

## **CITY OF GENEVA, ILLINOIS**

REPORT ON FEDERAL AWARDS

For the Year Ended April 30, 2021

# CITY OF GENEVA, ILLINOIS

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**Independent Auditors' 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 of  
City of Geneva, Illinois

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 Geneva, Illinois as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Geneva's basic financial statements, and have issued our report thereon dated October 18, 2021. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Custodial Fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Custodial Fund.

**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.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 City's Response to Findings and Corrective Action Plan**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Additionally, the City's is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's response and corrective action plan were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Oak Brook, Illinois  
October 18, 2021

**Independent Auditors' Report on Compliance  
for the Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

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

**Report on Compliance for the Major Federal Program**

We have audited the City of Geneva's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended April 30, 2021. The City's major federal program is identified in the summary of auditors' 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 program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on the 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 its major federal program for the year ended April 30, 2021.

## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a 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.

## Purpose of This Report

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 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 Geneva, Illinois as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Geneva's basic financial statements. We issued our report thereon dated October 18, 2021, 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 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.



Oak Brook, Illinois  
February 2, 2022

**CITY OF GENEVA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended April 30, 2021

Federal Grantor/ Program Title	CFDA Number	Additional Award Identification	Pass-through Agency	Grant Number	Federal Expenditures	Payments Made to Subrecipients
<b>FEDERAL PROGRAMS</b>						
<b>U.S. DEPARTMENT OF TREASURY</b>						
Passed through County of Kane, Illinois Coronavirus Relief Fund (M)	21.019	COVID-19	County of Kane, Illinois	SLT0201	\$ 1,283,594	\$ -
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Direct Funding						
Bulletproof Vest Partnership Program	16.607				2,760	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738				<u>625</u>	<u>-</u>
<b>TOTAL FEDERAL PROGRAMS</b>					<u>\$ 1,286,979</u>	<u>\$ -</u>

(M) - Denotes Major Program

See accompanying notes to schedule of expenditures of federal awards.

# CITY OF GENVA, ILLINOIS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended April 30, 2021

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### **NOTE 1 – BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the City of Geneva under programs of the federal government for the year ended April 30, 2021. 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 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.

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### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

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### **NOTE 3 – INDIRECT COST RATE**

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The City of Geneva has not elected to use the 10% de minimis indirect cost rate.

# CITY OF GENEVA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended April 30, 2021

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### SECTION I – SUMMARY OF AUDITORS' RESULTS

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#### *FINANCIAL STATEMENTS*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- > Material weakness identified?              X   yes                   no
- > Significant deficiency identified?          X   yes                   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 section 516(a) of the Uniform Guidance?

       yes              X   no

Auditee qualified as low-risk auditee?

       yes              X   no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

21.019

Coronavirus Relief Fund

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

\$750,000

# CITY OF GENEVA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended April 30, 2021

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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#### *Finding 2021-001: Financial Reporting*

**Criteria:** The City's financial records should be presented to the auditor in such a manner that are free of material audit adjustments.

**Condition/Context:** In the current fiscal year, the City improperly excluded an April 2021 invoice resulting in accounts payable, as well as expenses being understated by \$1,367,401 in the Electric Fund.

**Cause:** The finding was caused by a lack of internal controls over review of accounts payable.

**Effect:** In the current fiscal year, the City improperly excluded an April 2021 invoice resulting in accounts payable, as well as expenses being understated by \$1,367,401 in the Electric Fund. A subsequent entry was provided to reflect this activity.

**Recommendations for Corrective Action:** We recommend that the City review its procedures to ensure all expenses incurred within the reporting period are appropriately accrued for and reflected in the financial statements.

**Management's Response:** The Finance Director will review the bill list twice to ensure proper general ledger date recording of accounts payable invoices.

# CITY OF GENEVA, ILLINOIS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended April 30, 2021

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

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#### *Finding 2021-002: Segregation of Duties – Journal Entries*

**Criteria:** A cornerstone of effective internal control is the existence of policies to support segregation of duties; this involves separation of the initiation, execution, approval and recording of responsibilities for transactions.

**Condition/Context:** While journal entries are reviewed and approved by someone other than the original preparer, we noted an employee with super user access could prepare, approve and post journal entries to the financial accounting system without the required approval. The system is currently set to require a secondary review for all employees with access to post journal entries prior to posting to the system; however the individual with super user access has the ability to override this setting.

**Cause:** Due to the relatively small size of the City's Finance Department.

**Effect:** While journal entries are reviewed and approved by someone other than the original preparer, we noted an employee with super user access could prepare, approve and post journal entries to the financial accounting system without the required approval. The system is currently set to require a secondary review for all employees with access to post journal entries prior to posting to the system; however the individual with super user access has the ability to override this setting.

**Recommendations for Corrective Action:** We recommend the implementation of additional reviews and allocation of duties were deemed possible.

**Management's Response:** The Finance department used existing resources to modify current processing to require a secondary employee to review the journal entries before posting to the system.

**CITY OF GENEVA, ILLINOIS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended April 30, 2021

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**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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None noted.

# CITY OF GENEVA, ILLINOIS

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended April 30, 2021

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### ***Finding 2020-001: Segregation of Duties – Payroll***

In the payroll cycle, the same individual is responsible for changing pay rates (for the first half of the year) and benefits, processing payroll, and generating payroll checks. This presents a segregation of duties concern as one individual has significant control over a majority of the payroll cycle. In an ideal control environment, the duties of entering employee information and time reporting would be separate from the person responsible for processing payroll. We recommend segregating these responsibilities among multiple employees and limiting access within the system such that segregated responsibilities could not be circumvented.

**Management's Status:** Finding resolved – The City updated security settings in their ERP and relocated responsibilities to create a stronger segregation of duties.

### ***Finding 2020-002: Segregation of Duties – Utility Billing***

In the utility billing process, the same employee is responsible for setting up new accounts, entering account information and changes, manual usage reads and entering account adjustments into the City's billing system. The same employee also handles utility billing cash collections. The accounting clerks responsible entering payments and preparing daily deposits are also collecting cash receipts at the City.

**Management's Status:** Finding resolved – With the reduced manual cash receipt transaction due to technology, the risk is small. Also the employee doesn't balance the daily deposit.

### ***Finding 2020-003: Segregation of Duties – Journal Entries***

While journal entries are reviewed and approved by someone other than the original preparer, we noted an employee with super user access could prepare, approve and post journal entries to the financial accounting system without the required approval. The system currently is set to require a secondary review for all employees with access to post journal entries prior to posting to the system; however, the individual with super user access has the ability to override this setting.

**Management's Status:** Finding not resolved (see finding 2021-002) – There is dual approvals for posting any process, including journal entries. The ERP software does not allow for dual approvals for security changes.



## CITY OF GENEVA, ILLINOIS

CORRECTIVE ACTION PLANS  
For the Year Ended April 30, 2021

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***Finding 2021-001: Financial Reporting***

**Corrective Action Plan:** The Finance Director will review the bill list twice to ensure proper general ledger date recording of accounts payable invoices.

**Contact Person:** Rita Kruse, Finance Director

**Anticipated Completion Date:** April 30, 2022

***Finding 2021-002: Segregation of Duties – Journal Entries***

**Corrective Action Plan:** The Finance department used existing resources to modify current processing to require a secondary employee to review the journal entry before posting to the system.

**Contact Person:** Rita Kruse, Finance Director

**Anticipated Completion Date:** April 30, 2022