

# **CITY OF JANESVILLE**

Janesville, Wisconsin

## **REPORT ON FEDERAL AND STATE AWARDS**

For the Year Ended December 31, 2011

# CITY OF JANESVILLE

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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*

To the City Council  
City of Janesville  
Janesville, Wisconsin

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, 2011, which collectively comprise the City of Janesville's basic financial statements and have issued our report thereon dated June 25, 2012. Our report was modified to include a paragraph stating the city adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

Management of the City of Janesville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Janesville's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Janesville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

To the City Council  
City of Janesville

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 2011-1.

### ***Compliance and Other Matters***

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

We noted certain matters that we reported to management of the City of Janesville in a separate letter dated June 25, 2012.

The City of Janesville's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Janesville's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Baker Tilly Vuchow Krause, LLP*

Madison, Wisconsin  
June 25, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
THE *STATE SINGLE AUDIT GUIDELINES* AND THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

To the City Council  
City of Janesville  
Janesville, Wisconsin

**Compliance**

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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and major state programs is the responsibility of the City of Janesville's management. Our responsibility is to express an opinion on the City of Janesville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our audit does not provide a legal determination of the City of Janesville's compliance with those requirements.

In our opinion, the City of Janesville complied, in all material respects, with the 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, 2011.

To the City Council  
City of Janesville

### ***Internal Control Over Compliance***

Management of the City of Janesville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Janesville's internal control over compliance with the requirements that could have a direct and material effect on a major federal or major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-2. 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.

### ***Schedule of Expenditures of Federal and State Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Janesville, Wisconsin as of and for the year ended December 31, 2011, and have issued our report thereon dated June 25, 2012 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City of Janesville's financial statements. Our report was modified to include a paragraph stating the city adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

To the City Council  
City of Janesville

The City of Janesville's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Janesville's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Baker Tilly Vuchow Krause LLP*

Madison, Wisconsin  
September 24, 2012

**CITY OF JANESVILLE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2011

Grantor Agency/ Program Title	Federal CFDA Number	Pass- Through Agency	Revenues				Expenditures
			(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance	Total Revenues	
<b>FEDERAL PROGRAMS</b>							
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
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	(288,269)	769,683	29,530	510,944	510,944
Community Development Block Grants / Ent. Grants - Program income	14.218	Direct	-	78,974	-	78,974	78,974
Neighborhood Stabilization Program (HERA) - Program Income	14.218	City of Beloit	-	64,970	-	64,970	64,970
Neighborhood Stabilization Program (HERA)	14.218	City of Beloit	(15,587)	321,191	57,344	362,948	362,948
ARRA - Community Devel. Block Grants / Recovery & Reinvest.	14.253	Direct	(1,993)	36,683	-	34,690	34,690
Total CDBG - Entitlement Grants Cluster			<u>(305,849)</u>	<u>1,271,501</u>	<u>86,874</u>	<u>1,052,526</u>	<u>1,052,526</u>
Community Development Block Grants / Emergency Assist. Program	14.219/.228	COMM	(330,776)	537,810	407,584	614,618	614,618
Home Investment Partnership Program							
Home Investment Partnerships Program/ Rock Co. Consortium	14.239	Direct	(61,077)	391,630	12,338	342,891	342,891
Home Investment Partnerships Program - Program Income	14.239	Direct	-	176,731	-	176,731	176,731
Total Home Investment Partnerships Program			<u>(61,077)</u>	<u>568,361</u>	<u>12,338</u>	<u>519,622</u>	<u>519,622</u>
Neighborhood Stabilization Program	14.264	City of Beloit	-	86,228	3,302	89,530	89,530
Section 8 Housing Choice Vouchers	14.871	Direct	-	3,142,958	-	3,142,958	3,142,958
Lead Hazard Reduction Demonstration Control Program	14.905	DHS	-	30,263	52,562	82,825	82,825
ARRA - Lead Hazard Reduction Demonstration Grant Program	14.909	Rock County	(33,982)	303,836	61,156	331,010	331,010
Total U.S. Department of Housing and Urban Development			<u>(731,684)</u>	<u>5,948,957</u>	<u>623,816</u>	<u>5,841,089</u>	<u>5,841,089</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Bulletproof Vest Partnership	16.607	Direct	-	1,832	7,974	9,806	9,806
Project Safe Neighborhood	16.609	Rock County	(2,467)	9,322	329	7,184	7,184
COPS - Secure our Schools (SOS) Grant	16.710	Direct	-	375	-	375	375
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Rock County	10,640	-	2,455	13,095	13,095
ARRA - JAG '09 Recovery Act Grant	16.808	Rock County	15,875	-	(13,905)	1,970	1,970
Total US Department of Justice			<u>24,048</u>	<u>11,529</u>	<u>(3,147)</u>	<u>32,430</u>	<u>32,430</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Highway Planning and Construction Program							
Highway Planning and Construction	20.205	DOT	(21,855)	105,625	34,232	118,002	118,002
Local Streets- GM Road	20.205	DOT	(178,981)	178,995	-	14	14
Total Highway Planning and Construction			<u>(200,836)</u>	<u>284,620</u>	<u>34,232</u>	<u>118,016</u>	<u>118,016</u>
Federal Transit Formula Grants							
Federal Transit Formula Grants (operating 2011) WI-90-4626 & 4643	20.507	Direct	(208,981)	1,114,818	-	905,837	905,837
ARRA - Federal Grant WI-96-X009-00	20.507	DOT	(10,429)	68,885	226,272	284,728	284,728
Federal Transit Formula Grants (capital) WI-90-0091	20.507	DOT	-	-	35,628	35,628	35,628
Total Federal Transit Formula Grants			<u>(219,410)</u>	<u>1,183,703</u>	<u>261,900</u>	<u>1,226,193</u>	<u>1,226,193</u>
State and Community Highway Safety	20.600	DOT	(11,029)	73,353	9,347	71,671	71,671
Total U.S. Department of Transportation			<u>(431,275)</u>	<u>1,541,676</u>	<u>305,479</u>	<u>1,415,880</u>	<u>1,415,880</u>



