

CITY OF SPRINGFIELD, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
February 29, 2016



CITY OF SPRINGFIELD, ILLINOIS
SINGLE AUDIT REPORT
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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**

To the Honorable Mayor
and Members of the City Council
City of Springfield, Illinois

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, Illinois (City) as of and for the year ended February 29, 2016, and the related notes to the financial statements, which collectively comprise the City of Springfield, Illinois' basic financial statements and have issued our report thereon dated September 9, 2016.

Internal Control Over Financial Reporting

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

Purpose of this Report

This 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
September 9, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor
and Members of the City Council
City of Springfield, Illinois

Report on Compliance for Each Major Federal Program

We have audited City of Springfield, Illinois' (City) 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 City's major federal programs for the year ended February 29, 2016. The City'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 City'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 City'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 City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 February 29, 2016.

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 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to 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 City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 City'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.

This 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 the Uniform Guidance

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 City of Springfield, Illinois, as of and for the year ended February 29, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 9, 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 City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of those 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.

Sikich LLP

Springfield, Illinois
September 9, 2016

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED FEBRUARY 29, 2016

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Direct Programs			
Joint Terrorism Task Force	97.U01		\$ 3,463
Passed-through Federal Emergency Management Agency			
Assistance to Firefighters Grant	97.044	EMW-2014-FP-00147	14,455
Passed-through Illinois Law Enforcement Alarm System			
State Homeland Security Program (SHSP)	97.073		<u>42,186</u>
Total U.S. Department of Homeland Security			<u>60,104</u>
<u>U.S. Department of Transportation</u>			
Highway Safety Cluster			
Passed-through Illinois Department of Transportation			
State and Community Highway Safety	20.600	AP-16-0092	10,460
National Priority Safety Programs	20.616	AP-15-0144	9,236
National Priority Safety Programs	20.616	ML-15-0614	<u>979</u>
Total Highway Safety Cluster			20,675
Direct Programs			
National Infrastructure Investments	20.933 *	FR-TII-0021-14-01-00	5,496,064
Passed-through Illinois Department of Transportation			
Highway Planning and Construction	20.205	C-96-203-11	609
Highway Planning and Construction	20.205	C-96-207-14	80,671
Highway Planning and Construction	20.205	HPD-0745(001)	3,147
Highway Planning and Construction	20.205	TE-HPP4045(001)	2,506
Highway Planning and Construction	20.205	M-5146(064)	146,653
Highway Planning and Construction	20.205	TE-00D6(104)	40,919
Highway Planning and Construction	20.205	HPP-TE-00D6(099)	554
Highway Planning and Construction	20.205	HPP-4053(001)	1,469,600
Highway Planning and Construction	20.205	DPU-0033(7)	<u>207,075</u>
Total Highway Planning and Construction			<u>1,951,734</u>
Total U.S. Department of Transportation			<u>7,468,473</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Direct Programs			
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-17-0023	155,346
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-17-0023	<u>826,547</u>
Total Community Development Block Grants/Entitlement Grants			981,893
Home Investment Partnerships Program			
Home Investment Partnerships Program	14.239	M-13-MC-17-0209	235,685
Home Investment Partnerships Program	14.239	M-14-MC-17-0209	<u>179,100</u>
Total Home Investment Partnerships Program			414,785
Economic Development Initiative - Special Project, Neighborhood			
Initiative and Miscellaneous Grants	14.251	B-10-SP-IL-0148	<u>108,872</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 1,505,550</u>

(Continued)

See accompanying Independent Auditor's Report.

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED FEBRUARY 29, 2016

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Justice:</u>			
Direct Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0104	\$ 31,259
Equitable Sharing Program	16.922		82,115
Organized Crime Drug Enforcement Task Force	16.U01		24,104
Drug Enforcement Admn Task Force	16.U02		11,711
Drug Enforcement Admn Task Force	16.U02		6,005
U.S. Marshal Task Force	16.U03		<u>17,719</u>
Total U.S. Department of Justice			<u>172,913</u>
<u>U.S. Equal Employment Opportunity Commission:</u>			
Direct Programs			
Employment Discrimination_Title VII of the Civil Rights Act of 1964	30.001	EECCN140025	12,800
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	EECCN110073	<u>15,600</u>
Total U.S. Equal Employment Opportunity Commission:			<u>28,400</u>
<u>U.S. Department of the Interior:</u>			
Passed-through Illinois Department of Natural Resources			
Abandoned Mine Land Reclamation	15.252	AML-GSaE-1410	61,740
Abandoned Mine Land Reclamation	15.252	AML-GSaE-1414	<u>593,403</u>
Total U.S. Department of the Interior:			<u>655,143</u>
TOTAL FEDERAL AWARDS			<u>\$ 9,890,583</u>
Amounts provided to subrecipients:			
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-17-0023	\$ 96,682
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-17-0023	411,279
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0104	<u>31,259</u>
Total amounts provided to subrecipients			<u>\$ 539,220</u>

* Denotes Major Federal Program

See accompanying Independent Auditor's Report.

CITY OF SPRINGFIELD, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended February 29, 2015

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Springfield, Illinois (the City) for the year ended February 29, 2016. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the schedule. The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue and met the available criteria. Revenue from federal awards is recognized within proprietary funds when the City has done everything necessary to establish its right to revenue. Expenditures and expenses of federal awards are recognized in the accounting period when the liability is incurred and approved for reimbursement.

The City did not elect to use the 10% de minimis indirect cost rate.

