The background of the slide is a photograph of an office interior. Several people are seated at desks, their figures silhouetted against large windows that look out onto a city skyline. The scene is dimly lit, with the primary light source coming from the windows, creating a professional and focused atmosphere.

# **Reporting and insights from the 2020 audit: DuPage County, Illinois**

**November 30, 2020**

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# Executive summary

We have completed our audit of the financial statements of DuPage County (the “County”) for the year ended November 30, 2020, and have issued our report thereon dated August 17, 2021. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your County’s operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas DuPage County should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization’s financial stability and future planning.

If you have questions at any point, please connect with us:

- Joe Lightcap, CPA, Partner: [Joe.Lightcap@bakertilly.com](mailto:Joe.Lightcap@bakertilly.com) or +1 (630) 645 6215
- Michael E. Malatt, CPA, Senior Manager: [michael.malatt@bakertilly.com](mailto:michael.malatt@bakertilly.com) or +1 (630) 645 6226

Sincerely,

Baker Tilly US, LLP

A handwritten signature in black ink that reads "Joseph M. Lightcap". The signature is written in a cursive, flowing style.

Joe Lightcap, CPA, Partner

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THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

# Responsibilities

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# Responsibilities

## Our responsibilities





As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the County's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the County Board, including:

- Qualitative aspects of the County's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

## Management's responsibilities

Management	Auditor
 <p>Prepare and fairly present the financial statements</p>	Our audit does not relieve management or those charged with governance of their responsibilities
 <p>Establish and maintain effective internal control over financial reporting and compliance with laws, regulations, contracts and grants</p>	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
 <p>Compliance with the types of requirements described in the <i>OMB Compliance Supplement</i></p>	While our audit provides a reasonable basis for our opinion on compliance, it does not provide a legal determination on compliance with those requirements.
 <p>Provide us with written representations at the conclusion of the audit</p>	See Appendix for a copy of management's representations

# Audit status



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# Audit status

## Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

## **Audit approach and results**



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# Audit approach and results

## Planned scope and timing

### Audit focus

Based on our understanding of the County and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the County's current year results.

## Key areas of focus and significant findings

### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

## Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		Testing approach
Cash and investments	Revenues and receivables	General disbursements and payables
Payroll	Pension and OPEB liabilities	Long-term debt
Capital assets	Fund balance/net position calculations	Financial reporting and required disclosures
Inventory	Prepaid Items	Self-Insurance

## Internal control matters

We considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the County'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.

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 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 identified the following deficiencies as material weaknesses:

- **County Board – Care Center: External Financial Reporting**

During our audit procedures in the current year, it was determined that the amounts reported as unavailable revenue and due to federal, state and other governments were understated by \$6,620,884 and \$931,260, respectively. The impact of these understatements resulted in an overstatement of revenues totaling \$7,552,144 on the modified accrual basis of accounting. Audit adjustments were made to correct the materially misstated accounts. These adjustments indicate a material weakness in the financial reporting system. We recommend the Care Center incorporate additional internal controls over financial reporting to appropriately report activities on the modified accrual basis of accounting.

***Management Response:***

A new Financial Manager has been hired at the Care Center in the spring of 2021. The County Finance Department will work with the new manager in identifying the reported understatements and to develop a review process that properly records revenue during each month and at fiscal year-end.

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 identified the following deficiencies as significant deficiencies:

- **County Board – Finance: Non-Treasurer Held Bank Accounts**

As reported in the prior year, a properly and effectively designed system of internal control should encompass all operational activity of the County. This includes decentralized transactional activity and bank accounts maintained by the various departments and offices of the County other than the County Treasurer.

We noted that several departments and offices utilize bank accounts that are not reported in the County's general ledger software throughout the year. In both the current year and prior year, the Finance Department provided the appropriate entries and audit entries were not necessary. These "off-book" accounts consisted of governmental fund accounts and agency accounts in which the County held fiduciary responsibility for monies required to be distributed to other entities.

While some departments and offices maintain their own systems of internal controls, the maintenance of accounts outside the County's internal control procedures ensures that the accounts and related activity do not go through the County's centralized review and approval procedures. Specifically, the County's multi-office monthly review of bank reconciliations, and review and approval process over disbursements.

