

CITY OF URBANA, ILLINOIS

REPORT ON FEDERAL AWARDS

For the Year Ended June 30, 2019

CITY OF URBANA, ILLINOIS

TABLE OF CONTENTS For the Year Ended June 30, 2019

	<u>Page(s)</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
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 the Uniform Guidance	3 – 5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7 – 8
Schedule of Findings and Questioned Costs	9 – 12
Summary Schedule of Prior Year Audit Findings	13

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
Urbana, Illinois

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, 2019, 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 20, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States. 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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Urbana Free Library, the City of Urbana Police Pension Fund, and the City of Urbana Firefighters' Pension Fund.

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.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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*.

The City's Response to Findings

The City's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
December 20, 2019

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
EXPENDITURES REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for the Major Federal Program

We have audited the City of Urbana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2019. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-003. Our opinion on the major federal program is not modified with respect to this matter.

City's Response to Finding

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-003, that we consider to be a significant deficiency.

City's Response to Finding

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of 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 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 of Urbana, Illinois as of and for the year ended June 30, 2019, 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 20, 2019, 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
December 20, 2019

CITY OF URBANA, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures	Passed Through To Subrecipients
U.S. Department of Housing and Urban Development:				
<i>Direct Funding:</i>				
Home Investment Partnerships Program (M)				
Home Investment Partnerships Program	14.239	M-18-DC-17-0217	\$ 211,871	\$ 119,358
Home Investment Partnerships Program	14.239	M-17-DC-17-0217	133,196	128,814
Home Investment Partnerships Program	14.239	M-16-DC-17-0217	284,234	59,034
Home Investment Partnerships Program	14.239	M-15-DC-17-0217	99,869	99,869
Home Investment Partnerships Program	14.239	M-14-DC-17-0217	<u>199,087</u>	<u>199,087</u>
Subtotal Home Investment Partnerships Program (M):			928,257	606,162
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
Community Development Block Grant	14.218	B-18-MC-17-0024	142,383	-
Community Development Block Grant	14.218	B-17-MC-17-0024	585	-
Community Development Block Grant	14.218	B-16-MC-17-0024	11,340	-
Community Development Block Grant	14.218	B-15-MC-17-0024	70,303	1,500
Community Development Block Grant	14.218	B-14-MC-17-0024	<u>32,186</u>	<u>-</u>
Subtotal CDBG - Entitlement Grants Cluster/Community Development Block Grants/Entitlement Grants:			256,797	1,500
<i>Subtotal Direct Funding:</i>			1,185,054	607,662
<i>Passed through Illinois Department of Human Services:</i>				
Emergency Solutions Grant Program				
Emergency Solutions Grant Program	14.231	FCSXH03755	<u>9,135</u>	<u>9,135</u>
Subtotal Emergency Solutions Grant Program:			9,135	9,135
Total U.S. Department of Housing and Urban Development:			<u>1,194,189</u>	<u>616,797</u>
U.S. Department of Justice:				
<i>Direct Funding:</i>				
Bulletproof Vest Partnership Program				
Bulletproof Vest Partnership Program	16.607	2017-BUBX-17088704	<u>3,562</u>	<u>-</u>
Subtotal Bulletproof Vest Partnership:			3,562	-
<i>Passed through University of Illinois</i>				
National Institute of Justice Research, Evaluation, Development Project Grants				
Development Project Grants	16.560	2017-R2-CX-0012	13,065	-
Development Project Grants	16.560	2017-R2-CX-0012	7,172	-
Development Project Grants	16.560	2017-R2-CX-0012	5,239	-
Development Project Grants	16.560	2017-R2-CX-0012	<u>2,797</u>	<u>-</u>
Subtotal National Institute of Justice Research and Evaluation Development Grant:			<u>28,273</u>	<u>-</u>
Total U.S. Department of Justice:			<u>31,835</u>	<u>-</u>
Total expenditures of federal awards:			<u>\$ 1,226,024</u>	<u>\$ 616,797</u>

(M) Denotes major program.

