

CITY OF JANESVILLE

Janesville, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2012

CITY OF JANESVILLE

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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

Independent Auditors' Report

To the City Council
City of Janesville
Janesville, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Janesville, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Janesville's basic financial statements and have issued our report thereon dated May 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Janesville'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 of Janesville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Janesville'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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 to be a material weakness. This material weakness is item 2012-1.

To the City Council
City of Janesville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Janesville'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*.

City of Janesville's Response to Findings

The City of Janesville's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Janesville'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 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.

Baker Tilly Vuchow Kraus, LLP

Madison, Wisconsin
May 24, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
REQUIRED BY OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

Independent Auditors' Report

To the City Council
City of Janesville
Janesville, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the City of Janesville, Wisconsin's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Janesville's major federal and major state programs for the year ended December 31, 2012. The City of Janesville's major federal and major state 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 the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Janesville's major federal and major state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *State Single Audit Guidelines* 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 or major state program occurred. An audit includes examining, on a test basis, evidence about the City of Janesville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. Our audit does not provide a legal determination of the City of Janesville's compliance.

To the City Council
City of Janesville

Basis for Qualified Opinion on CFDA 81.128 ARRA – Energy Efficiency and Conservation Block Grant

As described in the accompanying schedule of findings and questioned costs, the City of Janesville did not comply with requirements regarding CFDA 81.128 ARRA – Energy Efficiency and Conservation Block Grant as described in finding number 2012-2 for procurement and suspension and debarment. Compliance with such requirements is necessary, in our opinion, for the City of Janesville to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 81.128 ARRA – Energy Efficiency and Conservation Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Janesville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 81.128 ARRA – Energy Efficiency and Conservation Block Grant for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal and Major State Programs

In our opinion, the City of Janesville 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 other major federal and major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

City of Janesville's Response to Finding

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

Report on Internal Control Over Compliance

Management of the City of Janesville 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 of Janesville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state 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 and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, 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 of Janesville's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

To the City Council
City of Janesville

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 or state 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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-2 to be a material weakness.

City of Janesville's Response to Finding

The City of Janesville's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Janesville's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Guidelines

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 of Janesville, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Janesville's basic financial statements. We issued our report thereon dated May 24, 2012, 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 and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* 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 and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Vuchow Krause, LLP

Madison, Wisconsin
September 3, 2013

CITY OF JANESVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Grantor Agency/ Program Title	Federal CFDA Number	Pass- Through Agency	Revenues				Expenditures
			(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance	Total Revenues	
FEDERAL PROGRAMS							
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Mortgage Insurance - Homes	14.117	Direct	\$ -	\$ 8,000	\$ -	\$ 8,000	\$ 8,000
CDBG - Entitlement Grants Cluster							
Community Development Block Grants / Ent. Grants	14.218	Direct	(29,530)	287,657	129,812	387,939	387,939
Community Development Block Grants / Ent. Grants - Program Income	14.218	Direct	-	99,776	-	99,776	99,776
Neighborhood Stabilization Program (HERA)	14.218	City of Beloit	(57,344)	32,808	-	(24,536)	(24,536)
Neighborhood Stabilization Program (HERA) - Program Income	14.218	City of Beloit	-	212,585	-	212,585	212,585
Total CDBG - Entitlement Grants Cluster			(86,874)	632,826	129,812	675,764	675,764
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii							
Community Development Block Grants / Emergency Assist. Program	14.219/228	WI COMM / WI DOA	(407,584)	407,610	-	26	26
Neighborhood Stabilization Program	14.228	City of Beloit	(3,302)	386,518	-	393,216	393,216
Neighborhood Stabilization Program - Program Income	14.228	City of Beloit	-	59,187	-	59,187	59,187
Total Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii			(410,886)	863,315	-	452,429	452,429
Home Investment Partnership Program							
Home Investment Partnerships Program/ Rock Co. Consortium	14.239	Direct	(12,338)	138,808	18,862	145,332	145,332
Home Investment Partnerships Program - Program Income	14.239	Direct	-	191,231	-	191,231	191,231
Total Home Investment Partnerships Program			(12,338)	330,039	18,862	336,563	336,563
Section 8 Housing Choice Vouchers	14.871	Direct	-	2,597,178	-	2,597,178	2,597,178
Lead Hazard Reduction Demonstration Control Program	14.905	WI DHS	(52,562)	390,571	122,950	460,959	460,959
Lead Hazard Reduction Demonstration Grant Program	14.909	Rock County	(61,156)	85,179	-	24,023	24,023
Total U.S. Department of Housing and Urban Development			(623,816)	4,907,108	271,624	4,554,916	4,554,916
U.S. DEPARTMENT OF JUSTICE							
Bulletproof Vest Partnership	16.607	Direct	(7,974)	11,824	-	3,850	3,850
Project Safe Neighborhood	16.609	Rock County	(329)	329	-	-	-
JAG Program Cluster							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Rock County	(2,455)	18,000	2,455	18,000	18,000
ARRA - JAG '09 Recovery Act Grant	16.808	Rock County	13,905	-	(13,905)	-	-
Total JAG Program Cluster			11,450	18,000	(11,450)	18,000	18,000
Total US Department of Justice			3,147	30,153	(11,450)	21,850	21,850

