

LIVINGSTON COUNTY, ILLINOIS

SINGLE AUDIT

November 30, 2008



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

LIVINGSTON COUNTY, 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***

Chairman and Members of the County Board
Livingston County, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Livingston County, Illinois as of and for the year ended November 30, 2008, which collectively comprise Livingston County, Illinois' basic financial statements and have issued our report thereon dated September 10, 2009. 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 Livingston 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 County'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 significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2008-1, 2008-2, and 2008-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that all of the significant deficiencies described above are material weaknesses.

We noted certain matters that we reported to management of Livingston County, Illinois in a separate letter dated September 10, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston County, Illinois' basic 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*.

Livingston County, Illinois' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use 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 10, 2009

**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**

Chairman and Members of the County Board
Livingston County, Illinois

Compliance

We have audited the compliance of Livingston 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, 2008. Livingston 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 Livingston County, Illinois' management. Our responsibility is to express an opinion on Livingston 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 Livingston 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 on Livingston County, Illinois' compliance with those requirements.

As described in items 2008-04 and 2008-05 in the accompanying schedule of findings and questioned costs, Livingston County, Illinois did not comply with requirements regarding activities allowed or unallowed and allowable costs that are applicable to its Special Supplemental Nutrition Program for Women, Infants, and Children Program and with requirements regarding activities allowed or unallowed and allowable costs that are applicable to its Temporary Assistance for Needy Families Program. Compliance with such requirements is necessary, in our opinion, for Livingston County, Illinois to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Livingston 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, 2008.

Internal Control Over Compliance

The management of Livingston County, Illinois is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with 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, 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 County's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-01, 2008-02, 2008-03, 2008-04, and 2008-05 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2008-01, 2008-02, 2008-03, 2008-04, and 2008-05 to be material weaknesses.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Livingston County, Illinois as of and for the year ended November 30, 2008, and have issued our report thereon dated September 10, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Livingston 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.

This report is intended solely for the information and use 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 Henderson LLP

Peoria, Illinois
October 13, 2009, except for the Schedule of
Expenditures of Federal Awards, as to which
the date is September 10, 2009.

LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2008

<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:				
Special Supplemental Nutrition Program for Woman, Infants, and Children (Major)	10.557	11G8312000 11GK312000	\$ 72,600 49,300	\$ - -
Non-Cash Food Instruments (Major)		N/A	<u>189,909</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>311,809</u>	<u>-</u>
U.S. Department of Health and Human Services				
Passed through Central Illinois Agency on Aging:				
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	FY-08 FY-09	208 311	- -
			<u>519</u>	<u>-</u>
Respite Demonstration	93.052	FY-08 FY-09	1,848 1,268	- -
			<u>3,116</u>	<u>-</u>
Total passed through Central Illinois Agency on Aging			<u>3,635</u>	<u>-</u>
Passed through Illinois Department of Public Health:				
Breast & Cervical Cancer Screening	93.283	86180087 96180090	28,158 32,918	- -
			<u>61,076</u>	<u>-</u>
Bioterrorism Preparedness	93.069	87181051 97181051	44,591 14,260	- -
			<u>58,851</u>	<u>-</u>
Donated Vaccines (Major)	93.268	N/A	<u>71,630</u>	<u>-</u>
Public Health	93.945	FY08	<u>1,000</u>	<u>-</u>
Total passed through Illinois Department of Public Health			<u>192,557</u>	<u>-</u>

LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2008

<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 (Continued)				
Passed through Illinois Department of Human Services:				
Family Planning	93.217	11G8312000 11GK312000	\$ 11,100 25,000 <u>36,100</u>	\$ - - <u>-</u>
Temporary Assistance for Needy Families (Major)	93.558	11G8312000 11GK312000	73,470 63,240 <u>136,710</u>	- - <u>-</u>
Help America Vote Act	93.617	N/A	<u>2,730</u>	<u>-</u>
Family Case Management	93.667	11G8312000	<u>29,500</u>	<u>-</u>
Maternal and Child Health Service Block Grant:				
School Based Health	93.994	11G8312000	<u>27,900</u>	<u>-</u>
Diabetes Control Program and Evaluation of Surveillance Systems				
	93.988	11G8312000 11GK312000	10,500 6,500 <u>17,000</u>	- - <u>-</u>
Total passed through Illinois Department of Human Services			<u>249,940</u>	<u>-</u>
Passed through Illinois Department of Healthcare and Family Services:				
Medical Assistance Program	93.778	376001248	157,250	-
Medical Assistance Program	93.767	376001248	5,231	-
Child Support Enforcement Title IV-D	93.563	376001248	<u>5,996</u>	<u>-</u>
Total Passed Through Illinois Department of Healthcare and Family Services			<u>168,477</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>614,609</u>	<u>-</u>

**LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2008**

<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. Environmental Protection Agency				
Passed through Illinois Department of Public Health:				
Performance Partnership Grants:				
Non-Community Water Grant	66.605	FY08	\$ 275	\$ -
		FY09	188	-
Total U.S. Environmental Protection Agency			<u>463</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed through Illinois Emergency Management Agency:				
Emergency Management Assistance	97.042	N/A	<u>10,922</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>10,922</u>	<u>-</u>
U.S. Department of Transportation				
Passed through Illinois Department of Transportation:				
Illinois Highway Planning and Research Program	20.205	N/A	<u>9,000</u>	<u>-</u>
Total U.S. Department of Transportation			<u>9,000</u>	<u>-</u>
U.S. Election Assistance Commission				
Passed through Illinois State Board of Elections:				
Help America Vote Act	90.401	N/A	<u>25,493</u>	<u>-</u>
Total U.S. Election Assistance Commission			<u>25,493</u>	<u>-</u>
TOTAL EXPENDITURES			<u>\$ 972,296</u>	<u>\$ -</u>

LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2008

SUMMARY OF FEDERAL AWARDS BY FEDERAL CFDA NUMBER

<u>CFDA Number</u>	<u>Amount</u>
10.557	\$ 311,809
20.205	9,000
66.605	463
90.401	25,493
93.044	519
93.052	3,116
93.069	58,851
93.217	36,100
93.268	71,630
93.283	61,076
93.558	136,710
93.563	5,996
93.617	2,730
93.667	29,500
93.767	5,231
93.778	157,250
93.945	1,000
93.994	27,900
93.988	17,000
97.042	<u>10,922</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS	\$ <u>972,296</u>

See accompanying notes to the schedule of expenditures of federal awards.

LIVINGSTON COUNTY, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended November 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards includes the activity of all federal grants of Livingston County, Illinois. The Livingston County reporting entity is defined in the Summary of Significant Accounting Policies section of the County's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through to 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.

Nonmonetary Assistance

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

NOTE 2 - 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 Livingston County and redeemed during the period July 1, 2007 to June 30, 2008 was \$189,909 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.

NOTE 3 - COMMODITIES - VACCINES

The County receives vaccines at no charge from the Illinois Department of Public Health through federally assisted programs (Immunization Grants - Commodities - 93.268). The value of vaccines activity during fiscal year 2008 was as follows:

<u>Beginning Inventory</u> <u>November 30, 2007</u>	<u>Acquisitions</u>	<u>Usage</u>	<u>Ending Inventory</u> <u>November 30, 2008</u>
<u>\$ 91,356</u>	<u>\$ 71,630</u>	<u>\$ 97,594</u>	<u>\$ 65,392</u>

LIVINGSTON COUNTY, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended November 30, 2008

NOTE 4 - 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.

**LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008**

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? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.558	Temporary Assistance for Needy Families
93.268	Immunization Grants

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

Auditee qualified as low-risk auditee? Yes No

**LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008**

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES

Financial Statement Findings

Finding No. 2008-01 - Segregation of Duties

Condition:

Due to the limited number of personnel performing functions in the various offices of the County, there is a lack of segregation of duties over accounting transactions in those offices.

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 and due to the limited number of personnel involved in accounting transactions, there is a higher risk that errors or misappropriation could occur and not be detected within a timely period.

Cause:

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

Recommendation:

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

Views of responsible officials and planned corrective action:

Management will continue monitoring of financial results to extent possible.

LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Financial Statement Findings (Continued)

Finding No. 2008-02 - Financial Statement Preparation

Condition:

Currently, the County's personnel do not have sufficient financial reporting and accounting knowledge to perform a review of the County's financial statements and related disclosures, and schedule of expenditures of federal awards to provide a high level of assurance that any potential material omissions or other errors would be identified and corrected. 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, accompanying disclosures, and schedule of expenditures of federal awards. 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 and schedule of expenditures of federal awards that such statements, including disclosures and schedules, are complete and accurate.

Effect:

It is possible that a misstatement of the County's financial statements or schedule of expenditures of federal awards 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.

LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Financial Statement Findings (Continued)

Finding No. 2008-02 - Financial Statement Preparation (Continued)

Recommendation:

To establish proper internal control over the preparation of its financial statements, including disclosures and schedule of expenditures of federal awards, the County would need to design and implement a comprehensive review procedure to ensure that the financial statements and schedule of expenditures of federal awards, including disclosures, are complete and accurate. Such review procedures would need to 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:

Management will attend training classes as able and as they are available to ensure that financial statements are prepared in accordance with all applicable standards/requirements. Livingston County does not have a county auditor office/position.

Finding No. 2008-03 - Significant Audit Adjustments

Condition:

During the course of our audit, we posted 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 effective internal controls over its accounting system constitute a material weakness, which is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

**LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008**

SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Financial Statement Findings (Continued)

Finding No. 2008-03 - Significant Audit Adjustments (Continued)

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 as 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 prevent or detect misstatements 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 which is then converted to a modified accrual basis. As changes are made in the County's software system, changing to an accrual system will be considered.

**LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2008-01 - Segregation of Duties

See Section II - Financial Statement Findings

Federal Agency Program:

U.S. Department of Agriculture - 10.557 - Special Supplemental
Nutrition Program for Women, Infants, and Children Except
for Non-Cash Food Instruments

U.S. Department of Health and Human Services - 93.558 -
Temporary Assistance for Needy Families

Other programs except non-cash programs

Questioned costs: None

Finding No. 2008-02 - Financial Statement Preparation

See Section II - Financial Statement Findings

Federal Agency/Program:

U.S. Department of Agriculture - 10.557 - Special Supplemental
Nutrition Program for Women, Infants, and Children

U.S. Department of Health and Human Services - 93.558 -
Temporary Assistance for Needy Families

U.S. Department of Health and Human Services - 93.268 -
Donated Vaccines

All other programs

Questioned costs: None

**LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding No. 2008-03 - Significant Audit Adjustments

See Section II - Financial Statement Findings

Federal Agency/Program:

U.S. Department of Agriculture - 10.557 - Special Supplemental
Nutrition Program for Women, Infants, and Children

U.S. Department of Health and Human Services - 93.558 -
Temporary Assistance for Needy Families

U.S. Department of Health and Human Services - 93.268 -
Donated Vaccines

All other programs

Questioned costs: None

Finding No. 2008-04 - Allocation of Vacation and Sick Pay

**Questioned
Costs**

UNITED STATES DEPARTMENT OF AGRICULTURE

None

Passed through Illinois Department of Human Services:

Special Supplemental Nutrition Program for Women,
Infants, and Children - CFDA#10.557

Temporary Assistance for Needy Families - CFDA #93.558

Year Ended November 30, 2008

LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding No. 2008-04 - Allocation of Vacation and Sick Pay (Continued)

Condition:

During our testing, we noted that the method of allocating employees' vacation and sick time to the WIC program is based on a reasonable, but estimated percentage of the time each employee spent working in that program in the prior quarter, if not month. The Health Department Administrator calculates a percentage to be used in allocating costs for each employee based on the amount of time that employee worked on the grant in the prior quarter. This percentage is then used in the following quarter to allocate vacation and sick time to the grants. For instance, if a new program is added, a recalculation of percentages is performed, even if it is before the quarterly review of allocation percentages.

A quarterly, if not monthly, reconciliation of actual time to the budgeted time percentage used to allocate the indirect vacation and salary costs charged to grants is performed. This reconciliation is used to determine the allocation percentages used, but the adjustment to amounts allocated does not reflect current activities.

