

CITY OF URBANA, ILLINOIS

REPORT ON FEDERAL AWARDS

For the Year Ended June 30, 2015

CITY OF URBANA, ILLINOIS

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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*

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Urbana, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Urbana, Illinois as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Urbana's basic financial statements and have issued our report thereon dated December 23, 2015. The financial statements of the Urbana Free Library, the City of Urbana Police Pension Fund, and the City of Urbana Firefighters' Pension Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Urbana'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 of Urbana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Urbana's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider certain deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are items 2015-001, 2015-002, 2015-003. We consider other deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. These significant deficiencies are items 2015-004 and 2015-005.

Honorable Mayor and Members of the City Council
City of Urbana

Compliance and Other Matters

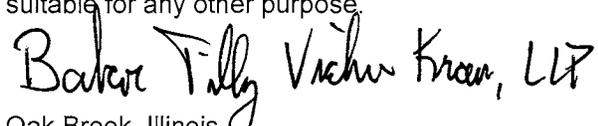
As part of obtaining reasonable assurance about whether the City of Urbana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

City of Urbana's Responses to Findings

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

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.


Oak Brook, Illinois
December 23, 2015

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

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Urbana, Illinois

Report on Compliance for Each Major Federal Program

We have audited the City of Urbana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Urbana's major federal programs for the year ended June 30, 2015. The City of Urbana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Urbana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Urbana'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 of Urbana's compliance.

The Honorable Mayor and Members of the City Council
City of Urbana, Illinois

Opinion on Each Major Federal Program

In our opinion, the City of Urbana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-006. Our opinion on each major federal program is not modified with respect to these matters.

City of Urbana's Response to Finding

The City of Urbana's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Urbana'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 City of Urbana 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 of Urbana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Urbana'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-006 that we consider to be a significant deficiency.

The Honorable Mayor and Members of the City Council
City of Urbana

City of Urbana's Response to Finding

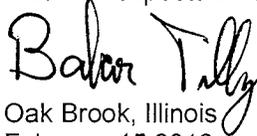
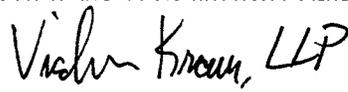
The City of Urbana's response to the control finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Urbana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Urbana, Illinois as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Urbana's basic financial statements. We issued our report thereon dated December 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oak Brook, Illinois
February 15 2016

CITY OF URBANA, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
<i>Direct Funding:</i>			
Home Investment Partnerships Program (M)	14.239	M-15-DC-17-0217	\$ 895,640
Community Development Block Grant	14.218	B-14-MC-17-0024	296,813
Supportive Housing Program	14.235	IL0037L5T031407	<u>210,405</u>
<i>Subtotal Direct Funding:</i>			1,402,858
<i>Passed through Illinois Department of Human Services:</i>			
Emergency Solutions Grant Program	14.231	FCSTH03755	<u>79,098</u>
Total U.S. Department of Housing and Urban Development:			<u>1,481,956</u>
U.S. Department of Transportation:			
<i>Passed through Illinois Department of Transportation (IDOT):</i>			
Highway Planning and Construction Cluster (M)			
Goodwin Avenue & Green Street Intersection Improvement	20.205	C-95-303-13	20,670
Windsor Road Pavement Reconstruction Project	20.205	C-95-318-14	1,265,264
Olympian Drive Improvement (Apollo Drive to Lincoln Avenue)	20.205	C-95-322-12	33,360
Lincoln Avenue Location Study	20.205	R-65-310-15	<u>1,514</u>
Subtotal Highway Planning and Construction Cluster:			<u>1,320,808</u>
Total U.S. Department of Transportation:			<u>1,320,808</u>
U.S. Department of Homeland Security:			
<i>Direct Funding:</i>			
Assistance to Firefighters Grant Equipment (Auto Extrication Equipment)	97.044	EMW2013-FO-02956	<u>106,733</u>
U.S. Department of Justice:			
<i>Direct Funding:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0570	14,832
Bulletproof Vest Partnership Program			
Bulletproof Vest Partnership Program	16.607	2013-BUBX-13069019	685
Bulletproof Vest Partnership Program	16.607	2014-BUBX-14075203	<u>3,425</u>
Subtotal Bulletproof Vest Partnership:			<u>4,110</u>
Total U.S. Department of Justice:			<u>18,942</u>
Total expenditures of federal awards:			<u>\$ 2,928,439</u>

(M) Denotes major program.