CITY OF JANESVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Grantor Agency/ Program Title	Federal CFDA Number	Pass- Through Agency	Revenues				Expenditures
			(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance	Total Revenues	
FEDERAL PROGRAMS (cont.)							
U.S. DEPARTMENT OF TRANSPORTATION							
Highway Planning and Construction Program	20.205	WI DOT	\$ (34,232)	\$ 151,929	\$ 38,115	\$ 155,812	\$ 155,812
Highway Planning and Construction	20.205	WI DOT	-	22,767	-	22,767	22,767
Local Streets- GM Road			(34,232)	174,696	38,115	178,579	178,579
Total Highway Planning and Construction							
Federal Transit Formula Grants							
Federal Transit Formula Grants (operating 2011) WI-90-4626 & 4643	20.507	Direct	-	932,913	-	932,913	932,913
ARRA - Federal Grant WI-96-X009-00	20.507	WI DOT	(226,272)	226,272	15,445	15,445	15,445
Federal Transit Formula Grants (capital) WI-90-0091	20.507	WI DOT	(35,628)	-	51,713	16,085	16,085
Total Federal Transit Formula Grants			(261,900)	1,159,185	67,158	964,443	964,443
State and Community Highway Safety	20.600	WI DOT	(9,347)	63,722	12,311	66,686	66,686
Total U.S. Department of Transportation			(305,479)	1,397,603	117,584	1,209,708	1,209,708
INSTITUTION OF MUSEUM AND LIBRARY SERVICES							
Grants to States	45.310	WI DPI	(7,285)	10,114	-	2,829	2,829
Total Institution of Museum and Library Services			(7,285)	10,114	-	2,829	2,829
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Brownfields Assessment and Cleanup	66.818	Direct	-	36,446	93,853	130,299	130,299
Total Institution of Museum and Library Services			-	36,446	93,853	130,299	130,299
U.S. DEPARTMENT OF HOMELAND SECURITY							
Homeland Security Grant	97.067	WI DOA - OJA	-	129,890	-	129,890	129,890
Total U.S. Department of Homeland Security			-	129,890	-	129,890	129,890
U.S. DEPARTMENT OF ENERGY							
ARRA - Energy Efficiency and Conservation Block Grant	81.128	Direct	(279,923)	417,593	-	137,670	137,670
Total U.S. Department of Energy			(279,923)	417,593	-	137,670	137,670
TOTAL FEDERAL PROGRAMS			\$ (1,213,356)	\$ 6,928,907	\$ 471,611	\$ 6,187,162	\$ 6,187,162

See accompanying notes to schedule of expenditures of federal and state awards.

