

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
December 31, 2014

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor’s 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>	3-4
Independent Auditor’s Report on Compliance for each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.....	5-7
Schedule of Expenditures of Federal Awards.....	8
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs.....	10-13



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

630.566.8400 // www.sikich.com

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

**INDEPENDENT AUDITOR'S 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***

The Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Hoffman Estates, Illinois (the Village), as of and for the year ended December 31, 2014, and the related notes to financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated May 27, 2015.

Internal Control Over Financial Reporting

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

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

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 Village'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 to be a material weakness, as described in finding 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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 Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village'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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Naperville, Illinois
May 27, 2015



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

630.566.8400 // www.sikich.com

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

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

The Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Village of Hoffman Estates, Illinois' (the Village) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended December 31, 2014. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village of Hoffman Estates, Illinois, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-002 through 2014-003. Our opinion on each major federal program is not modified with respect to these matters.

The Village's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village'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 Village 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 Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village'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 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.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village, as of and for the year ended December 31, 2014, and the related notes to financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated May 27, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Naperville, Illinois
May 27, 2015

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development	N/A	Community Development Block Grants/Entitlement Grants	14.218*	\$ 313,783
U.S. Department of Transportation	Illinois Department of Transportation	IDOT STEP Grant	20.600	33,639
	Illinois Department of Transportation	Federal Highway Administration/IDOT Hassell Rd Reconstruction	20.205	40,305
	Illinois Department of Transportation	Federal Highway Administration/IDOT Palatine Rd Project	20.205	1,747
				<u>42,052</u>
		Total U.S. Department of Transportation		<u>75,691</u>
U.S. Department of Justice	Bureau of Justice Assistance	Bullet Proof Vest Program	16.607	7,191
	N/A	Federal Asset Seizure	16.922	162,256
				<u>169,447</u>
		Total U.S. Department of Justice		<u>169,447</u>
U.S. Department of Homeland Security		Edward Byrne Memorial Justice Assistance Grant Program		
	N/A	Staffing for Adequate Fire and Emergency Response	97.044*	303,507
	N/A	Department of Homeland Security Fire Station Alerting Grant	97.044*	212,977
				<u>516,484</u>
	Illinois Emergency Management Agency	Emergency Management Preparedness Grant 2013	97.042	57,551
	Illinois Emergency Management Agency	Emergency Management Preparedness Grant 2014	97.042	30,820
				<u>88,371</u>
		Total U.S. Department of Homeland Security		<u>604,855</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 1,163,776</u></u>

* Denotes major program

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2014

Note A - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). It is a summary of the activity of the Village's federal award programs prepared on the accrual basis of accounting. Accordingly, expenditures are recognized when the liability has been incurred and revenues are recognized when the qualifying expenditure has been incurred.

NOTE B - Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the Village provided federal awards to a subrecipient from the CDBG Grant as follows:

<u>Name of Subrecipient</u>	<u>Amount Provided</u>
North West Housing Partnership	\$ 69,364

Note C - Other Information

The Village did not have any federal expenditures related to loans, loan guarantees, insurance or non-cash items.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *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 Circular A-133,
Section .510(a)? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

Section II - Financial Statement Findings

2014-001: Material Audit Adjustments

Criteria: A lack of controls over the year-end financial reporting process ordinarily is considered a significant deficiency in internal control. In addition, when the auditor identifies a material audit adjustment in the financial statements that were not initially identified by the Village, there is ordinarily a corresponding material weakness. Generally accepted auditing standards emphasizes that the external auditor cannot be part of an entity's internal control process over financial reporting.

Condition: Material adjustments were not recorded by the Village and were detected as a result of auditing procedures.

Context: The adjustments proposed and recorded included \$1,133,415 in previously unrecorded long-term debt, \$143,364 in grants receivable and a reduction in other receivables of \$220,692.

Effect: Several material adjustments were required to be recorded to present fairly the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Hoffman Estates, Illinois, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cause: Adjusted trial balances and related reconciliations were not reviewed or prepared on a timely basis.

Recommendation: We recommend that procedures or checklist be adopted to include all procedures that management determines are needed to be performed on a monthly or year end basis to ensure general ledger accounts are properly adjusted.

Corrective Action Plan:

The Village agrees with the auditors' recommendation and have implemented a checklist system. We are confident this error will not occur again in the future.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

Section III - Federal Award Findings and Questioned Costs

2014-002: Assistance to Firefighters Grant, CFDA #97-044

Criteria: The grant agreement requires FFR reports to be filed by January 31, 2015. The final report must be submitted within 90 days after the end of the period of performance.

Condition: The SAFER FFR report for the period of July 1, 2014 through end of grant period, November 8, 2014 was not filed. Also, the SAFER grant final report, as required by the grant agreement was not filed.

Context: Two reports were not filed.

Effect: The FFR for the period was not filed by the required date, as required by the grant agreement.

Cause: The reporting portal closed and the Village did not pursue an alternative filing procedure with grantor.

Recommendation: The Village should file all required reports by the date stipulated in the grant agreement.

Corrective Action Plan:

The Village agrees with the auditors' recommendation and will file the reports by the date stipulated in the grant agreement. We are confident this error will not occur again in the future.

2014-003: Assistance to Firefighters Grant, CFDA #97-044

Criteria: The grant agreement requires FFR reports to be filed on a semi annual basis. A final report is required to be filed within 90 days after the end of the period of performance.

Condition: The Fire Station Alerting FFR report for the period of January through May 30 was not filed. Also, the Fire Station Alerting final report, as required by the grant agreement was not filed.

Cause: Two reports were not filed.

Effect: The FFR for the period was not filed by the required date, as required by the grant agreement.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2014

Section III - Federal Award Findings and Questioned Costs (Continued)

2014-003: Assistance to Firefighters Grant, CFDA #97-044 (Continued)

Cause: No additional reports were filed once the Village received the federal funds for the program.

Recommendation: The Village should file all required reports by the date stipulated in the grant agreement.

Corrective Action Plan

The Village agrees with the auditors' recommendation and will file the reports by the date stipulated in the grant agreement. We are confident this error will not occur again in the future.

Section IV - Summary Schedule of Prior Audit Findings

There were no prior audit findings