

MARSHALL COUNTY, ILLINOIS

**ANNUAL FEDERAL AWARDS
COMPLIANCE AUDIT**

November 30, 2009



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, AND ON INTERNAL CONTROL OVER COMPLIANCE, AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133, AND SUPPLEMENTAL INFORMATION	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	17

**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***

Members of the County Board
Marshall County, Illinois

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marshall County, Illinois as of and for the year ended November 30, 2009, which collectively comprise Marshall County, Illinois' basic financial statements and have issued our report thereon dated May 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-01, 09-02, and 09-03 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County, Illinois' financial statements are free of 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*.

We noted certain matters that we reported to the management of Marshall County, Illinois in a separate letter dated May 28, 2010.

Marshall County, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Marshall County, Illinois' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Finance Committee, members of the County Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Peoria, Illinois
May 28, 2010

**Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program and
on Internal Control Over Compliance, and Schedule of
Expenditures of Federal Awards in Accordance With
OMB Circular A-133, and Supplemental Information**

Members of the County Board
Marshall County, Illinois

Compliance

We have audited the compliance of Marshall County, Illinois with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended November 30, 2009. Marshall County, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marshall County, Illinois' management. Our responsibility is to express an opinion on Marshall County, Illinois' compliance based on our audit.

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 Marshall County, Illinois' 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. Our audit does not provide a legal determination of Marshall County, Illinois' compliance with those requirements.

In our opinion, Marshall County, Illinois complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended November 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 09-04 and 09-05.

Internal Control Over Compliance

The management of Marshall County, Illinois is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marshall County, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 entity'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.

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 deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-01, 09-02, 09-03, 09-04, and 09-05 to be material weaknesses.

Schedule of Expenditures of Federal Awards and Supplemental Information

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marshall County, Illinois as of and for the year ended November 30, 2009, and have issued our report thereon dated May 28, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Marshall County, Illinois' 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Marshall County, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Marshall County, Illinois' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Finance Committee, members of the County Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Peoria, Illinois
September 16, 2010, except for the
Schedule of Federal Awards, as to
which the date is May 28, 2010

MARSHALL COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended November 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed-through to Subrecipients</u>
U.S. Department of Agriculture				
Passed-through Illinois Department of Human Services				
Supplemental Nutrition Program for Women, Infants, and Children (Major)	10.557	L11GL332000	\$ 15,000	\$ -
	10.557	K11GK332000	21,800	-
W.I.C., Noncash Food Vouchers (Major)	10.557		<u>121,622</u>	<u>-</u>
			<u>158,422</u>	<u>-</u>
W.I.C., Farmers Market	10.572	11GL332000	<u>1,000</u>	<u>-</u>
Passed-through Illinois Department of Public Health				
Summer Food Program	10.559		<u>100</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>159,522</u>	<u>-</u>
U.S. Department of Transportation				
Passed-through Illinois Department of Transportation				
Reimbursement for Land Acquisition (Major)	20.106	00003833100	<u>221,798</u>	<u>-</u>
U.S. Environmental Protection Agency				
Passed-through Illinois Department of Public Health				
Noncommunity Water Supply	66.605		<u>350</u>	<u>-</u>
U.S. Election Commission				
Passed-through Illinois State Board of Elections				
HAVA Election Grant	90.401		<u>3,172</u>	<u>-</u>

MARSHALL COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended November 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed-through to Subrecipients</u>
U.S. Department of Health and Human Services				
Passed-through Illinois Department of Public Health				
Oral Health	93.994		\$ <u>3,500</u>	\$ <u>-</u>
Bioterrorism	93.069		<u>70,027</u>	<u>-</u>
Passed-through Illinois Department of Human Services				
Family Case Management	93.667	11GK332000	<u>2,541</u>	<u>-</u>
Passed-through Illinois Department of Healthcare and Family Services				
Kid Care	93.563		<u>6,092</u>	<u>-</u>
Medical Assistance Program	93.778	366006620	<u>54,277</u>	<u>-</u>
Immunizations	93.268		<u>18,728</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>155,165</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed-through Illinois Emergency Management Agency				
ESDA Grant	97.036		<u>10,270</u>	<u>-</u>
TOTAL			<u>\$ 550,277</u>	<u>\$ -</u>

MARSHALL COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended November 30, 2009

	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Passed- through to Subrecipients</u>	<u>Cluster Total, If Applicable</u>
SUMMARY OF FEDERAL AWARDS BY FEDERAL CFDA NUMBER AND CLUSTER				
	10.557	\$ 158,422	\$ -	
	10.559	100	-	
	10.572	1,000	-	
	20.106	221,798	-	
	66.605	350	-	
	90.401	3,172	-	
	93.069	70,027	-	
	93.268	18,728	-	
	93.563	6,092	-	
	93.667	2,541	-	
	93.778	54,277	-	
	93.994	3,500	-	
	97.036	<u>10,270</u>	<u>-</u>	
		<u>\$ 550,277</u>	<u>\$ -</u>	

MARSHALL COUNTY, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2009

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Marshall County, Illinois (County). The Marshall County reporting entity is defined in Note 1 to the County's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in the Summary of Significant Accounting Policies to the County's basic financial statements.