**CITY OF JANESVILLE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2011

Grantor Agency/ Program Title	Federal CFDA Number	Pass- Through Agency	Revenues			Total Revenues	Expenditures
			(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance		
<b>FEDERAL PROGRAMS (cont.)</b>							
<b>INSTITUTION OF MUSEUM AND LIBRARY SERVICES</b>							
Listening for Literacy	45.310	DPI	\$ -	\$ 8,646	\$ 7,285	\$ 15,931	\$ 15,931
Total Institution of Museum and Library Services			<u>-</u>	<u>8,646</u>	<u>7,285</u>	<u>15,931</u>	<u>15,931</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
FEMA-1768-DR-WI Flood	97.036	DMA	(28,156)	23,899	-	(4,257)	(4,257)
Hazard Mitigation Grant	97.039	DMA	(21,210)	24,394	-	3,184	3,184
Assistance to Firefighters Grants	97.044	Direct	(43,837)	43,837	-	-	-
Homeland Security Grant	97.067	DOA - OJA	(7,900)	7,900	-	-	-
Total U.S. Department of Homeland Security			<u>(101,103)</u>	<u>100,030</u>	<u>-</u>	<u>(1,073)</u>	<u>(1,073)</u>
<b>U.S. DEPARTMENT OF ENERGY</b>							
ARRA - Energy Efficiency and Conservation Block Grant	81.128	Direct	(43,795)	112,511	279,923	348,639	348,639
Total U.S. Department of Energy			<u>(43,795)</u>	<u>112,511</u>	<u>279,923</u>	<u>348,639</u>	<u>348,639</u>
<b>TOTAL FEDERAL PROGRAMS</b>			<u>\$ (1,283,809)</u>	<u>\$ 7,723,349</u>	<u>\$ 1,213,356</u>	<u>\$ 7,652,896</u>	<u>\$ 7,652,896</u>