By operating outside the auspices of the County's primary system of internal controls, there is a risk that the County's financial statements would exclude transactional activity and existing bank account balances without the knowledge of management or the County Board. Additionally, errors or fraud could occur in these accounts without being discovered that would have otherwise been identified within the primary control procedures.

We recommend that all bank accounts opened in the name of the County or department/office of the County be maintained and operated through the County's general ledger software. Transactions related to these accounts should also be recorded in the general ledger on a timely basis. If it is not feasible for transactional activity to be processed through the County's primary control procedures, each department and office maintaining "off-book" accounts should document and implement internal control procedures to ensure that bank reconciliations are prepared on a monthly basis and reviewed by someone other than the preparer and disbursements from the accounts be reviewed and approved before the transaction takes place.

***Management Response:***

County management concurs with Baker Tilly's recommendation with respect to the Non-Treasurer Held Bank Accounts, and continues to strongly encourage all departments that have separate bank accounts to bring these accounts "on-line" so that all related transactions are processed on a timely basis via the County's general ledger system, and that all related transactions are required to follow the County's internal control procedures. Due to the nature of some of these bank accounts, County management understands that some of these accounts may not be brought "on-line".

As mentioned above, County management continues to strongly encourage all departments that maintain Non-Treasurer Held Bank Accounts to adhere to the following internal control procedures:

- a. Prepare monthly bank reconciliations on a timely basis.
- b. Have an independent party review and sign off the monthly bank reconciliations and disbursements.

While we recognize that elected officials are not required to comply with the above internal control procedures, County management encourages them to do so, in order to achieve the highest standard in internal control. The Finance Department also continues to work closely with the County Treasurer advocating the bringing of all Non-Treasurer Held Bank Accounts "on-line".

In preparation for implementation of GASB Statement No. 84, "Fiduciary Activities" (Statement), which is effective FY 2021, the Finance Department has completed its assessment as to whether an agency fund currently being held by the County is, in fact, an agency fund, in accordance with the guidelines established by the Statement. Based on our assessments, the transactions for some of these agency funds will need to be processed via the County's general ledger system when the County implements the new Standard.

**– County Board – Care Center: Patient Billing**

As reported in the prior year, the Care Center receives delayed information regarding when patients are admitted into Medicare and could receive information after the County's financial statements have been issued. As such, it is necessary for the Care Center to prepare retroactive billings once information regarding Medicare patients is received. Currently, the Care Center is behind in preparing

the retroactive billings which results in this comment being repeated. The result of these occurrences is:

- > Before patients are admitted into Medicaid they are billed as private pay residents which is at a higher rate than Medicare patients and
- > When reimbursements are received from Medicaid, the Medicaid receivable account is reduced for the payment. If the payment is received prior to the retroactive billing adjustment, the bill is still included in the Private Pay receivable account. At year end, this resulted in the Medicaid receivable account having a negative balance offset by a Private Pay receivable balance that was overstated.

***Management Response:***

**Prior Process for Retroactive Billing**

A majority of DPCC's patient population is either funded through the State's Medicaid program or has applied for acceptance into the program. The State has been grossly delinquent in approving residents for Medicaid (even after they are eligible thru the Spend down process), during which time the resident remains as private pay status for billing purposes. Once notification of Medicaid approval is received, the private pay charges put into the billing software during the pending period, must be analyzed and re-established under the Medicaid payor source at the appropriate rates. Medicaid rates are adjusted quarterly and sometimes monthly and take into account such things as patient income and income offsets. The analysis and reclassification of billing requires a thorough understanding of the Medicaid process and is time consuming especially when approval can take up to a year. As a result, DPCC financial department reevaluated the current method of analysis and reclassification and put in new processes to reduce the number and complexity of retroactive billings moving forward.

**New Process for Retroactive Billing effective 12/01/2018**

Upon completion of financial screening and application for Medicaid benefits, the resident will be classified as Medicaid in DPCC billing software resulting in

- Medicaid revenue to be booked at the Medicaid rate versus Private Pay rate.
- Increased frequency of Medicaid receivable review also allows the Care Center's receivable classification to reflect the ultimate payor source and decreases the number of accounts that require review/analysis of retroactive classification changes.
- DPCC Financial services staff has reviewed and analyzed approximately 25%-30% of the existing Retroactive Medicaid Billings and made the appropriate adjustments.