CITY OF URBANA, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of the City of Urbana, Illinois under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Urbana, Illinois, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Urbana, Illinois.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

CITY OF URBANA, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015

NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City of Urbana, Illinois provided federal awards to subrecipients as follows:

Grant Program / Subrecipient	CFDA Number	Amount
HOME Investment Partnership Program:	14.239	
City of Champaign, Illinois		\$ 149,086
Champaign County		58,289
Habitat for Humanity 1107 Hill & 1208.5 Dublin		70,000
Habitat for Humanity Operating		14,000
TH Rehab		28,597
Urbana Dream Down Payment		43,719
Courage Connection (formerly Center for Women in Transition)		31,966
Community Elements		20,805
Total HOME Investment Partnership Program:		<u>416,462</u>
Community Development Block Grant:	14.218	
Property Acquisition/Demo		73,873
Senior Repair		8,700
Emergency/Access Grant		21,565
Public Services:		
Courage Connection		4,000
Roundhouse		1,000
Total Community Development Block Grant:		<u>109,138</u>
Supportive Housing Program:	14.235	
Center for Women in Transition (AWP)		52,444
Center for Women in Transition (EF)		118,087
Total Supportive Housing Program:		<u>170,531</u>
Emergency Solutions Grant Program:	14.231	
Community Elements - TIMES Center		34,451
Crisis Nursery		9,905
Greater Community AIDS Project (GCAP)		3,134
The Salvation Army		15,119
Courage Connection		15,251
Total Emergency Solutions Grant Program:		<u>77,860</u>
	TOTAL	\$ <u>773,991</u>

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- > Material weakness(es) identified? X Yes no
- > Significant deficiency(ies) identified? X Yes none reported

Noncompliance material to financial statements noted?

 Yes X no

FEDERAL AWARDS

Internal control over major programs:

- > Material weakness(es) identified? Yes X no
- > Significant deficiency(ies) identified? X Yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

 X Yes no

Auditee qualified as low-risk auditee?

 Yes X no

Identification of major federal programs:

CFDA Number(s)
14.239
20.205

Name of Federal Program or Cluster
Home Investment Partnerships Program
Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:

 \$300,000

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding No. 2015-001

Criteria: The City does not maintain an external financial reporting department or function, but relies on its audit firm for this purpose, including the correction and review of the Schedule of Expenditures of Federal Awards.

Condition: The City has outsourced the preparation of the financial statements to the auditors due to lack of funds for training and the small size of the City's accounting department. This outsourced service includes a review of the Schedule of Expenditures of Federal Awards and the correction of errors identified in the original prepared document.

Context: The City relies heavily on their external auditor to draft the individual fund statements, make conversion entries, draft the government-wide statements, prepare note disclosures, and prepare the schedule of expenditures of federal awards.

Effect: The financial results of certain funds within the City's financial statements could be materially misstated.

Recommendation: We recommend the City consider providing increased training to accounting staff and, if budgetary constraints allow, hire sufficient staffing to prepare the financial statements. Given the economic situation of the City and most municipalities in Illinois, relying upon the auditors to prepare the financial statements with City accounting staff completing a review of the reports may be the most practical option in lieu of hiring additional staffing.

Management's Response: Current staffing levels are not adequate to prepare financial reports at the end of each year. However, additional funds have been budgeted for training, and the City Accountant has participated in additional government accounting training through the Government Finance Officers Association. The City will continue to rely on Baker Tilly to prepare the Comprehensive Annual Financial Report because of the significant effort involved in that work. It may be appropriate to review that decision in the future, when a new financial system has been implemented and processes have been streamlined.

