



DEKALB COUNTY, ILLINOIS

AUDITOR'S COMMUNICATION TO THE
COUNTY BOARD AND MANAGEMENT

For the Year Ended December 31, 2017

A decorative background image showing a perspective view of a modern building's interior or exterior structure, with a grid of lines and geometric shapes in shades of gray and teal.

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DEKALB COUNTY, ILLINOIS
AUDITOR’S COMMUNICATION TO THE COUNTY BOARD
AND MANAGEMENT
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July 27, 2018

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 January 9, 2018.

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: Anthony M. Cervini, CPA, CFE
Partner

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Naperville, IL 60563
630.566.8400

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July 27, 2018

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, 2017. 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 10, 2016. 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, 2017. 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

We encountered no significant difficulties in dealing with management in performing and completing our audit, except we were not able to perform the audit in the established timeframe due to delays in information being available for the audit.

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 July 27, 2018.

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: Anthony M. Cervini, CPA, CFE

Partner

DEKALB COUNTY, ILLINOIS

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

December 31, 2017

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

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, 2016 audit. The status of these comments is included in Appendix A. This letter does not affect our report dated July 27, 2018, 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
July 27, 2018

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.

Additionally, 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, invoicing and cash receipting. We recommend that the County consider adoption of a standardized billing, invoicing and cash receipting procedure manual.

Additionally, during our testing of internal controls, we noted a department in which 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 strengthen the control environment.

3. Internal Controls

During our documentation and review of the County's internal controls, we noted opportunities for the County to strengthen internal controls over certain processes and transaction cycles.

Segregation of duties is a critical component of any organization's internal control structure. During our review of controls, we noted that employees who have access to accounts payable, receivable and payroll records also have access to open mail. We recommend that employees that open mail have limited access to these records.

During our review of the documentation maintained at the Sheriff's office, we noted that there is no formal documentation or procedure to show review of monthly reconciliations. We recommend that all reviews are properly documented with an employee signature.

During our review of the pay rate approval process, we noted that new pay rates are approved verbally, and that not all new pay rates are formally reviewed. We recommend that all pay rate changes are formally reviewed and approved in writing or with a signature.

DEFICIENCIES (Continued)

3. Internal Controls (Continued)

Throughout our review of internal controls, we noted that certain reviews and approvals were not being completed in a timely manner. Timely review of financial information is important to ensure that work is being performed and approved correctly and in the proper period, and to help identify any errors as early as possible. Sikich noted certain check registers and payroll reports that were not reviewed and approved on a timely basis. We recommend that the County review and document approval on all necessary reports in a timely manner in order to maintain maximum effectiveness of the controls in place.

4. Credit Card Purchases & Procedures

During testing of credit card transactions, Sikich noted the following exceptions to County credit card usage policy: Four receipts included sales tax and three receipts were not provided.

We recommend that all employees comply with the established County policy in order to help ensure that all purchases are necessary and appropriately documented.

5. Journal Entries and Procedures

During testing of manual journal entries made by the County for fiscal year 2017, we noted that there was no documentation of review or approval and the only sign-off was by the individual who prepared the entry. Based on discussions with County employees, we determined that while it is the County's practice to have a review of any journal entry, there is no established process that ensures all journal entries are reviewed by an employee other than the employee that creates and posts the entry.

We recommend the County establish a formal journal entry review process that outlines what type of entries are required to be reviewed and approved by someone else within the Finance Department. This will help to ensure that all required entries are properly reviewed, helping to mitigate the risk of errors and enhancing internal controls to limit the potential for management override.

APPENDIX A
STATUS OF COMMENTS FROM DECEMBER 31, 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.

Status: Comment still applicable at December 31, 2017. See current year comment #1.

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.

Status: Comment still applicable at December 31, 2017. See current year comment #2.

3. Internal Controls

During our documentation and review of the County's internal controls, we noted opportunities for the County to strengthen internal controls over certain processes and transaction cycles.

