

**DEKALB COUNTY, ILLINOIS**

**AUDITOR'S COMMUNICATION TO THE  
COUNTY BOARD AND MANAGEMENT**

For the Year Ended  
December 31, 2015



**DEKALB COUNTY, ILLINOIS**  
**AUDITOR’S COMMUNICATION TO THE COUNTY BOARD**  
**AND MANAGEMENT**  
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1415 W. Diehl Road, Suite 400  
Naperville, Illinois 60563

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

September 23, 2016

The Honorable Chairman  
Members of the County Board  
and Management  
DeKalb County  
200 North Main Street  
Sycamore, Illinois 60178

Ladies and Gentlemen:

As part of our audit process we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by Auditing Standards. Our communication at the beginning of our audit process along with our questionnaire regarding Consideration of Fraud in a Financial Statement Audit was sent to you on February 29, 2016.

Auditing standards require the communication of internal control related matters to those charged with governance. Our communication of these matters is enclosed within this document.

This information is intended solely for the use of the Chairman, Members of the County Board, and management of DeKalb County and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Sikich LLP*

Sikich LLP  
By: Frederick G. Lantz, CPA  
Partner-in-Charge, Government Services



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

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

September 23, 2016

The Honorable Chairman  
Members of the County Board  
DeKalb County, 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 DeKalb County, Illinois, (the County) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 20, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2015, except for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no particularly sensitive financial statement estimates made by management during our audit of the financial statements, except for the actuarial assumptions used to calculate the total pension liability.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive financial statement disclosures made by management during our audit of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

The completion of our audit was delayed due to certain information not being available for testing during the previously established timeframes.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 23, 2016

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Matters**

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and schedules listed in the table of contents that accompanies the basic financial statements. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the combining and individual fund financial statements and schedules to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory section or the statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

## **Restriction on Use**

This information is intended solely for the use of the Chairman, Members of the County Board, and management of DeKalb County and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Sikich LLP*

Sikich LLP

By: Frederick G. Lantz, CPA

Partner-in-Charge, Government Services

**DeKalb County**

Year End: December 31, 2015

**Adjusting Journal Entries**

Date: 1/1/2015 To 12/31/2015

Number	Date	Name	Account No	Debit	Credit
AJE-01	12/31/2015	UNEARNED INCOME	1488-1000.1150 D-1488		(34,295.12)
AJE-01	12/31/2015	FEDERAL - FEMA	1488-5595.4012 D-1488	34,295.12	
		To record unearned revenue for Evergreen Village grant.			
AJE-02	12/31/2015	PREPAID EXPENSES	2601-1000.750 D-2601	25,452.00	
AJE-02	12/31/2015	EMPLOYEE HLTH & LIFE INS. INSURANCE	2601-5250.8101 D-2601		(25,452.00)
		to record prepaid expense for insurance premium for Jan 2016 paid in 2015			
AJE-03	12/31/2015	ACCOUNTS RECEIVABLE	1111-1000.600 D-1111		(76,618.40)
AJE-03	12/31/2015	POLICE PARTNERSHIPS	1111-2610.4545 D-1111	76,618.40	
		To reverse Police Partnership AR. Payment relates to FY 16.			
AJE-04	12/31/2015	GRANTS RECEIVABLE	1111-1000.615 D-1111		(18,025.41)
AJE-04	12/31/2015	STATE GRANT-OPER. PUB SA	1111-2910.4105 D-1111	18,025.41	
		To reverse AR for reimbursements that have not yet been received.			
AJE-05	12/31/2015	ACCUM DEPRECIATION ROADS	4902-1000.943 D-4902	23,888.12	
AJE-05	12/31/2015	FIXED ASSETS COUNTY/PBC DEPRECIATIO	4902-6540.7732 D-4902		(23,888.12)
		To adjust for over depreciated county FAs			





**DEKALB COUNTY**

**NONMAJOR GOVTAL**

(CLIENT)

(OPINION UNIT)

For the Year Ended

12/31/2015

All entries posted as Debit (Credit)

Description	Workpaper Reference	Assets/ Deferred Outflows of Resources	(Liabilities/ Deferred Inflows of Resources)	(Fund Balance)	Change in Fund Balance
Current Effect of Prior Period Passed AJE's that have carried forward to Current Period		\$ -	\$ -	\$ -	\$ -
To record additional claims at 12/31/2015		-	(30,735)	-	30,735
Totals		\$ -	(30,735)	\$ -	30,735

**DEKALB COUNTY, ILLINOIS**

**COMMUNICATION OF DEFICIENCIES  
IN INTERNAL CONTROL AND  
OTHER COMMENTS TO MANAGEMENT**

December 31, 2015



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Naperville, Illinois 60563

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## COMMUNICATION OF DEFICIENCIES IN INTERNAL CONTROL AND OTHER COMMENTS TO MANAGEMENT