CITY OF URBANA, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the City of Urbana, Illinois under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the 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). 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 accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. 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.

NOTE 3 – INDIRECT COST RATE

The City of Urbana has not elected to use the 10% de minimis indirect cost rate.

CITY OF URBANA, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2019

NOTE 4 – 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		\$ 163,128
Champaign County		122,361
Navicore RFP		67,444
Habitat for Humanity CHDO		169,468
Courage Connection		46,984
Rosecrance		<u>36,777</u>
Total Home Investment Partnership Program		<u>606,162</u>
Community Development Block Grants:	14.218	
Urbana Park District		1,500
Total Community Development Block Grant		<u>1,500</u>
Emergency Solutions Grant Program:	14.231	
Crisis Nursery		9,135
Total Emergency Solutions Grant Program		<u>9,135</u>
	TOTAL	<u>\$ 616,797</u>

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: 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 2 CFR 200.516(a) of the Uniform Guidance?

 X yes no

Auditee qualified as low-risk auditee?

 yes X no

Identification of major federal programs:

CFDA Number(s)
14.239

Name of Federal Program or Cluster
Home Investment Partnerships Program

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

\$ 750,000

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

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

Finding No. 2019-001 (reported in the prior year as finding 2018-001)

Criteria: The City does not maintain an external financial reporting department or function, but relies on its audit firm for this purpose.

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.

Context: The City relies heavily on their external auditor to draft the individual fund statements, assist with modified accrual entries, make conversion entries, draft the government-wide statements, and prepare note disclosures. Material journal entries were identified during the audit that were not identified by the City's existing internal controls.

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. Professional Finance staff will continue to engage in professional development activities related to financial reporting during the course of the year. 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 if staffing permits and appropriate software is available.*

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

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

Finding No. 2019-002 (reported in the prior year as finding 2018-002)

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

Condition: In July 2018 through September 2018, the same person was updating pay rates and hours, benefits, as well as having access to process payroll. In October 2018 through June 2019, the City implemented a new payroll module in MUNIS which then allowed for segregation of duties. Human Resources became responsible for entering new employees, updating pay rates and hours, and benefits. The Finance staff would then process the payroll. However, due to lack of Human Resource employees, the Financial Services Coordinator still has the access and ability to update pay rates and hours as a backup.

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.

Management's Response: *In October 2018, the new Human Resources / Payroll system was implemented. In this system, all changes in pay rates and benefits are initiated by Human Resources staff. Those changes are reviewed by the Financial Services Coordinator, who is responsible for processing payroll. Any questions or changes are directed to Human Resources staff.*

During this transition, finance department employees were required to provide assistance, and also maintained access to serve as a backup. As noted above, compensating controls are in place. Those controls include review of all changes in pay with each payroll, and also regular review of the audit trail of changes to pay. With planned changes in Human Resources staffing, staff believes that this issue can be eliminated because there will be adequate staffing to provide backup for the person with primary responsibility for changes in pay rates, without Finance staff maintaining access.

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2019

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 2019-003

Program CFDA No. / Federal Program Name: 14.239 / Home Investment Partnerships Program

Award No. / Award Year: Multiple / Multiple

Federal Agency: U.S. Department of Housing and Urban Development

Name of Pass-Through Entity: N/A – direct award

Criteria: Per 2 CFR Part 200, Appendix XI, the City must ensure “that subrecipients expending \$750,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years beginning on or after December 26, 2014 have met the audit requirements of 2 CFR Part 200, subpart F and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.”

Condition: The City did not obtain and review subrecipient audit reports during fiscal year 2019.

Context: Subrecipient monitoring was not completed during fiscal year 2019 due to departmental staff turnover. For all 3 subrecipients selected for testing, audit reports were not obtained or reviewed by City personnel. The sampling of subrecipients was not a statistically valid sample.

Cause: During fiscal year 2019, the City experienced departmental staffing turnover, which resulted in subrecipient monitoring responsibilities not being performed.

Effect: The absence of these controls could result in subrecipients not using the Federal funds for authorized purposes.