**New Changes-State of Illinois Medicaid Eligibility Program**

During FY 2018, the State of Illinois established a provisional eligibility program for all residents applying for Medicaid benefits.

- The intent of the Provisional Eligibility program is to pay facilities the Medicaid rate for residents who are in the Medicaid review process. At this time, we have not yet received payment under this program.
- A quicker change in the classification of the resident payor source, allows us to bill in a timely manner and reduces the number and complexity of accounts needing retroactive analysis.

**Status of Retroactive Billing review – Fiscal Year 2019**

As noted in the response by Care Center management in Fiscal Year 2018, new residents of the Care who apply for Medicaid continue to be classified as a Medicaid resident in the Care Center's billing system. This classification process has eliminated the need for new retroactive billing.

As of November 30, 2019, Care Center personnel have reviewed and reclassified approximately 60% of those residents who needed to be reviewed. The remaining 40% of resident reviews and reclassifications are expected to be completed during Fiscal Year 2020.

Also, as noted in the response by Care Center management in Fiscal Year 2018, the Care Center is receiving provisional eligibility for those residents who apply for Medicaid benefits, and for those residents who are currently being reviewed. The provisional eligibility has reduced the complexity of those accounts that need to be analyzed.

The County's written responses to the material weakness and significant deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

# Required communications

## Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by DuPage County are described in Note 1 to the financial statements. As described in Note 1 the County changed accounting policies related to asset retirement obligations by adopting GASB Statement No. 83 – *Certain Asset Retirement Obligations*. We noted no transactions entered into by the County during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension liability and related deferrals	Evaluation of information provided by the Illinois Municipal Retirement Fund	Reasonable in relation to the financial statements as a whole
Self-insurance claims	Historical claims analysis and report provided by a 3 <sup>rd</sup> party administrator	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Total OPEB liability and related deferrals	Key assumptions set by management with the assistance of a third party actuary	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

## **Significant difficulties encountered during the audit**

We encountered no significant difficulties in dealing with management and completing our audit.

## **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Disagreements with management**

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. The schedule within the Appendix summarizes the uncorrected misstatements, other than those that are clearly trivial, that we presented to management and the material corrected misstatements that, in our judgment, may not have been detected except through our auditing procedures. The internal control matters section of this report describes the effects on the financial reporting process indicated by the uncorrected misstatements and corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

## **Significant unusual transactions**

**There have been no significant transactions that are outside the normal course of business for the County or that otherwise appear to be unusual due to their timing, size or nature.**

## **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

## **Written communications between management and Baker Tilly**

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

## **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

## **Fraud**

We did not identify any known or suspected fraud during our audit.

## **Going concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the County's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

## **Group audits**

The County's financial statements include information that was audited by other auditors. In connection with our audit, we placed reliance on the audit of the financial statements of the DuPage Airport Authority, a discretely component unit of DuPage County, as of December 31, 2020 and for the year ended completed by Sikich LLP. All necessary conditions have been met to allow us to make reference to the component auditors.

In addition, if we had any concerns about the quality of work of the other auditors, if there were any limitations related to the group audit or if there was any fraud or suspected from involving group management, component management, employees who have significant roles in group-wide controls or others in which material misstatement of the group financial statements has or may have resulted from fraud we would be required to report those to you. We have not identified any circumstances that are required to be reported.

## **Independence**

We are not aware of any relationships between Baker Tilly and the County that, in our professional judgment, may reasonably be thought to bear on our independence.

## **Related parties**

We did not have any significant findings or issues arise during the audit in connection with the County's related parties.

## **Other matters**

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

## Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting and conversion journal entries
- Preparation of Part II of the Data Collection Form

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

# **Accounting changes relevant to DuPage County**



# Accounting changes relevant to DuPage County

## Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
84	Fiduciary Activities	✓	11/30/21*
87	Leases	✓	11/30/22*
89	Accounting for Interest Incurred before the End of a Construction Period	✓	11/30/22*
90	Majority Equity Interest an amendment of GASB Statements No. 14 and NO. 61		11/30/21*
91	Conduit Debt	✓	11/30/23*
92	Omnibus 2020	✓	11/30/22*
93	Replacement of Interfund Bank Offered Rates		11/30/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements		11/30/23
96	Subscription-Based Information Technology Arrangements	✓	11/30/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	11/30/22

\*These statements had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#).

