collection status of the home health accounts receivable and the related allowances each month, beginning with our August 31, 2012 presentation to both boards. The Health Department's monthly financial statements will reflect the results of the collection assessment process and the related allowances.**

SECTION 3 – FEDERAL AWARDS FINDINGS

None noted

SECTION 4 PRIOR FINDING FOLLOW – UP

None noted

MENARD COUNTY, ILLINOIS

CORRECTIVE ACTION PLAN

For the year ended November 30, 2011

From Section 2 of the Findings and Questioned Costs –Only one finding was noted. Its identifying number is 11-1. The Menard County Health Department’s home health billing system has not been properly maintained resulting in financial statements that were materially misstated. The Health Department’s management responded to this finding. That response is included with the finding. The response includes the corrective action plan that is expected to be completed during the fiscal year ending November 30, 2012. Management’s contact person with regards to the status of the corrective action plan is Alicia Davis Wade, the Administrator for the Menard County Health Department.