Segregation of duties is a critical component of any organization's internal control structure. During our review of controls, we noted that employees who have access to accounts payable, receivable and payroll records also have access to open mail. We recommend that employees that open mail have limited access to these records.

3. Internal Controls (Continued)

During our review of the documentation maintained at the Sheriff's office, we noted that there is no formal documentation or procedure to show review of monthly reconciliations. We recommend that all reviews are properly documented with an employee signature.

During our review of the pay rate approval process, we noted that new pay rates are approved verbally, and that not all new pay rates are formally reviewed. We recommend that all pay rate changes are formally reviewed, and approved in writing or with a signature.

Throughout our review of internal controls, we noted that certain reviews and approvals were not being completed in a timely manner. Timely review of financial information is important to ensure that work is being performed and approved correctly and in the proper period, and to help identify any errors as early as possible. Sikich noted certain check registers and payroll reports that were not reviewed and approved on a timely basis. We recommend that the County review and document approval on all necessary reports in a timely manner in order to keep controls operating effectively.

Status: Comment still applicable at December 31, 2017. See current year comment #3.

4. Credit Card Purchases & Procedures

During testing of credit card transactions, Sikich noted the following exceptions to County credit card usage policy: Three food (restaurant) receipts that did not include an itemized list to show the items purchased, one of which did not include documentation outlining the business purpose of the purchase. Additionally, we noted several instances of purchases that included sales tax.

We recommend that all employees comply with the established County policy in order to help ensure that all purchases are necessary and appropriately documented.

Status: Comment still applicable at December 31, 2017. See current year comment #4.

5. Journal Entries and Procedures

During testing of manual journal entries made by the County for fiscal year 2016, we noted that there was no documentation of review or approval and the only sign-off was by the individual who prepared the entry. Based on discussions with County employees, we determined that while it is the County's practice to have a review of any journal entry, there is no established process that ensures all journal entries are reviewed by an employee other than the employee that creates and posts the entry.

We recommend the County establish a formal journal entry review process that outlines what type of entries are required to be reviewed and approved by someone else within the Finance Department. This will help to ensure that all required entries are properly reviewed, helping to mitigate the risk of errors and enhancing internal controls to limit the potential for management override.

Status: Comment still applicable at December 31, 2017. See current year comment #5.

6. Animal Control Revenue/Animal Tag Sales

During testing of animal tag sales, Sikich noted the following: The revenue report provided by Animal Control was greater than the amount listed in the trial balance. Sikich's recalculation of revenue from animal tag sales was greater than the report still. We noted that there was no reconciliation performed to agree the cash received/revenue recorded to the number of tags sold.

We recommend that the County create a reconciliation process over animal tag sales that agrees the revenue received and recorded to the number of tags sold (based on the established tag rates). This will help the County ensure that all revenue from animal tag sales is being properly recorded.

Status: Comment has been implemented as of December 31, 2017.

FIRM PROFILE



ORGANIZATION

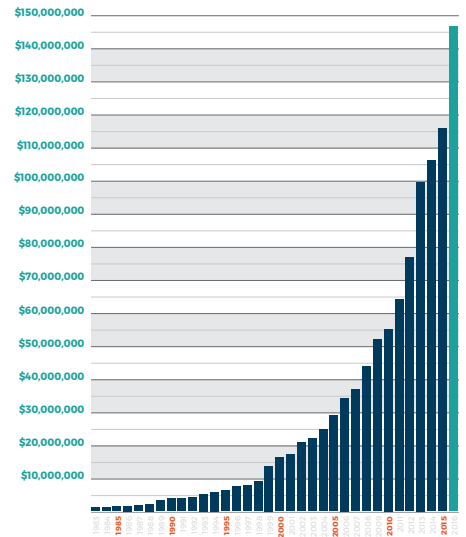
Sikich LLP, a leading professional services firm specializing in accounting, technology, investment banking* and advisory services**, has 750+ professionals throughout the country. Founded in 1982, Sikich now ranks as one of the country's Top 30 Certified Public Accounting firms and is among the top 1% of all enterprise resource planning solution partners in the world. 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	ENERGY	MANUFACTURING & DISTRIBUTION
CONSTRUCTION & REAL ESTATE	GOVERNMENT	NOT-FOR-PROFIT

