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**Kane County Emergency Communications (KaneComm)
Internal Transition Audit**

Background

As part of best practice procedures and as required under state statute, whenever a new officeholder is elected *or a department head is appointed*, a transition audit should be performed. Below are pertinent excerpts from state statute:

(55 ILCS 5/6-31005) (from Ch. 34, par. 6-31005) Sec. 6-31005... the County Board shall cause an audit to be made of all funds and accounts under the management or control of a county official as soon as possible after such official leaves office for any reason. The audit shall be filed with the county board not later than 6 months after the official leaves office. The audit shall be conducted and the audit report shall be prepared and filed with the Chairman of the County Board by a person lawfully qualified to practice public accounting...

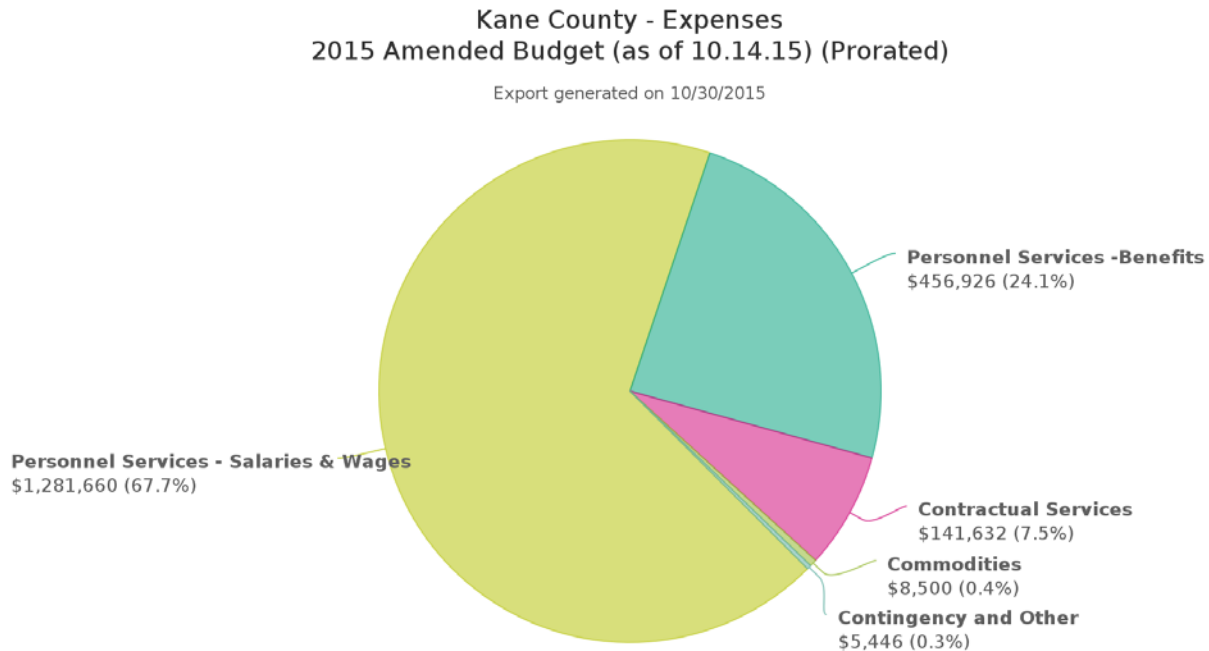
As used in this Section, "county official" means any elected county officer *or any officer appointed* by the county board who is charged with the management or control of any county funds; and "audit" means a post facto examination of books, documents, records, and other evidence relating to the obligation, receipt, expenditure or use of public funds of the county, including governmental operations relating to such obligations, receipt, expenditure or use.

(Source: P.A. 86-962.)

Also as a matter of best practices, the Auditor's Office develops an internal audit plan on an annual basis. The plan is ordinarily based upon a risk evaluation of all Kane County (County) offices and departments to coordinate audit rotations which provide countywide coverage on a regular basis. An event such as a change in an appointed director can cause that audit schedule to be accelerated. Furthermore, the transition itself creates another variable to be considered. Taking those, and other factors, into account the Auditor's Office developed additional audit steps to form a comprehensive plan for the transition audit and the normal internal audit with the approval of the County Board and the cooperation of the newly appointed Director.

Kane County Emergency Communications (KaneComm) was created by Kane County (County) Ordinance 11-398 on December 13, 2011 and became Article 8.5, Kane County Emergency Communications Board, of the County Code. KaneComm is a multi-jurisdictional dispatch center responsible for the deployment of several police, fire and medical agencies located within Kane County.