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding No. 2015-002

Criteria: The City does not have proper segregation of duties around the payroll process.

Condition: The same individual is responsible for changing pay rates and benefits, updating time records for hourly employees, processing payroll, and printing, signing and distributing checks. Also, there is no review of payroll after it has been processed.

Context: The City currently does not have the staffing levels for these segregation of duties to exist.

Effect: The absence of these controls could result in errors to financial data or could allow the misappropriation of City assets to be concealed.

Recommendation: We recommend segregating responsibilities among multiple employees and limit access within the system such that segregated responsibilities could not be circumvented. Also, We recommend that the review of payroll be completed before distribution of checks, focus on rate changes and new employees, and compare to budget expectations. Evidence of the review should be documented through signature or initials.

Management's Response: The Accounting Supervisor reviews payroll before checks are issued, paying specific attention to exceptions to budget, changes in pay rates, and revisions to department time entry. The Account Clerk assigned to prepare payroll does not have the ability to process the payroll and run checks. Access to those processes has been restricted to management staff, and this task is normally performed by the Accounting Supervisor. Additional controls related to changes in pay rates and benefits should be part of a new financial management system.

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding No. 2015-003

Criteria: An effective internal control system should include robust review procedures and segregation of duties around journal entries.

Condition: Multiple employees at the City can prepare and post journal entries into the financial accounting system.

Context: The financial accounting system does not require secondary review prior to posting to the system. Also, journal entries are not consistently reviewed and/or documented before or after posting to the system.

Effect: The lack of review and segregation of duties present a significant risk that inappropriate activity may take place and be hidden through malfeasant journal entries.

Recommendation: We recommend that access to post journal entries be restricted to necessary employees only. If secondary review requirements cannot be implemented within the City's financial accounting software, we recommend that management (or another appropriate individual without access to post entries) review all manual journal entries before they are entered into the system. An additional review of journal entries after posting should be completed on a monthly basis. These reviews should be documented through written signature or initials of the reviewer.

Management's Response: All journal entries are now reviewed by at least one manager, in addition to the person preparing the journal entry. There are no system controls requiring secondary review, however, that should be part of a new financial management system.

Staff is implementing a weekly review of all journal entries posted. The Finance Director will review and sign off on the report.

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding No. 2015-004

Criteria: The City does not have proper segregation of duties around the cash disbursement process.

Condition: The same individual is responsible for processing purchase orders, matching purchase orders to invoices, printing checks, stamping checks with signatures, and preparing the check mailing. Also, there was no periodic review of cash disbursement listings by management or the City Council.

Context: The City currently does not have the staffing levels for these segregation of duties to exist. Also while purchase orders/invoices are formally reviewed prior to checks being generated by management, effective internal controls over cash disbursements should include review procedures both before and after processing of invoices. The City does have other compensating controls in place to mitigate the risk. All purchase orders and invoices are required to be approved within the financial accounting system before checks can be generated. Any effort to generate checks without approval in the system would generate an error report and checks would not be created.

Effect: The absence of these controls could result in errors to financial data or could allow the misappropriation of City assets to be concealed.

Recommendation: We recommend segregating these responsibilities among multiple employees and limit access within the system such that the segregation of responsibilities could not be circumvented. Also, we recommend that the Council formally review cash disbursement listings, documented through inclusion in consent agendas.

Management's Response: All payment requests are reviewed by the Finance Director before payments are processed. Payments cannot be processed until the Finance Director (or another manager, in her absence) has given electronic approval. The employee who processes accounts payable does not have access to approve payment batches or create checks.

Beginning with July 2015, staff is providing a monthly report of cash disbursements to the City Council.

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding No. 2015-005

Criteria: An effective internal control system should include controls over the City's information technology. These controls would provide the appropriate security for the City's financial information to prevent unauthorized access or data loss.