## Preparing for the new lease standard

GASB's new single model for lease accounting will be effective soon. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend the County review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, the County should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about [GASB 87](#).

## Planning for the new conduit debt reporting

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The County should identify any existing debt arrangements involving third-party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

# Trending challenges and opportunities for organizations



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# Trending challenges and opportunities for organizations

Management and governing bodies must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long-term goals. Economic uncertainty, coupled with key risk areas and fast-paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

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## Turning toward recovery and growth

Many organizations are focusing on the strategic restart and ramp up of their operations.

With great uncertainty about what recovery will look like—or how long it will take—it is essential for your organization to understand the scenarios you may face and plan your path back to growth.

We can help you chart a way forward that will enhance and maximize your value, minimize further disruption and keep your workforce safe.

### Recommendation

Follow our [road map](#) to reopen, recover and reset.



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## Compliance with federal awards



### Challenge

The COVID-19 crisis has had a significant effect on the nation, including recipients of federal awards resulting from various congressional acts. Federal funding adds an increased level of scrutiny and brings new challenges around compliance, reporting and administration.

Finance and spending departments are operating in unprecedented times as they manage and administer these funds while also remaining economically viable, maintaining operations and adapting to the “new normal.”

### Recommendation

Learn more about [compliance for federal funds](#) obtained for pandemic response efforts.

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## Recession proofing measures



### Challenge

Ever aware of the need to balance the needs of diverse constituents against constrained revenue streams and conflicting priorities, public leaders strive to effectively deploy scarce resources while maintaining the highest levels of accountability and transparency.

In times of crisis, additional challenges emerge to maintain essential services, ensure citizen safety, protect their workforce and jumpstart programs to mitigate negative local economic impacts—all while focusing on planning for long-term effects of revenue shortages and the subsequent recovery.

Developing strategic clarity, aligning resources with priorities, strengthening performance, optimizing processes and leveraging

technology are imperative.

### Recommendation

Learn about [proactive measures to insulate your organization](#) from financial hardship and to [optimize your organization's performance](#).

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## Recruiting and hiring

### Challenge

Public sector entities in need of key workforce personnel, such as city or county managers and administrators, city or county attorneys, fire chiefs, police chiefs and other departmental directors, may find themselves in an unenviable position during a pandemic.

Organizations need the talent, but a pandemic can disrupt essential business processes and cause apprehension about access to desirable candidates.

Hiring leaders should proactively discuss what-if scenarios, evaluate short-term and long-term hiring priorities, and plan for situations where immediate recruitment is imperative.

### Recommendation

Learn the key considerations and actions for [recruiting and hiring](#) in a crisis.



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## Risk assessment

### Challenge



Organizations today manage ever-expanding priorities in a constantly evolving, disruptive risk environment. Undetected risks, insufficient internal controls and inefficient business processes may negatively impact not only the entity but also its workforce and the community at large.

Risk assessment and internal audit prove essential to identifying top risks and the appropriateness of response in order to:

- Manage risk and compliance
- Enhance governance and strategy
- Optimize operations
- Gain assurance around key functions and processes that contribute toward meeting organizational goals

### Recommendation

Learn about the key considerations for the [risk assessment process and internal audit planning](#).

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## Economic development

### Challenge

In today's complex economic landscape, communities face the daunting challenge of rebuilding their local economies. Restoring the momentum of economic expansion and investment to enhance quality of life for residents and produce long-term financial gain for the community is at the forefront of concerns.

Whether attracting growth to maximize opportunity built around community strengths or accounting for the many unknowns caused by major disruptions, a robust economic development strategy is essential to recovery.

### Recommendation

Learn about the advantages of creating an [economic development strategic plan and the framework](#) to follow.



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## Harnessing data and analytics for strategic insight and decision-making



### Challenge

In crisis and recovery, organizations are investing in advanced analytic solutions to help them not only make better decisions faster and more consistently, but also to improve operational efficiency and performance. Of all the business analytics available, advanced analytic solutions should be at the top of your priority list given the impact it can have on your business.