Following is a breakout of KaneComm expenses per the 2015 Amended Budget:



Following is a breakout of KaneComm revenues per the 2015 Amended Budget:

**KaneComm
Revenue Breakout**

	<u>2013</u> <u>Amended</u> <u>Budget</u>	<u>2014</u> <u>Amended</u> <u>Budget</u>	<u>2015</u> <u>Amended</u> <u>Budget</u>	<u>2016 Budget</u>
Radio Communication Fees (Subscriber Fees)	673,545	707,224	749,427	786,899
Emergency Communications Audio Recording Fees	700	700	700	700
Cell 911 Surcharge Reimbursement (ETSB)	471,190	552,000	480,000	490,800
Cash On Hand	9,109	118,109	-	-
Transfers In (from General Fund)	677,000	606,226	694,020	731,360
Total Revenues/Transfers In	1,831,544	1,984,259	1,924,147	2,009,759

The cost of running KaneComm is covered through (1) subscriber fees, (2) ETSB funding, and (3) the General Fund. The 2012 originating subscriber fee was set as KaneComm’s fiscal year projected expenses less ETSB funding, allocated to the subscribers based on historical call volume. The subscriber fee has a maximum increase of 5% annually per the current agreement which expires March 31, 2017. Following is a list of current subscribers:

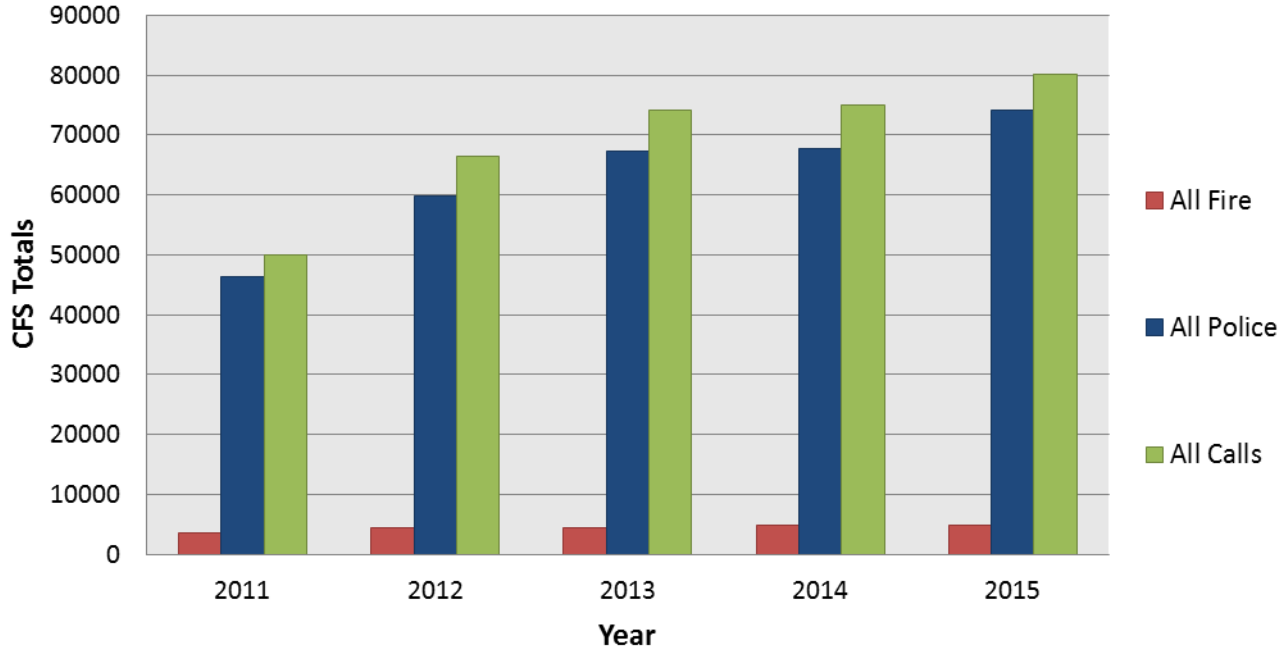
<u>Subscriber</u>	<u>Police Department</u>	<u>Fire Department</u>
Big Rock		X
Burlington		X
Campton Hills	X	
Fox River		X
Fox Valley Park District	X	
Gilberts	X	
Hampshire	X	X
Kane County Forest Preserve	X	
Kaneville		X
Maple Park	X	X
Pingree Grove	X	X
South Elgin	X	
Wayne	X	

Internal subscribers are the Kane County Sheriff’s Office, Office of Emergency Management, Coroner’s Office and Court Services. The internal subscribers are not charged back; rather, these charges are part of the transfer in funded by the General Fund. Internal subscriber fee is estimated at \$672,755 of the total \$731,360 transfers in, or 92%, for the 2016 Budget.