Nonmonetary Assistance

Nonmonetary assistance is reported in the schedule at the fair market value of the nonmonetary assistance received and disbursed.

Other Noncash Assistance

The County did not receive any federal awards in the form of noncash assistance for insurance in effect during the year, loans, or loan guarantees.

Commodities - Vaccines

The County receives vaccines at no charge from the Illinois Department of Healthcare and Family Services through the federally assisted Immunization Grant, CFDA Number 93.268. The County reflects financial activity related to the contribution of the vaccines in the financial statements. The value of vaccines used during fiscal year 2009 was \$18,728.

Noncash Food Instruments

The County participates in the Supplemental Food Program for Women, Infants, and Children and issues food instruments to eligible participants. The food instruments can be exchanged for authorized supplemental foods at retail stores. The State of Illinois processes and tracks the food instruments redeemed. The federal portion of food instruments distributed by Marshall County and redeemed during the period July 1, 2008 to June 30, 2009 was \$121,622 and is reported in the Schedule of Expenditures of Federal Awards. Information is not available from the State to report this information on the County's fiscal year.

**MARSHALL COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? x Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes x None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? x Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes x None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? x Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557 Children	Supplemental Nutrition Program for Women, Infants, and
20.106	Reimbursement for Land Acquisition

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

Auditee qualified as low-risk auditee? Yes x No

MARSHALL COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2009

Financial Statement Findings

Finding No. 09-01 - Segregation of Duties

Condition:

Due to the small number of personnel performing accounting and compliance functions in the various County offices, segregation of duties over accounting and compliance transactions is limited.

Criteria or Specific Requirement:

An effective system of internal control is based on a good segregation of duties. In order to have a system of segregation of duties, there must be a number of personnel available to whom responsibilities can be assigned to provide the appropriate checks and balances of any system.

Effect:

As a result of the lack of segregation of duties, due to the small number of personnel involved in accounting and compliance transactions, there is a higher risk that errors or inappropriate transactions could occur and not be detected within a timely period.

Cause:

There are a small number of personnel involved in accounting transactions within the County offices.

Recommendation:

When this condition exists, management's close supervision and review of accounting and compliance information is the best means of preventing or detecting errors and irregularities.

Views of Responsible Officials and Planned Corrective Action:

To the extent possible, monitoring of monthly financial results and compliance information will continue in the County offices.

MARSHALL COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2009

Financial Statement Findings (Continued)

Finding No. 09-02 - Financial Statement Preparation

Condition:

The Board of Directors and management share the ultimate responsibility for the County's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced to the external auditors. The County engages the external auditors to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, external auditors cannot be considered part of the County's internal control system.

Criteria or Specific Requirement:

In an ideal control setting, the County would have personnel possessing a thorough understanding of applicable generally accepted accounting principles staying abreast of recent accounting developments. Such personnel would perform a comprehensive review procedure to ensure that in the preparation of its annual financial statements that such statements, including disclosures, are complete and accurate.

Effect:

It is possible that a misstatement of the County's financial statements could occur and not be prevented or detected by the County's internal control.

Cause:

The County has not made it a practice to send County officials or other personnel to training classes to update them on the on-going changes and complexities of generally accepted accounting principles.

Recommendation:

We make no recommendation as to whether management should or should not invest in additional personnel or additional training for existing personnel to acquire the capacity to maintain the level of expertise necessary to prepare financial statements in accordance with generally accepted accounting principles including all disclosures.

Views of Responsible Officials and Planned Corrective Action:

The County does not deem it cost effective to send designated employees to training classes nor to hire an individual with the qualifications to complete all financial statements including note disclosures.

MARSHALL COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2009

Financial Statement Findings (Continued)

Finding No. 09-03 - Significant Audit Adjustments

Condition:

During the course of our audit, we posted various adjustments that had a material effect on the County's financial statements. A significant portion of the adjustments related to adjusting to the modified accrual basis or accrual basis of accounting from the cash basis, and recording capital assets for the government-wide financial statements.

Criteria or Specific Requirement:

A control deficiency 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 misstatements on a timely basis.

Effect:

The County's lack of completing accrual adjustments within its accounting system constitutes a material weakness, which is a deficiency that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented, or detected and corrected by the County's internal control.