### Recommendation

Learn more about [data & analytics strategy and roadmaps](#), [MDM and data process re-engineering](#), [AI strategy](#), [data visualization](#) and other digital and analytic capabilities.

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## Information technology and cybersecurity



### Challenge

While return-to-work scenarios are being developed, it is likely that remote workforces will remain a reality for many organizations in the short- to mid-term. Though many organizations have been able to adapt on a short-term basis, some will not be prepared for long-term operation on a remote and virtual basis. Organizations should increase monitoring of invasive cyber events, given the likely increase in hackers sending out fake emails, website links and ransomware attacks – and also consider:

- Adequacy of IT controls and security
- Performance of remote infrastructure supporting operations
- Improvements to remote applications for communication, collaboration and workflow
- Alternatives for data entry, work and information flow

### Recommendation

[Learn more](#) about information technology and cybersecurity, including [System & Organization Controls reporting](#).

# Appendix A: Management representation letter



## FINANCE

630-407-6100

[www.dupageco.org/finance](http://www.dupageco.org/finance)

August 17, 2021

Baker Tilly US, LLP

1301 W. 22nd Street  
Suite 400  
Oak Brook Illinois 60523

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of DuPage County, Illinois as of November 30, 2020 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of DuPage County, Illinois and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, if any, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 9) We believe the effects of the uncorrected financial statement misstatements listed here are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
  - a) Net pension liability was derived from IMRF's actuarial valuations that varied from schedules audited by the IMRF plan auditors. As a result, Governmental Activities total liabilities were overstated by \$2,023,533, ending net position was understated by \$2,023,533, expenses were overstated by \$3,551,416, and beginning net position was overstated by \$1,527,883.
  - b) Liabilities and expenses were overstated in the Care Center Fund and Governmental Activities by \$204,950 related to improperly accruing for FY21 related expenses.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
- 11) Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- d) Minutes of the meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 16) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) There are no known related parties or related party relationships and transactions of which we are aware.

**Other**

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have a process to track the status of audit findings and recommendations.
- 20) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 22) The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 23) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 24) There are no:
  - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

- b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
  - d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
- 25) In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
- a) Financial statement preparation
  - b) Adjusting and conversion journal entries
  - c) Preparation of Part II of the Data Collection Form

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

- 26) DuPage County, Illinois has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) DuPage County, Illinois has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 28) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.
- 29) The financial statements properly classify all funds and activities.
- 30) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 31) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 32) DuPage County, Illinois has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 33) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

- 35) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 37) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 39) Tax-exempt bonds issued have retained their tax-exempt status.
- 40) We have appropriately disclosed DuPage County, Illinois's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 42) With respect to the supplementary information, (SI):
  - a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 43) We assume responsibility for, and agree with, the findings of specialists in evaluating the total OPEB liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 44) We assume responsibility for, and agree with, the information provided by the Illinois Municipal Retirement Fund as audited by RSM, LLP relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
- 45) We have evaluated and considered all potential tax abatements and believe all material tax abatements have been properly reported and disclosed.

- 46) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

Sincerely,

DuPage County, Illinois

Signed: 

Nicholas Kottmeyer, Chief Administrative Officer

Signed: 

Jeffrey Martynowicz, Chief Financial Officer

## **Appendix B: Uncorrected and corrected misstatements**



# Uncorrected misstatements

Financial statement effects – debit (credit) to financial statement total:

Opinion unit	Assets/ deferred outflows	Liabilities/ deferred inflows	Net position/ fund balance	Revenues	Expenses/ Expenditures	Change in net position/ fund balance
Governmental Activities	\$ -	\$ 2,228,483	\$ (2,228,483)	\$ -	\$ (3,756,366)	\$ 3,346,466
Care Center Fund	-	204,950	(204,950)	-	(204,950)	(204,950)

# Material corrected misstatements

Description	Opinion unit	Amount
Accounts receivable balances originally recognized as revenue but not collected and available within 60 days of year-end.	Care Center Fund	\$ 6,620,884
Correction of error in calculation of amounts due to the IHFS	Care Center Fund	931,260

The remaining misstatements that were identified and corrected by management were not material individually or in the aggregate to the financial statements taken as a whole.