

CITY OF JANESVILLE

Janesville, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2013

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, 2013, 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 June 9, 2014.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. This material weakness is item 2013-001.

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 findings 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.



Madison, Wisconsin
June 9, 2014

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, 2013. 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. However, our audit does not provide a legal determination of the City of Janesville's compliance.

To the City Council
City of Janesville

Opinion on Each Major Federal and Major State Program

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 major federal and major state programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003. Our opinion on each major federal and major state program is not modified with respect to these matters.

City of Janesville's Response to Findings

The City of Janesville's response to the noncompliance findings 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.

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 a 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. *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 or state 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.

To the City Council
City of Janesville

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003, that we consider to be significant deficiencies.

City of Janesville's Response to Findings

The City of Janesville's response to the internal control over compliance findings 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, 2013, 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 June 9, 2014, 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 Vichow Krause, LLP

Madison, Wisconsin
September 25, 2014

CITY OF JANESVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Grantor Agency/ Program Title	Federal CFDA Number	Pass- Through Agency	Revenues			Total Revenues	Expenditures
			(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance		
FEDERAL PROGRAMS							
U.S. DEPARTMENT OF COMMERCE							
Community Trade Adjustment Assistance	11.010	Direct	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000	\$ 1,200,000
Total U.S. Department of Commerce			-	1,200,000	-	1,200,000	1,200,000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants / Entitlement Grants	14.218						
Community Development Block Grants / Ent. Grants		Direct	(129,812)	438,946	96,785	405,919	405,919
Community Development Block Grants / Ent. Grants - Program income		Direct	-	148,420	-	148,420	148,420
Neighborhood Stabilization Program (HERA)		City of Beloit	-	29,648	-	29,648	29,648
Neighborhood Stabilization Program (HERA) - Program Income		City of Beloit	-	139,543	-	139,543	139,543
Total			(129,812)	756,557	96,785	723,530	723,530
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228						
Community Development Block Grants / Emergency Assist. Program		WI DOA	-	-	372,367	372,367	372,367
Neighborhood Stabilization Program		City of Beloit	-	68,727	-	68,727	68,727
Neighborhood Stabilization Program - Program Income		City of Beloit	-	76,415	-	76,415	76,415
Total Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii			-	145,142	372,367	517,509	517,509
Home Investment Partnership Program	14.239						
Home Investment Partnerships Program/ Rock Co. Consortium		Direct	(18,862)	129,560	32,582	143,280	143,280
Home Investment Partnerships Program - Program Income		Direct	-	145,327	-	145,327	145,327
Total Home Investment Partnerships Program			(18,862)	274,887	32,582	288,607	288,607
Section 8 Housing Choice Vouchers	14.871	Direct	-	2,714,616	-	2,714,616	2,714,616
Lead Hazard Reduction Demonstration Control Program	14.905	WI DHS	(122,950)	211,368	-	88,418	88,418
Healthy Homes Technical Studies Grants	14.906	Rock County	-	-	43,008	43,008	43,008
Total U.S. Department of Housing and Urban Development			(271,624)	4,102,570	544,742	4,375,688	4,375,688
U.S. DEPARTMENT OF JUSTICE							
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	WI DOJ	-	30,155	21,805	51,960	51,960
Bulletproof Vest Partnership	16.607	Direct	-	9,478	-	9,478	9,478
JAG Program Cluster							
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Rock County	(2,455)	-	476	(1,979)	(1,979)
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803	Rock County	13,905	-	(12)	13,893	13,893
Total JAG Program Cluster			11,450	-	464	11,914	11,914
Total U.S. Department of Justice			11,450	39,633	22,269	73,352	73,352