SIKICH TOTAL REVENUES



STATISTICS

2016 Revenues \$146.4M
 Total Partners ~100
 Total Personnel 750+

Personnel count as of January 1, 2018

SERVICES

ACCOUNTING, TAX & ASSURANCE

TECHNOLOGY

- Business Application
- Cloud & Infrastructure
- Consulting & Implementation
- Security and Compliance

ADVISORY

- Business Succession Planning
- Insurance Services
- Forensic and Valuation Services
- Human Resources Consulting
- Investment Banking
- Marketing & Design
- Public Relations
- Retirement Plan Services
- Supply Chain
- Wealth Management

* Securities offered through Sikich Corporate Finance LLC, member FINRA/SIPC.

** Investment advisory services offered through Sikich Financial, an SEC Registered Investment Advisor. Securities offered through Triad Advisors, member FINRA and SIPC. Triad Advisors and Sikich Financial are not affiliated.

2018 AWARDS

- Oracle® NetSuite **5 Star Award** - *Accounting Today* Top 100 Firms - ranked #28 nationally
- Best Places to Work in Illinois
- Best Places to Work in Indiana
- Milwaukee's Best and Brightest Companies to Work For®
- Chicago's 101 Best and Brightest Companies to Work For®



2017 AWARDS

- Bob Scott's Top 100 Value Added Reseller Stars (VARs) - ranked #7
- *Accounting Today* Top 100 VARs - ranked #6
- Vault Accounting Top Ranked
- When Work Works Award
- WorldatWork Work-Life Seal of Distinction
- Microsoft Dynamics Inner Circle and President's Club
- Best Places to Work in Illinois
- Milwaukee's 101 Best and Brightest Companies to Work For®
- Best Places to Work in Indiana
- Chicago's 101 Best and Brightest Companies to Work For®
- *Milwaukee Journal Sentinel* Top Workplaces in Milwaukee
- *Crain's List* Chicago's Largest Privately Held Companies - ranked #234
- *Chicago Tribune's* Top Workplaces
- Boston's 101 Best and Brightest Companies to Work For®
- National Best and Brightest in Wellness
- National Best and Brightest Companies to Work For

2016 AWARDS

- *Accounting Today* Top Regional Leaders and Firms: Great Lakes - ranked #4
- *Milwaukee Business Journal* Largest Management Consulting Firms - ranked #10
- *Milwaukee Business Journal* Largest Milwaukee-Area Accounting Firms - ranked #8
- *Inc. 5000* - ranked #4613
- *INSIDE Public Accounting* Top 50 Largest Accounting Firms - ranked #31 nationally
- Milwaukee's 101 Best and Brightest Companies to Work For®
- WICPA Excellence Award - Public Service Award
- *Accounting Today* Top 100 VARs - ranked #7
- Bob Scott's Top 100 VARs - ranked #7
- Boston's 101 Best and Brightest Companies to Work For®
- US Small and Mid-Sized Business (SMB) Champions Club Heartland Partner of the Year, Microsoft's US SMB Champions Club
- *Milwaukee Journal Sentinel* Top Workplaces in Milwaukee

2015 AWARDS

- National Best and Brightest Companies to Work For®
- National Best and Brightest in Wellness
- Edge Award - Community Service
- *Chicago Tribune's* Top Workplaces

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 2017 Sikich LLP received its 10th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.

MICROSOFT PARTNER

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

Gold

Microsoft Partner



2017/2018
INNER CIRCLE
for Microsoft Dynamics

- **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)
- **Certified for Microsoft Dynamics (NAV)**

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



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.



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