Criteria or specific requirement:

OMB Circular A-87 specifies in Attachment B 8(d)(2) that the cost of fringe benefits in the form of regular compensation paid to employees for annual and sick leave must be equitably allocated to all related activities in order to be allowable. In general, the allocation base could be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like), and common to the benefited functions during the base period. These determinations should be made during the current period.

Effect:

Because the allocation percentages do not reflect current circumstances, the County's allocation methodology could result in an inequitable allocation of vacation and sick time between programs including those involving federal awards.

Additionally, because these fringe benefits are not being allocated to other programs and grants on an actual basis, they do not appear to be accorded consistent treatment and allocated to all related activities, including federal awards and, therefore, are not consistent with OMB Circular A-87, Attachment B 8(d)(2).

LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding No. 2008-04 - Allocation of Vacation and Sick Pay (Continued)

Cause:

The County has not developed adequate procedures to allocate fringe benefits, such as vacation and sick leave, to its programs in a manner which meets the requirements of Circular A-87.

Recommendation:

We recommend the County develop and implement procedures to allocate fringe benefits, such as vacation and sick leave, among its various grant programs in a manner which meets the requirements in OMB Circular A-87. The base should be based on a qualitative basis as suggested by Circular A-87 and the base selected should be supported by records of actual and current activities.

Views of responsible officials and planned corrective action:

This finding was repeated from 2007. Once the health department became aware of the requirement in 2007, staff followed an auditor's advice and performed it quarterly/monthly. Adjustments were made as identified, which was rare. Fringe benefits are allocated to all programs/grants that an employee works in so there is equitable consistent treatment. There is a spreadsheet maintained that shows these percents. These dollar amounts are translated into percentages and applied to the benefit time that was used the prior month. That percentage is then applied for vacation and sick time used in that month. Employees are allowed to carry vacation and sick time for future use. These benefits are only billed out to the grant when they are used by the employee. Thus, if a grant is not renewed, it would not fully cover the cost of the benefit time of the employee in a later year.

WIC does not provide full funding to provide the program. Local funds are utilized to cover the full cost of the program. Thus, the chance of overcharging the program is extremely rare. The total cost of the program for the state fiscal year of 2008 (contract year) was \$183,033.39. The annual grant award was \$124,100.

The health department will continue to calculate these percentages on a monthly basis, based on actual activity measures to ensure that the allocation is current. Expenditures will continue to require authorization of the state agency prior to approval and actual reimbursement is made. Local funds will have to continue to be utilized to provide program services according to regulations, and audits will continue to be done internally and by the state agency.

**LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

<u>Finding No. 2008-05 - Allocation of Employees' Health Insurance</u>	Questioned Costs
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	None
Passed through Illinois Department of Human Services: Special Supplemental Nutrition Program for Women, Infants, and Children - CFDA #10.557 Temporary Assistance for Needy Families - CFDA #93.558 Year Ended November 30, 2008	

Condition:

During our testing, we noted that the method of allocating employees' health insurance to the TANF program was based on a reasonable, but estimated percentage of the time each employee spent working in that program in the prior quarter, if not month. The Health Department Administrator calculates a percentage to be used in allocating costs for each employee based on the amount of time that employee worked on the grant in the prior quarter. This percentage is then used in the following quarter to allocate health insurance benefit costs to the grants. For instance, if a new program is added, a recalculation of percentages is performed, even if it is before the quarterly review of allocation percentages.

A quarterly, if not monthly, reconciliation of actual time to the budgeted time percentage used to allocate the indirect costs charged to grants is performed. This reconciliation is used to determine the allocation percentages used, but the adjustment to amounts allocated does not reflect current activities.

Criteria or specific requirement:

OMB Circular A-87 specifies in Attachment B 8(d)(5) that the cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities. In general, the allocation base could be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like), and common to the benefited functions during the base period. These determinations should be made during the current period.

**LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding No. 2008-05 - Allocation of Employees' Health Insurance (Continued)

Effect:

Because the allocation percentages do not reflect current circumstances, the County's allocation methodology could result in an allocation of health insurance costs which is inconsistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

Additionally, because these fringe benefits are not being allocated to other programs and grants on an actual basis, they do not appear to be accorded consistent treatment and being allocated to all related activities, including federal awards and, therefore, not consistent with OMB Circular A-87, Attachment B 8(d)(5).