CITY OF JANESVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Grantor Agency/ Program Title	Federal CFDA Number	Pass- Through Agency	Revenues			Total Revenues	Expenditures
			(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance		
FEDERAL PROGRAMS (cont.)							
U.S. DEPARTMENT OF TRANSPORTATION							
Highway Planning and Construction	20.205	WI DOT	\$ (38,115)	\$ 86,287	\$ 58,535	\$ 106,707	\$ 106,707
Federal Transit Formula Grants	20.507						
Federal Transit Formula Grants (operating 2013) WI-90-4751		Direct	-	1,019,350	-	1,019,350	1,019,350
ARRA - Federal Grant WI-96-X009-00		WI DOT	(15,445)	875,763	183,383	1,043,701	1,043,701
Federal Transit State of Good Repair		WI DOT	-	-	317,070	317,070	317,070
Federal Transit Formula Grants (capital) WI-XX-XXXX		WI DOT	-	-	1,460,395	1,460,395	1,460,395
Federal Transit Formula Grants (capital) WI-90-0091		WI DOT	(51,713)	-	55,967	4,254	4,254
Total Federal Transit Formula Grants			(67,158)	1,895,113	2,016,815	3,844,770	3,844,770
Public Transportation Research	20.514	WI DOT	-	96,670	139,350	236,020	236,020
State and Community Highway Safety	20.600	WI DOT	(12,311)	82,154	10,652	80,495	80,495
Total U.S. Department of Transportation			(117,584)	2,160,224	2,225,352	4,267,992	4,267,992
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Brownfields Assessment and Cleanup	66.818	Direct	(93,853)	176,220	18,808	101,175	101,175
Total Environmental Protection Agency			(93,853)	176,220	18,808	101,175	101,175
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Drug - Free Communities Support Program Grants	93.276	Direct	-	121,227	15,441	136,668	136,668
Total U.S. Department of Health and Human Services			-	121,227	15,441	136,668	136,668
U.S. DEPARTMENT OF HOMELAND SECURITY							
Assistance to Firefighters Grants	97.044	Direct	-	5,623	-	5,623	5,623
Total U.S. Department of Homeland Security			-	5,623	-	5,623	5,623
TOTAL FEDERAL PROGRAMS			\$ (471,611)	\$ 7,805,497	\$ 2,826,612	\$ 10,160,498	\$ 10,160,498

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, 2013

Grantor Agency/ Program Title	State ID Number	Revenues			Total Revenues	Expenditures
		(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance		
STATE PROGRAMS						
WISCONSIN DEPARTMENT OF NATURAL RESOURCES						
Forest Fire Protection Grant	370.545	\$ -	\$ 6,866	\$ -	\$ 6,866	\$ 6,866
Urban Forestry Grant	370.572	-	-	7,918	7,918	7,918
Total Wisconsin Department of Natural Resources		-	6,866	7,918	14,784	14,784
WISCONSIN DEPARTMENT OF TRANSPORTATION						
Transit Operating Aids Program						
2009 Operating Aids	395.104	-	14,743	-	14,743	14,743
2010 Operating Aids	395.104	(67,996)	70,904	-	2,908	2,908
2011 Operating Aids	395.104	(78,181)	78,181	-	-	-
2012 Operating Aids	395.104	(77,956)	-	77,956	-	-
2013 Operating Aids	395.104	-	723,735	77,602	801,337	801,337
Total Operating Aids Program		(224,133)	887,563	155,558	818,988	818,988
Transportation Economic Assistance (TEA) Grant						
Transportation Economic Assistance (TEA) Grant - Rail	395.510	-	-	182,223	182,223	182,223
Transportation Economic Assistance (TEA) Grant - Road	395.510	-	-	38,891	38,891	38,891
Total Transportation Economic Assistance (TEA) Grant		-	-	221,114	221,114	221,114
Total Wisconsin Department of Transportation		(224,133)	887,563	376,672	1,040,102	1,040,102
WISCONSIN DEPARTMENT OF HEALTH SERVICES						
Emergency Medical Service Cost Reimbursement	435.162	-	10,647	-	10,647	10,647
Total Wisconsin Department of Health Services		-	10,647	-	10,647	10,647
TOTAL STATE PROGRAMS		\$ (224,133)	\$ 905,076	\$ 384,590	\$ 1,065,533	\$ 1,065,533

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

CITY OF JANESVILLE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2013

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, 2013. 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 position 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.

NOTE 3 – COMMUNITY TRADE ADJUSTMENT ASSISTANCE EXPENDITURES

Expenditures reported for the Community Trade Adjustment Assistance grant were incurred over multiple years but were fully reimbursed in 2013. The entire grant award of \$1,200,000 was reported as revenues and expenditures in the current year.

NOTE 4 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors:

- WI DOJ – Wisconsin Department of Justice
- WI DHS – Wisconsin Department of Health Services
- WI DOA – Wisconsin Department of Administration
- WI DOT – Wisconsin Department of Transportation
- City of Beloit
- Rock County

CITY OF JANESVILLE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 yes X no

FEDERAL OR STATE AWARDS

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Unmodified

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

 X yes no

 Federal Programs State Programs

Auditee qualified as low-risk auditee?

 yes X no yes X no

Identification of major federal programs:

CFDA Numbers

11.010
14.218
20.507

Name of Federal Program or Cluster

Community Trade Adjustment Assistance
Community Development Block Grant / Entitlement Grants
Federal Transit Formula Grants

CITY OF JANESVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

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

FEDERAL OR STATE AWARDS (cont.)