Cause:

Significant audit adjustments were a result of County officials preparing accounting records and reports on the cash basis of accounting. As indicated in the County's audited basic financial statements, the accounting for all funds has been converted to the modified accrual basis or accrual basis, as required by accounting principles generally accepted in the United States of America.

Recommendation:

To establish proper internal control over its accounting system, the County should design and implement accounting policies and procedures which will allow management or employees, in the normal course of performing their assigned functions, to complete adjustments on a timely basis. Such procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the County's activities and operations.

Views of Responsible Officials and Planned Corrective Action:

The County maintains a cash basis accounting system. Currently, there is no plan to change to accrual basis accounting.

MARSHALL COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2009

Federal Awards Findings and Questioned Costs

	<u>Questioned Costs</u>
See Finding No. 09-01	None
All federal programs are affected.	
See Finding No. 09-02	None
All federal programs are affected.	
See Finding No. 09-03	None
All federal programs are affected.	

Finding No. 09-04 - Allocation of WIC Salaries

Federal Agency/Program: U.S. Department of Agriculture - 10.557 - Supplemental Nutrition Program of Women, Infants, and Children

Questioned Costs: None Known

Condition:

The County does not allocate WIC salaries charged to the federal grant based on an acceptable method in accordance with federal guidelines. We noted 18 instances out of 29 tested where individuals' time charged to the grant were based on budgeted amounts or an allocation of hours, not based on actual hours or a time study. In two of these instances, the County could not locate the supporting documentation for allocation of the reported amount.

Criteria or Specific Requirement:

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, outlines allowable costs that can be charged to federal programs and sets forth various documentation requirements for costs charged to federal programs. For employees whose time is not allocated based on properly completed timecards depending on whether employees' salaries and wages are charged solely to one grant program or are allocated to several programs, semiannual or monthly certifications must be prepared and signed by the employee and his/her supervisor verifying the amount of time spent by the employee on each program.

**MARSHALL COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2009**

Federal Awards Findings and Questioned Costs (Continued)

Finding No. 09-04 - Allocation of WIC Salaries (Continued)

Effect:

The County is not in compliance with federal documentation requirements related to personal service costs charged to grants. Without proper documentation to support the costs charged to grants, these costs could be questioned by the granting agencies.

Cause:

During FY09, the majority of Health Department time was charged to grants based on either budgeted amounts or allocations that were not the result of a proper time study.

Recommendation:

The County should develop and implement procedures to ensure that the allocation of salaries charged to federal grants are supported and documented by a time study.

Views of Responsible Officials and Planned Corrective Action:

Subsequent to audit testing, time and activity tracking and documentation have been put in place for all staff for 100 percent of time. Time and activity sheets are completed by each employee, documenting all time worked and all benefit time or time without pay and are completed for each two week pay period. Time and activity sheets must be signed by the employee and submitted to the employee's supervisor. The supervisor reviews and verifies the information and also signs the sheet. All time and activity sheets are then submitted to the Financial Services Department. The Financial Services Department is responsible for compiling all individual time and activity sheets into a spreadsheet format which verifies that all employee time is 100 percent accounted for, tracking information both by employee and by activity/grant.

Finding No. 09-05 - Documentation of WIC Eligibility

Federal Agency/Program: U.S. Department of Agriculture - 10.557 - Supplemental Nutrition Program for Women, Infants, and Children

Questioned Costs: None known

Condition:

We noted 2 out of 60 items tested for WIC eligibility did not have all the proper documentation required on the certification form.

**MARSHALL COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2009**

Federal Awards Findings and Questioned Costs (Continued)

Finding No. 09-05 - Documentation of WIC Eligibility (Continued)

Criteria or Specific Requirement:

OMB Circular A-133 outlines eligibility requirements that must be verified and documented prior to administering WIC services. Such requirements include notification of eligibility (pregnant, child, etc.), residency, income, identity, and nutrition risk.

Effect:

The County is not in compliance with federal documentation requirements related to eligibility requirements. Without proper documentation to support eligibility, services rendered could be questioned by the granting agencies.

Cause:

The lack of documentation of the certification form was caused by oversight.

Recommendation:

The County should develop and implement procedures to ensure that verification of all eligibility requirements are documented in accordance with the federal guidelines.

Views of Responsible Officials and Planned Corrective Action:

We currently have policies and procedures in place for establishing eligibility for WIC services. Our procedure lists out each criteria that participants must adhere to and then lists what is an acceptable form of proof. For example, proof of identity: each participant must provide evidence of his or her identity. For adult participants, a driver's license, state identification card, or other official documents may be considered proof of identity. In the absence of these, two or more items with the individual's name, such as blood donor cards, credit cards, library cards, or social security card may be used. We will continue to use our policies and procedures for establishing eligibility for services and continue our own monitoring and audit tools we use on a consistent basis.

**MARSHALL COUNTY, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended November 30, 2009**

None.