Cause:

The County has not developed adequate procedures to allocate fringe benefits, such as employees' health insurance, to its programs in a manner which meets the requirements of Circular A-87.

Recommendation:

We recommend the County develop and implement procedures to allocate fringe benefits, such as health insurance, among its various grant programs in a manner which meets the requirements of OMB Circular A-87. The base should be based on a qualitative basis as suggested by Circular A-87 and the base selected should be supported by records of actual and current activities.

Views of responsible officials and planned corrective action:

Once the health department became aware of the requirement in 2007, staff followed an auditor's advice and performed it quarterly/monthly. Adjustments were made as identified, which was rare. Health and life insurance is allocated to all programs/grants that an employee works in so there is equitable consistent treatment. There is a spreadsheet maintained that shows these percents. Attached is a sample of how this is calculated for each employee using the dollar amounts per month for each program/grant. This is the same that is utilized for vacation and sick time. These dollar amounts are translated into percentages and applied to the benefit time that was used the prior month. That percentage is then applied for the employer portion of insurance for that month. In TANF (Healthy Families), staff are not as integrated into as many programs as they are in the WIC program. In the insurance listing, the employee with 465.30 posted for health insurance only works in the Healthy Families program so reimbursement is sought at 100 percent. The next highest listing is for the program supervisor who works primarily in Healthy Families.

LIVINGSTON COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2008

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding No. 2008-05 - Allocation of Employees' Health Insurance (Continued)

Views of responsible officials and planned corrective action (Continued):

Local funds provide for some of the fringe benefits in TANF (Healthy Families).

The health department will continue to calculate these percentages on a monthly basis, based on actual activity measures to ensure that the allocation is current. Expenditures will continue to require authorization of the state agency prior to approval and actual reimbursement is made. Local funds will have to continue to be utilized to provide program services according to regulations/contracts and audits will continue to be done.

LIVINGSTON COUNTY, ILLINOIS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended November 30, 2008

Financial Statement Findings

Finding No. 2007-01 - Segregation of Duties

Finding:

Due to the limited number of personnel performing accounting functions in the County Clerk's office, the Coroner's office, and the State's Attorney's office, the County does not have adequate segregation of duties over accounting transactions in those offices. As a result of this condition, there is a higher risk that errors or misappropriation could occur and not be detected within a timely period. This finding was repeated for the County Clerk's, Coroner's, and State's Attorney's offices as finding number 2008-01.

Finding No. 2007-02 - Financial Statement Preparation

This condition continues to exist due to a limited number of personnel possessing a thorough understanding of applicable generally accepted accounting principles. This finding has been repeated in the current year as Finding 2008-02.

Finding No. 2007-03 - Significant Audit Adjustments

This condition continues to exist due to County officials preparing accounting records and reports on a cash basis of accounting, whereas the County's audited basic financial statements have been converted to a modified accrual basis or accrual basis of accounting, as required by accounting principles generally accepted in the United States of America. This finding has been repeated in the current year as Finding 2008-03.

Finding No. 2007-04 - Allocation of Vacation and Sick Pay

This condition continues to exist due to allocation percentages not reflecting current circumstances. The Health Department has improved percentage allocation by reconciling percentages on a quarterly basis rather than a yearly basis, however, the reasonable estimate does not reflect current activity percentages. As a result of this condition, the allocation of fringe benefits to all programs and grants is not consistent with OMB Circular A-87, Attachment B 8(d)(2). This finding has been repeated in the current year as Finding 2008-04.

Finding No. 2007-05 - Allocation of Employees' Health Insurance

This condition continues to exist due to allocation percentages not reflecting current circumstances. The Health Department has improved percentage allocations by reconciling percentages on a quarterly basis rather than a yearly basis, however, the reasonable estimate does not reflect current activity percentages. As a result of this condition, the allocation of fringe benefits to all programs and grants is not consistent with OMB Circular A-87, Attachment B 8(d)(2). This finding has been repeated in the current year as Finding 2008-05.