



**CITY OF NAPERVILLE, ILLINOIS**

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SINGLE AUDIT REPORT

For the Year Ended December 31, 2020



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**CITY OF NAPERVILLE, 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***

The Mayor and City Council  
City of Naperville, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Naperville, Illinois (the City), as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 9, 2021. Our report includes a reference to other auditors who audited the financial statements of the Firefighters' Pension Fund, as described in our report on City of Naperville, Illinois' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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 City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

### **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 financial statements. 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**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of the 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 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*

Naperville, Illinois  
August 9, 2021

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630.566.8400

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

The Mayor and City Council  
City of Naperville, Illinois

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

We have audited the City of Naperville, Illinois' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020. The City of Naperville, Illinois' 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 compliance for each of the City of Naperville, Illinois' 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 of Naperville, 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Naperville, Illinois' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Naperville, Illinois' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### **Report on Internal Control Over Compliance**

Management of the City of Naperville, Illinois 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, we considered the City of Naperville, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 the 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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 City of Naperville, Illinois as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Naperville, Illinois' basic financial statements. We issued our report thereon dated August 9, 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 the 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.

*Sikich LLP*

Naperville, Illinois  
August 9, 2021

**CITY OF NAPERVILLE, ILLINOIS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2020

<b>Federal Grantor</b>	<b>Pass-Through Grantor</b>	<b>Grant Name</b>	<b>Federal CFDA#</b>	<b>Grant Number</b>	<b>Expenditures</b>	<b>Amount Provided to Subrecipients</b>
Department of Housing and Urban Development	N/A	Community Development Block Grants/Entitlement Grant Cluster				
		Community Development Block Grant Program	14.218	B-16-MC-17-0031	\$ 20,055	\$ 4,745
		Community Development Block Grant Program	14.218	B-17-MC-17-0031	28,877	4,958
		Community Development Block Grant Program	14.218	B-18-MC-17-0031	166,688	166,688
		Community Development Block Grant Program	14.218	B-19-MC-17-0031	212,340	212,340
		Community Development Block Grant Program	14.218	B-20-MC-17-0031	60,373	50,672
		COVID-19 Community Development Block Grant Program	14.218	B-20-MW-17-0031	89,681	89,681
		<b>Total Community Development Block Grants/Entitlement Grant Cluster</b>				<b>578,014</b>
Department of Homeland Security	Illinois Emergency Management Agency N/A	Emergency Management Performance Grants	97.042	N/A	98,322	-
		Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-00388	287,887	-
	Mutual Aid Box Alarm System					
	Illinois Law Enforcement Alarm System					
	<b>Total Department of Homeland Security</b>				<b>466,926</b>	<b>-</b>
Department of Treasury	Will County DuPage County	COVID-19 - Coronavirus Relief Funds	21.019*		2,173,194	-
		COVID-19 - Coronavirus Relief Funds	21.019*		5,011,217	-
	<b>Total Department of Treasury</b>				<b>7,184,411</b>	<b>-</b>
Department of Health and Human Services	Illinois Department of Human Services	COVID-19 - Provider Relief Fund	93.498		103,045	-
Department of Justice	N/A N/A	Equitable Sharing Program	16.922	N/A	75,176	-
		Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	37,450	-
<b>Total Department of Justice</b>				<b>112,626</b>	<b>-</b>	



**CITY OF NAPERVILLE, ILLINOIS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2020

Federal Grantor	Pass-Through Grantor	Grant Name	Federal CFDA#	Grant Number	Expenditures	Amount Provided to Subrecipients
Department of Transportation	Illinois Department of Transportation	Highway Planning and Construction Cluster TED Grant	20.205	N/A	\$ 279,007	\$ -
	Regional Transportation Authority	Transit Services Programs Cluster	20.513	N/A	99,174	-
	Illinois Department of Transportation	Highway Safety Cluster State and Community Highway Safety	20.600	AP 20-0134	21,987	
	Illinois Department of Transportation	State and Community Highway Safety	20.600	HS 21-0095	<u>9,725</u>	-
		Total Highway Safety Cluster			31,712	
	Total Department of Transportation			<u>409,893</u>	-	
TOTAL ALL FEDERAL AWARDS					<u>\$ 8,854,915</u>	<u>\$ 529,084</u>

**Notes to Schedule of Expenditures of Federal Awards**

\*Denotes major program

Note A - The accompanying schedule of expenditures of federal awards is a summary of the activity of the City's federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when the qualifying expenditure has been incurred and expenditures have been recognized when the fund liability has been incurred.

Note B - The City did not receive any federal insurance or non-cash assistance. The City also did not have any federal loans or loan guarantees.