Mr. Gary Hanson, County Administrator  
Mr. Peter Stefan, Finance Director  
DeKalb County, Illinois

As part of the annual audit, we are required to communicate internal control matters that we classify as significant deficiencies and material weaknesses to those charged with governance. 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 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. 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 County's financial statements will not be prevented, or detected and corrected, on a timely basis.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. In addition, we reviewed the status of the comments from the December 31, 2014 audit. The status of these comments is included in Appendix A. This letter does not affect our report dated September 23, 2016, on the basic financial statements of the County.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Finance Director, Peter Stefan, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This memorandum is intended solely for the information and use of management, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Sikich LLP*

Naperville, Illinois  
September 23, 2016

## **DEFICIENCIES**

### **1. Purchasing Procedures**

During our review of the County purchasing policy and our tests of compliance with the purchasing policy, we noted certain opportunities for the County to strengthen the internal controls over the purchasing function.

First, we recommend that the County consider centralizing purchasing and receiving. Centralizing the purchasing and receiving processes will allow for more effective monitoring of compliance with the County's established purchasing policy.

Next, we noted that the purchasing process is initiated by verbal approval from a department head. We recommend that formal documentation of department head approval is maintained and tracked within the County's purchasing module.

### **2. Cash Receipting Procedures**

We noted during our testing of cash receipts that the County does not have a centralized department that processes billing and invoicing and cash receipting. We recommend that the County consider adoption of a centralized cash receipting process to ensure all amounts are being billed, invoiced, and collected in a consistent matter. Alternatively, if decentralized billing, invoicing and cash receipting is maintained, the County should develop and implement a standardized billing, invoicing and cash receipting procedure manual

Additionally, during our testing of internal controls at the Regional Office of Education, we noted that one individual is responsible for recording the cash receipts and preparing the deposit slip. We recommend that these duties are segregated to the extent possible to improve the control environment.

**APPENDIX A**  
**STATUS OF COMMENTS FROM DECEMBER 31, 2014**

**DEFICIENCIES**

**1. Internal Controls**

During our testing of internal control, we noted certain opportunities for the County to strengthen internal controls over certain processes and transactions.

Segregation of duties is a critical component of any organization's internal control structure. During our review of the internal controls over cash and investments, we noted that the same individual is responsible for preparing the deposit slip, taking the deposit to the bank, and preparing the bank reconciliation for the majority of the County's bank accounts. We also noted that the finance clerk is the backup for opening mail; however, the finance clerk has access to the accounts payable and accounts receivable records. We recommended that the County segregate these duties to separate the custody, authorization, and recordkeeping functions.

During our review of the internal controls over cash disbursements, we noted that all employees with access to the Pentamation system had the ability to add, delete, and edit vendors in the accounting system. We recommend that the County limit system access to the appropriate personnel. We also noted that when checks are printed at the Finance Department, there is no formal review process for these checks. We recommend that the County implement a review process in addition to accounting for the sequence of the checks prior to getting the checks stamped with the Treasurer and County Clerk's signatures.

During our review of the internal control over payroll, we noted that employee activity reports are not retained or reviewed on a regular basis, noting changes in payroll information. Also, we noted that the Finance Director only approves the new payroll rates on the claims report and the related spreadsheet verbally. We recommend that management formally review and document in writing any changes and approvals regarding payroll.

With respect to internal controls over cash collections, we noted that the Sheriff's Office does not have any documented procedures for cash receipts. Because cash collections are by nature especially vulnerable to fraud, we recommend that the County formally document procedures and controls for cash collections at the Sheriff's Office.

**Status** - Comment partially implemented at of December 31, 2015. The Treasurer's Office has instituted additional procedures to provide compensating controls for the lack of segregation of duties.

The County Finance Department has reviewed permissions within Pentamation to limit access to the appropriate personnel.

The County Finance Department also instituted additional controls over the payroll process, including printing and reviewing the "Employee Payroll Activity Report" for each payroll and segregating duties so the Payroll Specialist no longer prepares the budget spreadsheets related to payroll. The Finance Director now prepares those reports and investigates any discrepancies.

## DEFICIENCIES (Continued)

### 1. Internal Controls (Continued)

The comment related to cash collections is still applicable at December 31, 2015.

### 2. Restricted Cash - Operation and Administrative Fund

During our testing of cash, we noticed that the restricted operation and administrative fund account had not been reconciled to the County's general ledger since July 2014. We recommend that the County reconcile this balance to the general ledger on either a monthly basis or at a minimum, on a quarterly basis.

**Status** - Comment partially implemented as of December 31, 2015. The County had information for a portion of fiscal year 2015, however, the adjusted trial balances at year-end did not reflect the entire year's activity.

