



CITY OF NAPERVILLE, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended December 31, 2021

The background of the lower half of the page is a grayscale image of a modern building's interior, characterized by a complex grid of lines and geometric shapes, creating a sense of depth and architectural structure.

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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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2022. 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.

Report on 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. However, material weaknesses may exist that have not been identified.

Report on 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*.

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
June 28, 2022

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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 City of Naperville, Illinois' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further describes in the Auditor's Responsibility for the Auditor Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the City as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 28, 2022, 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
June 28, 2022

CITY OF NAPERVILLE, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

Federal Grantor	Pass-Through Grantor	Grant Name	Federal ALN#	Grant Number	Expenditures	Amount Provided to Subrecipients
Department of Housing and Urban Development	N/A	CDBG Entitlement Grant Cluster				
		Community Development Block Grants/Entitlement Grants	14.218*	B-17-MC-17-0031	\$ 4,113	\$ -
		Community Development Block Grants/Entitlement Grants	14.218*	B-19-MC-17-0031	179,909	179,909
		Community Development Block Grants/Entitlement Grants	14.218*	B-20-MC-17-0031	195,063	195,063
		Community Development Block Grants/Entitlement Grants	14.218*	B-21-MC-17-0031	195,050	163,063
		COVID-19 Community Development Block Grants/Entitlement Grants	14.218*	B-20-MW-17-0031	687,882	687,882
		Total CDBG Entitlement Grant Cluster			1,262,017	1,225,917
Department of Homeland Security	Illinois Emergency Management Agency N/A	Emergency Management Performance Grants	97.042	N/A	54,519	-
		Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-00388	193,489	-
	Mutual Aid Box Alarm System	Homeland Security Grant Program	97.067	N/A	41,441	-
	Illinois Law Enforcement Alarm System	Homeland Security Grant Program	97.067	N/A	31,827	-
		Total Homeland Security Grant Program			73,268	-
		Total Department of Homeland Security			321,276	-
Department of Health and Human Services	Illinois Department of Human Services	COVID-19 - Provider Relief Fund	93.498		103,045	-
Department of Health and Human Services	N/A	Substance Abuse Prevention and Treatment Block Grant	93.959		5,573	-
		Total Department of Health and Human Services			108,618	-
Department of Justice	N/A	Equitable Sharing Program	16.922	N/A	14,127	-
		Total Department of Justice			14,127	-

CITY OF NAPERVILLE, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2021

Federal Grantor	Pass-Through Grantor	Grant Name	Federal ALN#	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	\$ 305,151	\$ -
	Regional Transportation Authority	Transit Services Programs Cluster Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	92,059	-
	Illinois Department of Transportation	Highway Safety Cluster State and Community Highway Safety	20.600	HS 21-0095	30,951	
	Illinois Department of Transportation		20.600	HS 22-0099	6,267	
		Total Highway Safety Cluster			37,218	-
		Total Department of Transportation			434,428	-
TOTAL ALL FEDERAL AWARDS					<u>\$ 2,140,466</u>	<u>\$ 1,225,917</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

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, 2021.

CITY OF NAPERVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2021

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>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG Entitlement Grant Cluster

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, 2021

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Audit Findings

Significant Deficiency

2020-001 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.

Status: The finding was not repeated for the year ended December 31, 2021.



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