3. FEDERAL LOAN PROGRAM

Under the Community Development Block Grant program, the City administers loan programs which are accounted for in the Community Development Fund, a special revenue fund. As of February 29, 2016, the loans outstanding under these programs total \$283,894.

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended February 29, 2016

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? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Type of auditor’s report issued on compliance for major federal programs:

unmodified

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?

Yes No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.933	National Infrastructure Investments

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

CITY OF SPRINGFIELD, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended February 29, 2016

Section II – Financial Statement Findings

None

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended February 29, 2016

Section III – Federal Award Findings

U.S. DEPARTMENT OF TRANSPORTATION

2016-001 – National Infrastructure Investments – CFDA No. 20.933, Grant No. FR-TII-0021-14-01-00, Year Ended February 29, 2016 (Repeat of prior year finding: 2015-004)

Criteria: The grant agreement states that the need to continuously and accurately report cost increases; schedule changes; deficient quality items; and the causes, impacts, and proposed measures to mitigate these issues is paramount to effectively managing, administering, and protecting the public investment in the project. Any apparent reporting deficiencies or questionable data should be completely resolved. Ultimately, the Grantee and the Government must be fully aware of the complete status of the project, and therefore be in a position to take appropriate action if necessary. Additionally, as noted in the instructions for the Federal Financial Report, for cash basis accounting, expenses are recorded when they are paid. For reports prepared on a cash basis, expenditures are the sum of cash disbursements for direct charges for property and services; the amount of indirect expense charged; and the amount of cash advance payments made to subrecipients.

Section 14 of the grant agreement further indicates that the purpose of the calendar quarterly progress reports under the agreement for the TIGER Discretionary Grant program is to ensure that the project budget and schedule will be maintained to the maximum extent possible, that the project will be completed with the highest degree of quality, and that compliance with Federal regulations will be met.

Condition: During the single audit instances of noncompliance with reporting requirements of the major program were noted. During testing of 2 of 4 quarterly Federal Financial Reports and 2 of 4 Quarterly Progress Reports submitted to the Federal Railroad Administration (FRA) during the City's fiscal year 2016, we noted inaccurate reporting of expenditures for 2 of the 4 reports tested. The City was not reporting expenditures on a cash basis as elected by the City on the September 2015 quarterly Federal Financial Report and September 2015 Quarterly Progress Report. Further inquiry of the City indicated that the March 2015 and June 2015 quarterly Federal Financial Reports and Quarterly Progress Reports were not reporting expenditures on a cash basis. Rather, they were reporting expenditures based on invoice date, which resulted in prematurely reporting expenditures to the federal agency. While the City was reporting all expenditures, they were not being reported in accordance with the elected method of reporting, cash. Therefore, 3 of 4 quarterly Federal Financial Reports and 3 of 4 Quarterly Progress Reports submitted during the City's fiscal year were inaccurately reporting expenditures using invoice date and not on a cash basis as elected.

This finding was reported in the prior year, but the Single Audit report was not issued until after the City completed the September 2015 quarterly reports. The City correctly completed the December 2015 quarterly reports after receiving the finding.

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended February 29, 2016

Section III – Federal Award Findings (Continued)

U.S. DEPARTMENT OF TRANSPORTATION (Continued)

2016-001 – National Infrastructure Investments – CFDA No. 20.933, Grant No. FR-TII-0021-14-01-00, Year Ended February 29, 2016 (Repeat of prior year finding: 2015-004) (Continued)

Additionally, during testing of 2 of 4 Quarterly Progress Reports we noted that part 2 of the two part narrative progress report was not accurately completed. Further inquiry of the City indicated that part 2 of the report had not be updated since the prior fiscal year. Therefore, for 4 of 4 Quarterly Progress Reports submitted to the FRA during the City’s fiscal year 2016, part 2 was not appropriately updated.

Statistical sampling was not used when making sample selections.

Questioned Costs: None

Effect: Inaccurate reporting constitutes noncompliance with grant reporting requirements and may result in restricted funding in future periods. Additionally, the Government may not be fully aware of the complete status of the project, and therefore not be in a position to take appropriate action if necessary.

Cause: Improper reporting in accordance with the grant agreement and management oversight.

Recommendation: We recommend the City follow reporting instructions to ensure accurate reporting and implement additional controls to ensure accurate reports are being submitted to Federal agencies.

Response & Corrective Action: The City has discussed with the project manager and Federal Railroad Administration grant manager, and going forward reports will be appropriately updated each quarter.

CITY OF SPRINGFIELD, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended February 29, 2016

Section IV – Prior Finding Follow Up

<u>Prior Finding</u>	<u>Condition</u>	<u>Status</u>
2015-001	Inadequate system of internal controls over the preparation of the financial statements in accordance with US GAAP.	Not Repeated
2015-002	Inadequate system of internal controls over the preparation of the schedule of expenditures of federal awards.	Not Repeated
2015-003	Inaccurate pension liability actuarial valuation.	Not Repeated
2015-004	Inaccurate reporting of expenditures and performance measures.	Repeated

CITY OF SPRINGFIELD, ILLINOIS

CORRECTIVE ACTION PLAN

For the Year Ended February 29, 2016

Finding Number	Finding	Corrective Action Plan	Anticipated Date of Completion	Contact Person
2016-001	Inaccurate reporting of expenditures.	See response and corrective action plan at 2016-001	2016-2017	Nate Bottom, City Engineer