### 3. Capital Asset Policy

During our testing of capital assets, we noted that the County's capital asset policy does not currently address intangible assets. We recommend that the County update this policy to include intangible assets and define how the County would assign useful lives to definite lived intangible assets.

**Status** - Comment is considered implemented as of December 31, 2015.

### 4. Fraud Risk Assessment

We noted during our review of the County's internal controls that the County does not perform a formalized fraud risk assessment on an annual basis. A fraud risk assessment allows the County to examine fraud risk factors which are events or conditions that indicate the presence of *incentives/pressures* to commit fraud, *opportunities* to carry out the fraud, or *attitudes/rationalizations* to justify the fraud. We recommend that County management and those charged with governance complete an annual fraud risk assessment to identify key risks in internal control.

**Status** - Comment still applicable as of December 31, 2015.

### 5. Benefit Tracking

We continue to note that paid hours off (PHO) hours and compensatory time for the Clerk of the Circuit Court are tracked outside of the County's general ledger. We continue to recommend that all employees be tracked centrally through the payroll system to improve overall controls over employee benefits and to ensure that all relevant financial information needed is tracked within the County's accounting system.

**Status** - Comment still applicable as of December 31, 2015.

## DEFICIENCIES (Continued)

### 6. Year End Accruals

During our testing of income taxes, we noted that the November 2013 receipt of income taxes was not properly recorded by the County. Specifically, the amount was not recorded in the County's checking account and was not corrected until January 2014 and was incorrectly recorded as accounts receivable. We recommend that the County review its year-end receivables to be certain that the proper amounts are recorded.

Next, during our testing of interfund transfers, we noted that the Federal Highway Matching Fund had recorded accounts payable and transfer out related to amounts due to the Engineering Fund at year end.

This amount, however, was not recorded in the Engineering Fund, causing transfers to be out of balance and receivables and transfers in for the Engineering Fund to be understated. We recommend that the County review interfund transfers as part of the year end close process to ensure that all interfund amounts balance at year end.

Last, we noted that the amounts recorded as intergovernmental receivables related to the Sales Tax Sharing Agreement with the City of DeKalb were not properly recorded at year-end. Due to certain changes in the reporting of sales tax information by the State of Illinois, the County attempted to estimate amounts due from the City at year end. During our audit of these amounts, we proposed adjustments, which were reviewed, approved, and posted by the County to correct the amounts of receivable recorded to recognize 12 months of sales tax sharing revenue.

**Status** - Comment is considered implemented as of December 31, 2015.

### 7. Risk Management

We noted during our testing of the County's risk financing activities that there is not a standard process in place for estimating any potential general liabilities faced by the County. As the County is self-insured against general liabilities, it is imperative that the County have a procedure in place to estimate any potential liabilities as part of the year-end process. The current process for identification of a potential liability is reliant on the annual audit letter provided by the State's Attorney's office. We recommend the County consider implementing a formal process for tracking general liability claims or that the County considers utilizing a third party administrator (as is the case for workers' compensation) to track these claims.

**Status** - Comment still applicable as of December 31, 2015.

# Sikich Snapshot

## Organization

Sikich LLP, a leading professional services firm specializing in accounting, technology, investment banking\* and advisory services\*\*, has more than 750 employees throughout the country. Founded in 1982, Sikich now ranks as one of the country's Top 35 Certified Public Accounting firms and is among the top 10 of all enterprise resource planning solution partners in the country. From corporations and not-for-profits to state and local governments, Sikich clients can use a broad spectrum of services and products that help them reach long-term, strategic goals.

## Industries

Sikich provides services and solutions to a wide range of industries. We have devoted substantial resources to develop a significant base of expertise and experience in:

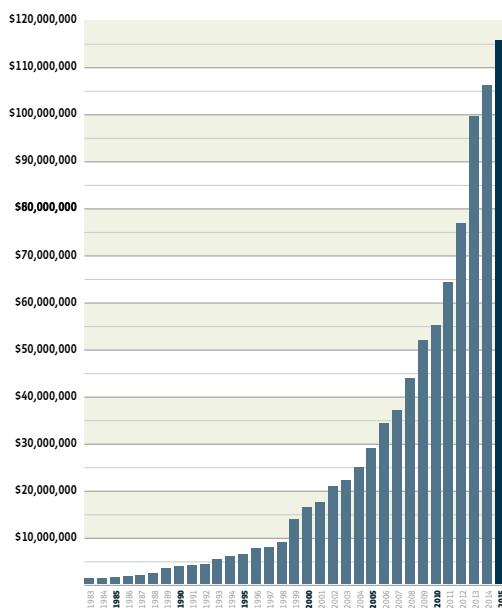
- Agriculture
- Construction & Real Estate
- Energy
- Government
- Manufacturing & Distribution
- Not-for-Profit