Questioned Cost: None noted

Recommendation: We recommend that the City employ an adequate amount of staffing to ensure review of subrecipient audit reports can resume.

Management’s Response: *Review of subrecipient audit reports did not occur in fiscal year 2019 because of inadequate staffing due to turnover. The City will correct this with the addition of staff, which will allow for review of subrecipient audit reports to resume in fiscal year 2020.*

CITY OF URBANA, ILLINOIS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS For the Year Ended June 30, 2019

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2018-001	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.	The City continues to rely on Baker Tilly to prepare the Comprehensive Annual Financial Report.
2018-002	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. The City has implemented compensating review control to partially mitigate the risks from lack of segregation of duties.	Pay rates and benefits are updated by HR staff and reviewed by Finance staff. Any corrections are made by HR staff. Finance staff process payroll, print, and distribute checks or direct deposit advices. PR staff still have permission to update pay rates due to lack of suitable backup for HR staff. Financial Services Manager periodically reviews audit trail to make sure that any changes made by PR staff are appropriate.
2018-003	Multiple employees at the City can prepare and post journal entries into the financial accounting system.	All City journal entries are reviewed and approved electronically by the Finance Director. The Finance Director cannot post journal entries.
2018-004	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.	The City implemented the MUNIS accounting system in January, 2018. This has been resolved through the implementation of MUNIS.



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

**CORRECTIVE ACTION PLANS
For the Year Ended June 30, 2019**

Finding No.: 2019-001

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. Material journal entries were identified during the audit that were not identified by the City's existing internal controls.

Plan:

Current staffing levels are not adequate to prepare financial reports at the end of each year. Professional Finance staff will continue to engage in professional development activities related to financial reporting during the course of the year. 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 if staffing permits and appropriate software is available.

Name of Contact Person: Elizabeth Hannan, City of Urbana Finance Director

Anticipated Completion Date: 6/30/2020



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

**CORRECTIVE ACTION PLANS
For the Year Ended June 30, 2019**

Finding No.: 2019-002

Condition:

In July 2018 through September 2018, the same person was updating pay rates and hours, benefits, as well as having access to process payroll. In October 2018 through June 2019, the City implemented a new payroll module in MUNIS which then allowed for segregation of duties. Human Resources became responsible for entering new employees, updating pay rates and hours, and benefits. The Finance staff would then process the payroll. However, due to lack of Human Resource employees, payroll staff still have the access and ability to update pay rates and hours as a backup.

Plan:

In October 2018, the new Human Resources / Payroll system was implemented. In this system, all changes in pay rates and benefits are initiated by Human Resources staff. Those changes are reviewed by the Financial Services Coordinator, who is responsible for processing payroll. Any questions or changes are directed to Human Resources staff.

During this transition, finance department employees were required to provide assistance, and also maintained access to serve as a backup. As noted above, compensating controls are in place. Those controls include review of all changes in pay with each payroll, and also regular review of the audit trail of changes to pay. With planned changes in Human Resources staffing, staff believes that this issue can be eliminated because there will be adequate staffing to provide backup for the person with primary responsibility for changes in pay rates, without Finance staff maintaining access.

Name of Contact Person: Elizabeth Hannan, City of Urbana Finance Director

Anticipated Completion Date: 6/30/2020



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

**CORRECTIVE ACTION PLANS
For the Year Ended June 30, 2019**

Finding No.: 2019-003

Condition:

Per 2 CFR Part 200, Appendix XI, the City must ensure “that subrecipients expending \$750,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years beginning on or after December 26, 2014 have met the audit requirements of 2 CFR Part 200, subpart F and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.”

Plan:

Review of subrecipient audit reports did not happen in fiscal year 2019 because of inadequate staffing levels due to turnover. The City was able to correct this with the addition of staff that will allow for review of subrecipient audit reports to resume in fiscal year 2020.

Name of Contact Person: Elizabeth Hannan, City of Urbana Finance Director

Anticipated Completion Date: 6/30/2020