CITY OF JANESVILLE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2012

Grantor Agency/ Program Title	State ID Number	(Accrued) Deferred Beginning Balance	Revenues		Accrued (Deferred) Ending Balance	Total Revenues	Expenditures
			Receipts				
STATE PROGRAMS							
WISCONSIN DEPARTMENT OF TRANSPORTATION							
Transit Operating Aids Program	395.104	\$ (67,996)	\$ -	\$ 67,996	\$ -	\$ -	
2010 Operating Aids	395.104	(78,181)	-	78,181	-	-	
2011 Operating Aids	395.104	-	724,880	77,956	802,836	802,836	
Total Operating Aids Program		(146,177)	724,880	224,133	802,836	802,836	
Total Wisconsin Department of Transportation		(146,177)	724,880	224,133	802,836	802,836	
WISCONSIN DEPARTMENT OF HEALTH SERVICES							
Emergency Medical Service Cost Reimbursement	435.162	-	12,003	-	12,003	12,003	
Total Wisconsin Department of Health Services		-	12,003	-	12,003	12,003	
TOTAL STATE PROGRAMS		\$ (146,177)	\$ 736,883	\$ 224,133	\$ 814,839	\$ 814,839	

CITY OF JANESVILLE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "schedule") includes the federal and state grant activity of the City of Janesville under programs of the federal and state government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of Janesville, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Janesville.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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.

CITY OF JANESVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ 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 OR STATE AWARDS

Internal control over major programs:

- > Material weakness(es) identified? yes no
- > Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major programs: Unmodified for all major programs except for the ARRA – Energy Efficiency and Conservation Block Grant, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

- yes no

<u>Federal Programs</u>		<u>State Programs</u>	
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Auditee qualified as low-risk auditee?

- | | | | |
|------------------------------|----------------------------------------|------------------------------|----------------------------------------|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|------------------------------|----------------------------------------|------------------------------|----------------------------------------|

Identification of major federal programs:

CFDA Numbers

Name of Federal Program or Cluster

14.228	Community Development Block Grant/State’s Program and Non-Entitlement Grants in Hawaii
14.871	Section 8 Housing Choice Vouchers
14.905	Lead Hazard Reduction Demonstration Control Program
20.507	Federal Transit Formula Grants
81.128	ARRA – Energy Efficiency and Conservation Block Grant

CITY OF JANESVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

	<u>Federal</u>	<u>State</u>
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000	\$ 100,000

Identification of major state program:

<u>State Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids

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

FINDING 2012-1: INTERNAL ACCOUNTING CONTROLS

Criteria: Statement on Auditing Standards (SAS) 115 requires auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the city’s structure of internal control.

Condition: During the financial audit, audit procedures and inquiries were performed to evaluate the effectiveness of controls over various transaction cycles. As a result of these procedures, we noted there was no independent second party review of year-end financial statements and year-end conversion journal entries.

Cause: Due to staffing and financial limitations, the city is not able to perform an independent review of the year-end financial statements and conversion entries prior to submission to the auditors.

Effect: Year-end financial statements prepared by the city may contain material misstatements and improper year-end conversion journal entries could be recorded.

Recommendation: We recommend that year-end financial statements and year-end conversion journal entries be reviewed by a second individual to ensure appropriateness and accuracy.

Management Response: The city prepares high quality financial statements, conversion entries, and footnote disclosures for the auditors to review. However, because of the city’s size, management does not believe it is cost effective to hire the additional staff needed with the expertise to review all aspects of financial reporting, and relies on the auditor for some year-end financial statement and conversion entry review. Therefore, we anticipate that the material weakness in financial reporting review will likely continue to be reported in future years.

CITY OF JANESVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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

FINDING 2012-2: 81.128 ARRA – ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT
FEDERAL AWARD NUMBER: DE-SC0002995
FEDERAL GRANTOR: U.S. DEPARTMENT OF ENERGY

Criteria: Section 1605 of the American Recovery and Reinvestment Act of 2009 (ARRA) states that these funds may not be used to fund the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.

Condition/Context: The city purchased manufactured goods used in the project that were not produced in the United States without obtaining a waiver of the Buy-American requirements.

Cause: The grant money was awarded to the city in November 2009. In February 2010, there was a waiver granted related to the Buy American requirements for LED traffic signals due to nonavailability. This waiver was amended at the end of 2010 as U.S. manufactured products became available. The city was not aware that the waiver had been amended at the time of purchase.