Condition: The City relies upon the expertise of a single employee to maintain the custom-built general ledger software. This individual has unlimited access to the system, including the ability to alter source coding and financial databases. Also, the City did not have sufficient controls in place over information technology such as a formal change management policy, periodic reviews of access rights to financial accounting systems, robust password policies, periodic restorations of backups, and a formal listing of employees with physical access to servers.

Context: The City's financial software is extremely modified for the City's specific purposes in a very complicated manner. Furthermore, the City does not have a formal change management policy, does not have a password policy are not up to best practices standards, does not review access to the financial accounting system, does not restore backups, and does not have a formalized list of employees with physical access to the servers.

Effect: With no other individuals at the City possessing the skills to maintain the general ledger system, the City would have no general ledger support if the individual were to cease employment. Also, not having an effective information technology control system, the City opens itself up to the risk of unauthorized access or data loss.

Recommendation: If possible, multiple individuals should be trained to maintain the general ledger software in case of emergency. We also recommend the ability to alter programming code and financial databases be completely restricted or heavily monitored. Also, the City should create an internal control structure that addresses the above control risks.

Management's Response: IT staff has agreed to review and consider a policy on change management. However, benefits are reduced by the lack of documentation on the status quo. Ultimately, this concern will be best addressed by using a standardized financial management system, in which changes are controlled by an outside vendor. Staff is in the process of developing a request for proposals for financial management software.

IT staff has implemented complex password rules for the financial management system and other applications on the Power7 computer.

The Finance Director and IT Manager have begun to review access rights for the financial and payroll systems.

In addition, IT staff has begun to work on readying a secondary machine as a backup for the Power7 computer. Remaining tasks include changes to the backup process, documenting the fail-over process, and creating routines to automatically send data to the secondary machine on a regular basis.

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 3015

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No.	2015-006
CFDA No.	14.239
Program Title:	Home Investment Partnerships Program
Federal Agency:	U.S. Department of Housing and Urban Development
Criteria:	2015 OMB Compliance Supplement, Part 3 - Compliance Requirements, Section M. Subrecipient Monitoring, "The State is to conduct such reviews and audits of its State recipients as may be necessary or appropriate to determine whether the State recipient has committed and expended the HOME funds, as required by 24 CFR section 92.500 and has met HOME Program requirements particularly as they relate to eligible activities, income targeting, affordability, and matching contribution requirement (24 CFR section 92.201(b))."
Condition:	The City of Urbana did not monitor its subrecipient; City of Champaign, within the current fiscal year.
Context:	The City is understaffed in regards to its HOME program.
Effect:	The City could potentially lose funding due to noncompliance with federal requirements and/or subrecipients may be noncompliant without the pass-through agency being aware of that noncompliance.
Questioned Costs:	N/A
Recommendation:	The City should maintain enough staff to monitor all subrecipients annually and implement procedures to ensure that staff are aware of monitoring deadlines and requirements.
Management's Response:	Due to a staffing shortage, the City of Urbana was unable to complete monitoring of its HOME subrecipient, the City of Champaign. Once the staff position is filled, hopefully within the next month or so, GMD staff will then be able to complete monitoring of all its subrecipients.

CITY OF URBANA, ILLINOIS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended June 30, 2015

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2014-007	The City did not report sub-award information to USAspending.gov although it received direct funding and disbursed over \$25,000 to subrecipients.	The City complied with requirements for reporting in fiscal year 2015.
2014-008	The City does not have different employees setting up projects and drawing down funds.	The City has implemented controls in 2015 to require multiple employees participating in setting up projects and drawing down funds.



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

**CORRECTIVE ACTION PLANS
For the Year Ended June 30, 3015**

Finding No.: 2015-006

Condition:

The City of Urbana did not monitor its subrecipient; City of Champaign, within the current fiscal year.

Plan:

Due to a staffing shortage, the City of Urbana was unable to complete monitoring of its HOME subrecipient, the City of Champaign. Once the staff position is filled, hopefully within the next month or so, GMD staff will then be able to complete monitoring of all its subrecipients.

Name of Contact Person: Kelly Mierkowski, Grants Manager