

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
December 31, 2015



VILLAGE OF HOFFMAN ESTATES, ILLINOIS
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**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 Village of Hoffman Estates (the Village), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 26, 2016.

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.

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.

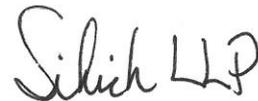
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

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

Naperville, Illinois
May 26, 2015



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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 SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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 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 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

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 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 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 the Uniform Guidance. 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, 2015, and the related notes to financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated May 26, 2016, 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 Grant 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.



Naperville, Illinois
May 26, 2016

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2015

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security	Illinois Emergency Management Agency	Emergency Management Preparedness Grant	97.042	\$ 15,765
		Total Emergency Management Performance Grants		<u>15,765</u>
	Staffing for Adequate Fire and Emergency Response (SAFER)			
	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	<u>6,136</u>	
	Total Staffing for Adequate Fire and Emergency Response (SAFER)		<u>6,136</u>	
		Total U.S. Department of Homeland Security		<u>21,901</u>
U.S. Department of Justice	Bulletproof Vest Program	Bulletproof Vest Program	16.607	<u>3,795</u>
		Total U.S. Department of Justice		<u>3,795</u>
U.S. Department of Transportation	Highway Planning and Construction	Highway Planning and Construction	20.205	<u>186,570</u>
		Total Highway Planning and Construction		<u>186,570</u>
	State and Community Highway Safety			
	State and Community Highway Safety	20.600	<u>10,949</u>	
	Total State and Community Highway Safety		<u>10,949</u>	
		Total U.S. Department of Transportation		<u>197,519</u>
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants	Community Development Block Grants/Entitlement Grants	*14.218	<u>301,266</u>
		Total U.S. Department of Housing and Urban Development		<u>301,266</u>
U.S. Department of the Treasury	Equitable Sharing Program	Equitable Sharing Program	*21.000	<u>235,145</u>
		Total U.S. Department of the Treasury		<u>235,145</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 759,626</u></u>

* - Denotes Major Federal Program

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2015

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 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 (CFDA# 14.218) as follows:

<u>Name of Subrecipient</u>	<u>Amount Provided</u>
North West Housing Partnership	\$ 31,608

Note C - Other Information

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

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:
Material weaknesses identified? yes no
Significant deficiency (ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major federal programs:
Material weaknesses identified? yes no
Significant deficiency (ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? 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
21.000	Equitable Sharing Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes no

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF JUSTICE

2015-001: Equitable Sharing Program - CFDA # 21.000

Criteria: The U.S. Department of Justice Equitable Sharing Funds, in Section VIII(A)(1) of the Guide requires that the proceeds from the sale of shared property, facilities, equipment and other items acquired with shared funds be expended only on permissible uses.

Condition: Proceeds from the sale of shared property were received into the Village's general bank account and initially recorded in the Village's General Fund; the funds were therefore not uniquely separated for permissible uses.

Context: The adjustments proposed resulted in reclassifying \$2,051 of proceeds received from the sale of a vehicle originally acquired with shared funds from the Village's General Fund to the Asset Seizure Fund (a nonmajor governmental fund).

Effect: The Village used some of the proceeds from the sale of shared property, facilities, equipment, and other items acquired with shared funds for general Village expenditures rather than the permissible uses for U.S. Department of Justice Equitable Sharing Funds enumerated in Section VIII(A)(1) of the Guide.

Cause: The Village did not have a set procedure in place to ensure that the proceeds from the sale of shared property, facilities, equipment, and other items acquired with shared funds were deposited into the Village's equitable sharing revenue account and used for the same permissible uses as other U.S. Department of Justice Equitable Sharing Program monies.

Recommendation: We recommend that the Village establish policies and procedures that call for all auction and scrap proceeds from the sale of shared property, facilities, equipment, and other items acquired with shared funds to be deposited into the Village's U.S. Department of Justice Equitable Sharing Revenue account. The policies and procedures established should also ensure that such auction and scrap proceeds are subjected to the same permissible use restrictions and reporting requirements as shared cash or proceeds, in accordance with the provisions of the Guide.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

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

U.S. DEPARTMENT OF JUSTICE (Continued)

2015-001: Equitable Sharing Program - CFDA # 21.000 (Continued)

Corrective Action Plan: The Village agrees with the auditors' recommendations and have implemented appropriate procedures. Effective January 1, 2016, when assets are sold at auction or scrapped, any applicable sales proceeds are given to the Assistant Finance Director who then matches up the sold assets with Village asset records to verify if assets were shared property, facilities, equipment, and/or other items. If so, those sales proceeds will be recorded in the proper fund to be used for same permissible uses as other Sharing Program monies.

Section IV - Summary Schedule of Prior Audit 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.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

Section IV - Summary Schedule of Prior Audit Findings (Continued)

2014-001: Material Audit Adjustments (Continued)

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.

Status - This item is considered implemented at December 31, 2015.

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.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2015

Section IV - Summary Schedule of Prior Audit Findings (Continued)

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

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.

Status - This item is considered implemented at December 31, 2015.

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.

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.

Status - This item is considered implemented at December 31, 2015.