Note C - The City did not elect to use the federal 10% de minimus indirect cost rate for the year ended December 31, 2020.

**CITY OF NAPERVILLE, ILLINOIS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended December 31, 2020

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**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

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

Type of auditor's report issued on compliance  
for each major federal program: *unmodified*

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.516(a)?  yes  no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?  yes  no

**CITY OF NAPERVILLE, ILLINOIS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended December 31, 2020

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**Section II - Financial Statement Findings**

**Significant Deficiency**

**2021-001 Bank Reconciliations**

*Criteria:* Management is responsible for establishing and maintain internal controls to ensure that book balances of cash are accurately recorded within the City's financial records.

*Condition:* During our audit of the financial statements, we noted that not all of the City's accounts were fully reconciled, including the main operating account, until after the trial balance was provided to the auditors. Journal entries were proposed by management to record cash transactions in the City's financial software system, as the conversion of certain cash collections to the City's financial software system has not yet been completed. An immaterial variance between the operating bank account and general ledger could not be reconciled.

*Cause:* The City's main bank reconciliation was not fully reconciled as of December 31, 2020 and was completed after the City provided initial trial balances.

*Effect:* Failure to implement the necessary internal control procedures may result in the misstatement of the City's financial statements.

*Recommendation:* We recommend that the City reconcile cash in a timely manner each month. All cash transactions should be posted to the general ledger in a timely manner and bank reconciliations should be free from material unreconciled differences.

*Views of Responsible Officials:* Management agrees with this finding and response is included in Corrective Action Plan.

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - Summary Schedule of Prior Audit Findings**

None



# Naperville

## **CORRECTIVE ACTION PLAN For the Year Ended December 31, 2020**

### **Financial Statement Finding 2021-001 Bank Reconciliations**

#### **Corrective Action Plan**

The City of Naperville's corrective action plan involves continuing through our current software conversion and strengthening our internal controls to move towards achieving our overall goal of having all our bank accounts reconciled within 30 days after the close of the month. Below is a detailed description of our plan.

- Segregation of Duties- Risk of errors or inappropriate actions are greatly minimized when duties such as recording revenues, creating and posting journal entries, and bank reconciliation tasks are divided among different staff members. In June 2020, the City hired a full-time accountant to start the rebuild of their in-house accounting staff. In January 2021, a second full time accountant was added that is dedicated to overseeing the cash receipts and general billing functions. With the addition of a third full time accountant by the fall of 2021, the City of Naperville can ensure that there will be a well-rounded staff that will be able to segregate all the accounting functions within the financial department.
- Transaction and Activity Reviews-by rebuilding the Accounting staff to three team members, there will be new internal controls developed in 2021 to ensure that all financial transactions and journal activity can be properly reviewed and posted to the City's financial software in a timely manner.
- Bank Reconciliations-With the advent of new internal controls to ensure timely and proper recording of all financial transactions and activity, the timeliness of completing bank reconciliations for all City accounts for each month will be the focus for the second half of 2021 for the Finance Dept.



# Naperville

2020 was a challenging year for everyone. The addition of a full-time staff accountant in June 2020 was our first step in our journey, although we faced some formidable obstacles dealing with the intricacy of staffing and COVID alongside training the new employee. Another obstacle that the City overcame in 2020 was how we dealt with financial transactions in two different financial software systems. Presently, our utility billing and some of our general billing is generated out of a system called Naviline; however, the City's financial software is housed in Tyler-Munis. The City's ultimate goal is to transition utility billing and any other billing out of Naviline to Tyler-Munis, but due to the complexities and other projects going on, this will be a few more years down the road. Transactions currently do not import over to Tyler-Munis in an easy matter to reconcile with the bank activity, and this is unfortunately a manual and time-consuming process. To better state the daily transactional activity in Naviline, the City realized we needed to enter manually each type of deposit each day into our current financial software and reconciling to a clearing account that the Naviline daily transactions were imported to. Due to the volume of financial transactions for a City the size of Naperville, this was no easy task to enter a whole year of transactions in a short amount of time; hence the delay in completing the bank reconciliations. A key to our ongoing success is with the addition of a second staff accountant in January 2021; she ensures that each day every type of cash receipt transaction is accounted for and entered in Tyler-Munis. A third staff accountant will be added to the City's staff in the Fall of 2021 that will help ensure that the City reaches its overall goal of completing the bank reconciliations in a timely manner.

**Person Responsible for Implementation for Corrective Action Plan:** Finance Director

**Implementation Date of Corrective Action Plan:** 12/31/2021

Sincerely,

Rachel Mayer  
Finance Director