**CITY OF JANESVILLE**

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended December 31, 2011

Grantor Agency/ Program Title	State ID Number	Revenues			Total Revenues	Expenditures
		(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance		
<b>STATE PROGRAMS</b>						
<b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>						
Brownfield SAG Grant	370.687	\$ (3,104)	\$ 8,000	\$ -	\$ 4,896	\$ 4,896
Total Wisconsin Department of Natural Resources		<u>(3,104)</u>	<u>8,000</u>	<u>-</u>	<u>4,896</u>	<u>4,896</u>
<b>WISCONSIN DEPARTMENT OF TRANSPORTATION</b>						
Rock River Parkway/Bikeway	N/A	-	1,053	-	1,053	1,053
Transit Operating Aids Program						
2010 Operating Aids	395.104	(174,351)	106,355	67,996	-	-
2011 Operating Aids	395.104	-	703,634	78,181	781,815	781,815
Total Operating Aids Program		<u>(174,351)</u>	<u>809,989</u>	<u>146,177</u>	<u>781,815</u>	<u>781,815</u>
Total Wisconsin Department of Transportation		<u>(174,351)</u>	<u>811,042</u>	<u>146,177</u>	<u>782,868</u>	<u>782,868</u>
<b>WISCONSIN DEPARTMENT OF HEALTH SERVICES</b>						
Emergency Medical Service Cost Reimbursement	435.162	-	10,128	-	10,128	10,128
Total Wisconsin Department of Health Services		<u>-</u>	<u>10,128</u>	<u>-</u>	<u>10,128</u>	<u>10,128</u>
<b>WISCONSIN DEPARTMENT OF MILITARY AFFAIRS</b>						
Hazard Mitigation Grant	465.342	(3,030)	4,012	-	982	982
FEMA-1768-DR-WI Flood State Assistance	465.305	(5,295)	3,983	-	(1,312)	(1,312)
Total Wisconsin Department of Military Affairs		<u>(8,325)</u>	<u>7,995</u>	<u>-</u>	<u>(330)</u>	<u>(330)</u>
<b>TOTAL STATE PROGRAMS</b>		<u>\$ (185,780)</u>	<u>\$ 837,165</u>	<u>\$ 146,177</u>	<u>\$ 797,562</u>	<u>\$ 797,562</u>

## CITY OF JANESVILLE

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2011

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#### **NOTE 1 – REPORTING ENTITY**

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This Report on Federal and State Awards includes the federal and state awards of the City of Janesville. The reporting entity for the city is based upon criteria established by the Governmental Accounting Standards Board.

The City of Janesville is the primary government according to GASB criteria, while the City of Janesville's Community Development Authority (CDA) is a component unit.

Federal and state awards received directly by the CDA are included in this report.

The schedule includes only those programs required to be included in accordance with the *State Single Audit Guidelines*.

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#### **NOTE 2 – BASIS OF PRESENTATION**

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The 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.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and the *State Single Audit Guidelines*.

## CITY OF JANESVILLE

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2011

#### **SECTION I – SUMMARY OF AUDITORS' RESULTS**

##### *FINANCIAL STATEMENTS*

Type of auditors' report issued: Unqualified

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: Unqualified

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

<u>Federal Programs</u>	<u>State Programs</u>
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Auditee qualified as low-risk auditee?             yes        X   no             yes        X   no

Identification of major federal programs:

CFDA Numbers

14.218/14.253  
20.507

14.871  
14.909

81.128

Name of Federal Program or Cluster

CDBG – Entitlement Grants Cluster  
Federal Transit – Formula Grants/ARRA-Federal Transit – Formula Grants  
Section 8 Housing Choice Vouchers  
ARRA – Lead Hazard Reduction Demonstration Grant Program  
ARRA – Energy Efficiency and Conservation Block Grant Program

<u>Federal</u>	<u>State</u>
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Dollar threshold used to distinguish between type A and type B programs:

<u>\$ 300,000</u>	<u>\$ 100,000</u>
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# CITY OF JANESVILLE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2011

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

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#### *FEDERAL OR STATE AWARDS* (cont.)

Identification of major state program:

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

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

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#### *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 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, 2011

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

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**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

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

**Management Response:** The transactions (content) of the draw down request Federal Form SF-425 and section 1512 ARRA reports was reviewed by the project manager. The project manager then forwards this information to the accountant who pulls the submittal together. The City of Janesville will add a second review and approval of the completed drawn down request and the ARRA reports by the project manager before they are filed.

**CITY OF JANESVILLE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2011

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**SECTION IV – OTHER ISSUES**

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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 Natural Resources	_____ yes	<u>  X  </u> no
Department of Transportation	_____ yes	<u>  X  </u> no
Department of Health and Family Services	_____ yes	<u>  X  </u> no
Department of Military Affairs	_____ 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  
Heather S. Acker, CPA, Partner

5. Date of report      September 24, 2012

## **CITY OF JANESVILLE**

### **CORRECTIVE ACTION PLAN For the Year Ended December 31, 2011**

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#### ***FINDING 2011-1: INTERNAL ACCOUNTING CONTROLS***

See “management response” for Finding 2011-1 in Section II – Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*.

#### ***FINDING 2011-2: 81.128 ARRA – ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT***

See “management response” for Finding 2011-2 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, 2011

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#### ***FINDING 10-1: 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.

**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.