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

Identification of major state program:

State Numbers	Name of State Program
395.104	Transit Operating Aids
395.510	Transportation Economic Assistance (TEA) Grant

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

FINDING 2013-001: CONTROL ENVIRONMENT

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/Context: 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, 2013

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

**FINDING 2013-002: 14.218 – COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS
FEDERAL GRANTOR: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Criteria: According to the Federal Funding Accountability and Transparency Act (FFATA) and the terms of the grant agreements, the city is required to report any first-tier subawards to the federal government. Any applicable original obligations and amendments must be reported no later than the last day of the following month in which the subaward was made or modified.

Condition/Context: The city did not report to the federal government payments made to the subawardees within the required timeframes for the federal program and did not have the proper controls in place to ensure the appropriate reports were filed in the appropriate timeframe.

Cause: The city initially thought the reports did not need to be submitted. After further investigation, it was determined that the reports should have been submitted.

Effect: The city is not in compliance with the reporting guidelines required by FFATA and the related grant agreements.

Questioned Costs: None noted.

Recommendation: We recommend that the city ensure that reporting under FFATA is submitted in a timely manner.

Management Response: The City has retroactively submitted reports, put controls in place to ensure that future reports are submitted by the due date, and developed a follow-up system in the event that the HUD reporting system or grant is unavailable through the submittal timeframe.

CITY OF JANESVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2013

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

FINDING 2013-003: 20.507 – FEDERAL TRANSIT FORMULA GRANTS
FEDERAL AWARD NUMBER: WI-90-4751
FEDERAL GRANTOR: U.S. DEPARTMENT OF TRANSPORTATION

Criteria: According to OMB Circular A-87 Attachment B, Section 8h, when an employee works on more than one cost activity, wages charged to Federal grants must be based on actual costs and must be an after the fact distribution. Budgeted allocations when timesheets are not completed may be used for interim accounting. However, actual costs must be reviewed on at least a quarterly basis and be based on monthly activity reports. An entity must adjust budgeted costs charged to the Federal grant to actual if the difference between the two amounts exceeds 10%.

Condition/Context: It was noted during testing that time for administrative employees who do not complete a timecard was not supported by monthly activity reports.

Cause: The city did not have a process to review actual wages in comparison to wages charged to the program.

Effect: The amounts charged to the Federal grants may not reflect actual distribution of costs.

Questioned Costs: Questioned costs cannot be determined as the city is not currently tracking actual administrative transit labor costs.

Recommendation: We recommend the city implement a procedure to document allocated time in accordance with OMB Circular A-87.

Management Response: The City has taken steps to ensure that the four administrative employees (0.38 full time equivalent) that were charged to Transit without being adjusted to actual are now maintaining logs for periodic adjustment. We believe that if an adjustment had been made for the four administrative employees in 2013, Transit would have been charged for more actual costs than the budgeted allocations.

CITY OF JANESVILLE

LEAD HAZARD REDUCTION PROGRAM
SETTLEMENT OF DHS COST REIMBURSEMENT AWARD
For the Year Ended December 31, 2013

DHS identification number: CARS profile 156912
Award amount: \$624,000
Award period: 1/2010 - 3/31/2013
Period of award within audit period: 1/2013 - 3/31/2013

Expenditures reported to DHS for payment	<u>\$ 81,518</u>
Actual allowable cost of reward	
Program expenses	
Other program expenses (supplies, training, etc)	<u>\$ 81,518</u>
Total program expenses	<u>81,518</u>
 Total Allowable Costs	 <u>\$ 81,518</u>

CITY OF JANESVILLE

CORRECTIVE ACTION PLAN For the Year Ended December 31, 2013

FINDING 2013-001: INTERNAL ACCOUNTING CONTROLS

See “management response” for Finding 2013-001 in Section II – Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*.

FINDING 2013-002: 14.218 – COMMUNITY DEVELOPMENT BLOCK GRANT/ENTITLEMENT GRANTS

See “management response” for Finding 2013-002 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

FINDING 2013-003: 20.507 – FEDERAL TRANSIT FORMULA GRANTS

See “management response” for Finding 2013-003 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, 2013

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 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 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.

CITY OF JANESVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended December 31, 2013

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

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 Status: 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.