ETSB funding represents LAN line fees submitted by the phone companies to the State, passed to ETSB, and then allocated in part to KaneComm. Revenue is generally passed to KaneComm about four months in arrears (e.g., December 2015 fees should be received in April 2016).

The following reflects the increase in call volume from 2011 through 2015:

5 Year Trend - Calls For Service



Summary of Procedures Performed

- Reviewed background information such as County Ordinance, KaneComm webpage, subscriber agreements, organizational chart and the 2016 budget presentation.
- Performed fluctuation analysis of 2015 amended budget to 2014 actuals as well as year over year changes for fiscal years 2011 through 2014.
- Physically observed fixed assets added in 2014; noted no new fixed assets in 2015.
- For accounts payable spend from 9/1/14-8/31/15, summed and sorted vendors largest to smallest ensuring contracts for spend greater than \$30,000 are in accordance with County financial policy.
- Randomly selected 16 invoices, 27% of annual spend, to review for proper general ledger coding, approvals, quotes/contracts and supporting documentation. Reviewed transition transactions noting no large or unusual transactions.
- Recalculated annual increase in the Radio Communication Fees and reviewed collection. Recalculated KaneComm share of ETSB funding and traced into the general ledger.

Recommendations and Management Response

Recommendation 1 – In the review of approval levels for invoices, it was noted that invoices have only a single departmental approval. **Recommend setting up an approval matrix allowing for approval levels and separation of purchasing and invoice approval functions.** For example, accounts payable coordinator may approve invoices up to \$5k and the director would approve invoices greater than \$5k. Additionally, recommend the separation of duties for the process of ordering goods/services and approving invoices.

Management Response – We will put together an invoice approval process allowing for multiple approval levels. Tentatively, the approval matrix will add approval by the deputy director for up to \$10k and director approval for invoices greater than \$10k.

Recommendation 2 - In the review of expense coding for invoices, it was noted that expenses could be charged to more descriptive line items versus general contractual/consulting services. For example,

- Data Clean Corporation is currently charged to contractual/consulting services (50150), but would be more descriptively charged to janitorial services (52010) which would be consistent with other department/office coding for office cleaning services.
- Tower rental fees are currently charged to repairs and maintenance – equipment (52160) but would be more descriptively charged to equipment lease (52220).
- Fire service agreement and other equipment maintenance charges are expensed to contractual/consulting services (50150) but would be more descriptively charged to repair and maintenance – equipment (52160) which would be consistent with other department/office coding for equipment maintenance.

Recommend budgeting and recording expense in the most descriptively appropriate line item, pursuing both accounting accuracy and consistent line item classification across the County.

Management Response – We agree and will move toward recording expenses in the most descriptive expense line item.

Recommendation 3 – KaneComm currently pays Comcast for immaterial adaptor cost which is excluded from the County’s franchise agreement. The KaneComm Comcast account is in the name of the former Director’s predecessor. **Recommend removing all employee names from the account and having the invoice be addressed directly to KaneComm.**

Management Response – We have periodically requested that Comcast remove the employee name and change the account holder to KaneComm or KaneComm Director. We will continue to address this issue with Comcast until resolved.

Recommendation 4 – The subscriber agreements state that “1% of the annual operating budget shall be allocated in equal portions to the KaneComm Contingency and KaneComm Reserve funds respectively on an annual basis”. Separate funds have not been established for the KaneComm Contingency and KaneComm Reserve per the contract. The KaneComm “cash and investments” account does have a sufficient balance to cover the requirements. The contract does not specify how the funds should be used, but the specific reference to the contingency and reserve funds would imply that the subscribers are focused on the balance and use of those funds. **Recommend establishing a combined KaneComm Contingency and Reserve Fund which should receive 2% of the annual operating budget of KaneComm, and implementing procedures for required reporting and acceptable uses.**

Management Response – The current subscriber agreements expire next year, and we are currently redrafting the agreements. The new subscriber agreements may or may not contain the clause for the contingency and reserve funds. At this point, we will keep this recommendation in mind for possible implementation if the recommendation is still pertinent under the new agreements. If the contingency and reserve funds remain part of the agreements, the Finance Department has suggested adding sub-departments to separate the funds.

Recommendation 5 – Subscriber fee is not fully loaded (i.e., does not include rent, utilities, property insurance, capital, etc.). **Recommend that when subscriber contracts are renegotiated consideration be given to a fee structure based upon a fully loaded charge, as under current conditions the County is not only picking up the expense overage of KaneComm, but also the overhead.**

Management Response – The current subscriber agreements expire next year, and we are currently redrafting the agreements. More fully loaded costs will be taken into consideration with the redrafting of the agreements.

We would like to thank Director Farris, Deputy Director Guthrie and Office Manager Chidester for their support of the audit.



Terry Hunt – Kane County Auditor



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