

CITY OF URBANA, ILLINOIS

REPORT ON FEDERAL AWARDS

For the Year Ended June 30, 2020

CITY OF URBANA, ILLINOIS

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**Independent Auditors' 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 Honorable Mayor and Members of the City Council
City of 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, 2020, 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 16, 2020. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness.

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 Finding

The City's response to the 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 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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Oak Brook, Illinois
December 16, 2020

**Independent Auditors' Report on Compliance
for the Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

To the Honorable Mayor and Members of the City Council
City of 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, 2020. 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, 2020.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2020, 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 16, 2020, 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 US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Oak Brook, Illinois
December 16, 2020

CITY OF URBANA, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

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-19-DC-17-0217	\$ 73,564	\$ -
Home Investment Partnerships Program	14.239	M-18-DC-17-0217	273,493	256,793
Home Investment Partnerships Program	14.239	M-17-DC-17-0217	234,410	212,410
Home Investment Partnerships Program	14.239	M-16-DC-17-0217	207,830	204,680
Home Investment Partnerships Program	14.239	M-15-DC-17-0217	<u>42,313</u>	<u>36,891</u>
Subtotal Home Investment Partnerships Program (M):			831,610	710,774
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
Community Development Block Grant	14.218	B-20-MC-17-0023	40,895	-
Community Development Block Grant	14.218	B-19-MC-17-0024	206,913	5,000
Community Development Block Grant	14.218	B-15-MC-17-0024	<u>1,178</u>	<u>-</u>
Subtotal CDBG - Entitlement Grants Cluster/Community Development Block Grants/Entitlement Grants:			<u>248,986</u>	<u>5,000</u>
<i>Subtotal Direct Funding:</i>			1,080,596	715,774
<i>Passed through Illinois Department of Human Services:</i>				
Emergency Solutions Grant Program				
Emergency Solutions Grant Program	14.231	FCSXH03755	<u>15,240</u>	<u>15,240</u>
Subtotal Emergency Solutions Grant Program:			<u>15,240</u>	<u>15,240</u>
Total U.S. Department of Housing and Urban Development:			<u>1,095,836</u>	<u>731,014</u>
U.S. Department of Justice:				
<i>Direct Funding:</i>				
Bulletproof Vest Partnership Program				
Bulletproof Vest Partnership Program	16.607	2017-BUBX-17088704	<u>2,972</u>	<u>-</u>
Subtotal Bulletproof Vest Partnership:			2,972	-
COVID 19 - Coronavirus Emergency Supplemental Funding Program				
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0196	<u>35,119</u>	<u>-</u>
Subtotal COVID 19 - Coronavirus Emergency Supplemental Funding Program:			<u>35,119</u>	<u>-</u>
<i>Subtotal Direct Funding:</i>			38,091	-
<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	3,884	-
Development Project Grants	16.560	2017-R2-CX-0012	500	-
Development Project Grants	16.560	2017-R2-CX-0012	1,557	-
Development Project Grants	16.560	2017-R2-CX-0012	<u>1,198</u>	<u>-</u>
Subtotal National Institute of Justice Research and Evaluation Development Grant:			<u>7,139</u>	<u>-</u>
Total U.S. Department of Justice:			<u>45,230</u>	<u>-</u>
Total expenditures of federal awards:			<u>\$ 1,141,066</u>	<u>\$ 731,014</u>
(M) Denotes major program.				

CITY OF URBANA, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2020

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, 2020. 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, 2020

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		\$ 119,140
Champaign County		142,196
Navicore RFP		12,716
Habitat for Humanity CHDO		155,331
Courage Connection		24,175
Rosecrance		7,188
Bristol Place		<u>250,028</u>
Total Home Investment Partnership Program		<u>710,774</u>
Community Development Block Grants:	14.218	
Habitat for Humanity		5,000
Total Community Development Block Grant		<u>5,000</u>
Emergency Solutions Grant Program:		
Crisis Nursery	14.231	15,240
Total Emergency Solutions Grant Program		<u>15,240</u>
	TOTAL	<u>\$ 731,014</u>

CITY OF URBANA, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2020

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? Yes X 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? yes X 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?

 yes X 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, 2020

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

Finding No. 2020-001 (reported in the prior year as finding 2019-001)

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS For the Year Ended June 30, 2020

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2019-001	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. See Finding 2020-001.
2019-002	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.	The Financial Services Assistant still has access within the financial software to change pay rates and has the ability to process payroll as well as print checks. However, the Financial Services Manager will run an audit report for all changes made by the Financial Services Assistant during the pay period to ascertain that they are accurate. The Financial Services Manager also receives notifications throughout each stage of the payroll process and receives notifications on positive pays after they are uploaded to the bank.
2019-003	The City did not obtain and review subrecipient audit reports during fiscal year 2019.	Review of subrecipient audit reports did not occur in fiscal year 2019 because of inadequate staffing due to turnover. The City has since corrected this with the implementation of new controls performed by the HOME grant manager, which will allow for review of subrecipient audit reports to resume in fiscal year 2020.