Effect: A portion of the grant dollars were not benefitting United States manufacturers as intended by ARRA.

Questioned Costs: Materials purchased for the LED traffic light project in the amount of \$81,269 were not manufactured in the United States.

Recommendation: We recommend that prior to purchasing any goods with ARRA funding, the city should check to see that the requirements of section 1605 will be met or verify that a waiver can be obtained.

Management Response: The city will verify that the requirements of section 1605 will be met or a waiver obtained prior to purchasing any goods with remaining ARRA funding.

CITY OF JANESVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION IV – OTHER ISSUES

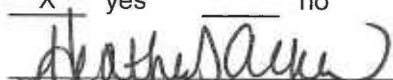
1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes X no

2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Transportation	<u> </u> yes	<u> X </u> no
Department of Health Services	<u> </u> yes	<u> X </u> no
Department of Administration	<u> </u> yes	<u> X </u> no
Department of Public Instruction	<u> </u> yes	<u> X </u> no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes no

4. Name and signature of partner


Heather S. Acker, CPA, Partner

5. Date of report September 3, 2013

CITY OF JANESVILLE

CORRECTIVE ACTION PLAN For the Year Ended December 31, 2012

FINDING 2012-1: INTERNAL ACCOUNTING CONTROLS

See "management response" for Finding 2012-1 in Section II – Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*.

FINDING 2012-2: 81.128 ARRA – ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT

See "management response" for Finding 2012-2 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

CITY OF JANESVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended December 31, 2012

FINDING 2011-1: INTERNAL ACCOUNTING CONTROLS

Criteria: Statement on Auditing Standards (SAS) 115 requires auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the city's structure of internal control.

Condition: During the financial audit, audit procedures and inquiries were performed to evaluate the effectiveness of controls over various transaction cycles. As a result of these procedures, we noted there was no independent second party review of year-end financial statements and year-end conversion journal entries.

Cause: Due to staffing and financial limitations, the city is not able to perform an independent review of the year-end financial statements and conversion entries prior to submission to the auditors.

Effect: Year-end financial statements prepared by the city may contain material misstatements and improper year-end conversion journal entries could be recorded.

Recommendation: We recommend that year-end financial statements and year-end conversion journal entries be reviewed by a second individual to ensure appropriateness and accuracy.

Management Status: The city prepares high quality financial statements, conversion entries, and footnote disclosures for the auditors to review. However, because of the city's size, management does not believe it is cost effective to hire the additional staff needed with the expertise to review all aspects of financial reporting, and relies on the auditor for some year-end financial statement and conversion entry review. Therefore, we anticipate that the material weakness in financial reporting review will likely continue to be reported in future years.

FINDING 2011-2: 81.128 ARRA – ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT FEDERAL AWARD NUMBER: DE-SC0002995 FEDERAL GRANTOR: U.S. DEPARTMENT OF ENERGY

Criteria: The A-102 Common Rule and Code of Federal Regulations require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. To minimize the risk of errors, internal controls should be in place for all program compliance requirements, including the appropriate review and approval of cash draws and financial reports.

Condition/Context: Draw down requests, Federal Form SF-425, and Section 1512 ARRA reports were tested for review and approval by someone other than the original preparer. None of the cash draws or reports we tested were reviewed and approved by a responsible party separate from the original preparer.

Cause: The city did not identify an individual that is responsible for reviewing reports before they are submitted separate from the individual preparing them.

Effect: Draw down requests, Federal Form SF-425, and section 1512 ARRA reports filed have a greater likelihood of containing errors.

Questioned Costs: None

CITY OF JANESVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended December 31, 2012

FINDING 2011-2: **81.128 ARRA – ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT**
FEDERAL AWARD NUMBER: DE-SC0002995
FEDERAL GRANTOR: U.S. DEPARTMENT OF ENERGY (CONT.)

Recommendation: The city should consider adding review and approval controls to the reporting and cash draw processes.

Management Status: In 2012, the City of Janesville added a second review and approval of the completed draw down request and the ARRA reports by the project manager before filing.