## Statistics

2015 Revenues .....	\$116.6M
Total Partners .....	106
Total Employees .....	688
Total Personnel .....	794

Personnel count as of July 13, 2016

## Sikich Total Revenues



## SERVICES

- Accounting, Audit, Assurance & Tax
- Business Valuation
- Dispute Advisory
- ERP & CRM Software
- Human Resources Consulting
- Insurance Services
- Investment Banking & Corporate Finance
- IT Services
- Marketing & Public Relations
- Retirement Planning
- Supply Chain
- Wealth Management

## Awards

- Vault Accounting Top Ranked 2017
- *Accounting Today* Top 100 Firms: ranked 31st nationally, 2016
- *Accounting Today* Regional Leaders – Top Firms: Great Lakes: ranked 4th, 2016
- *Milwaukee Business Journal* Largest Management Consulting Firms: ranked 10th, 2016
- *Milwaukee Business Journal* Largest Milwaukee-Area Accounting Firms: ranked 11th, 2016
- *INSIDE Public Accounting* Top 50 Largest Accounting Firms: ranked 31st nationally, 2016
- When Work Works Award, 2016
- *WorldatWork* Work-Life 2016 Seal of Distinction
- Best Places to Work in Illinois, 2016
- Best Places to Work in Indiana, 2016
- Chicago's 101 Best and Brightest Companies to Work For®, 2016
- Milwaukee's 101 Best and Brightest Companies to Work For®, 2016
- WICPA Excellence Award - Public Service Award (Firm), 2016
- *Accounting Today* Top 100 Value Added Reseller: ranked 7th, 2016
- Bob Scott's Top 100 Value Added Reseller: ranked 9th, 2016
- US SMB Champions Club Heartland Partner of the Year, Microsoft's US Small and Mid-sized Business (SMB) Champions Club, 2016
- 2016 US SMB Champions Club Heartland Influencer Partner of the Year, Microsoft's US Small and Mid-sized Business (SMB) Champions Club, 2016
- *Inc. 5000*: ranked #4344, 2015
- *Crain's List* Chicago's Largest Privately Held Companies: ranked #250, 2015
- Bob Scott's Top 100 Value Added Reseller: ranked 9th, 2015
- National Best & Brightest Companies to Work For®, 2015
- Chicago's 101 Best and Brightest Companies to Work For®, 2015
- National Best & Brightest in Wellness, 2015
- *Chicago Tribune's* Top Workplaces, 2015
- Edge Award - 2015 Community Service
- Microsoft Dynamics Inner Circle and President's Club, 2014



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# Sikich Snapshot

## Certifications

All professional accounting staff with more than one year of experience have earned or are working toward earning the Certified Public Accountant designation. Sikich is a member of the American Institute of Certified Public Accountants' Governmental Audit Quality Center and the Employee Benefit Plan Audit Quality Center. We adhere to the strict requirements of membership which assure we meet the highest standards of audit quality. In 2014, Sikich LLP received its 9th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.



**Microsoft** Partner

Gold Enterprise Resource Planning

## Microsoft Partner

Sikich has earned a Microsoft ERP Gold competency; ranked among the top 1 percent of all Microsoft Dynamics partners worldwide; and carries the following certifications:

- Microsoft Small Business Specialist
- MCP (Microsoft Certified Professional)
- MCSE (Microsoft Certified System Engineer)
- CCNA (Cisco Certified Network Associate)
- CCDA (Certified Cisco Design Associate)
- CCEA (Citrix Certified Enterprise Administrator)
- MRMS (Microsoft Retail Management Systems)
- CISA (Certified Information Systems Auditor)
- CNE (Certified Novell Engineer)
- MS CSM (Microsoft Customer Service Manager)
- MS CAE (Microsoft Certified Account Executive)
- MCDBA (Microsoft Certified Database Admin.)



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## Sikich is proud to be part of the Leading Edge Alliance

The Leading Edge Alliance (LEA) is the second largest international association of independent accounting firms.\* The LEA is an international professional association of independently-owned accounting and consulting firms. Members are top quality firms who share an entrepreneurial spirit and a drive to be the premier provider of professional services in their chosen markets. The Alliance provides Sikich with an unbeatable combination: the comprehensive size and scope of a large multinational company while offering their clients the continuity, consistency, and quality service of a local firm.

*\*International Accounting Bulletin, 2011*



## Sikich is proud to be part of PrimeGlobal

PrimeGlobal is one of the top five largest associations of independent accounting firms in the world, providing a wide range of tools and resources to help member firms furnish superior accounting, auditing, and management services to clients around the globe.

*\* Securities are offered through Sikich Corporate Finance LLC, a registered broker/dealer with the Securities and Exchange Commission and a member of FINRA and SIPC.*

*\*\* Advisory services offered through Sikich Financial, a Registered Investment Advisor. Securities offered through Triad Advisors, Member FINRA and SIPC. Triad Advisors and Sikich Financial are not affiliated.*

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