

OFFICE OF THE KANE COUNTY AUDITOR
TERRY HUNT, KANE COUNTY AUDITOR

MARIOLA OSCARSON
 DEPUTY AUDITOR

MARGARET TODD-CAVE
 STAFF AUDITOR



719 S.BATAVIA AVENUE
 GENEVA, ILLINOIS 60134

630-232-5915
 630-208-3838 (FAX)

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Circuit Clerk Internal Audit

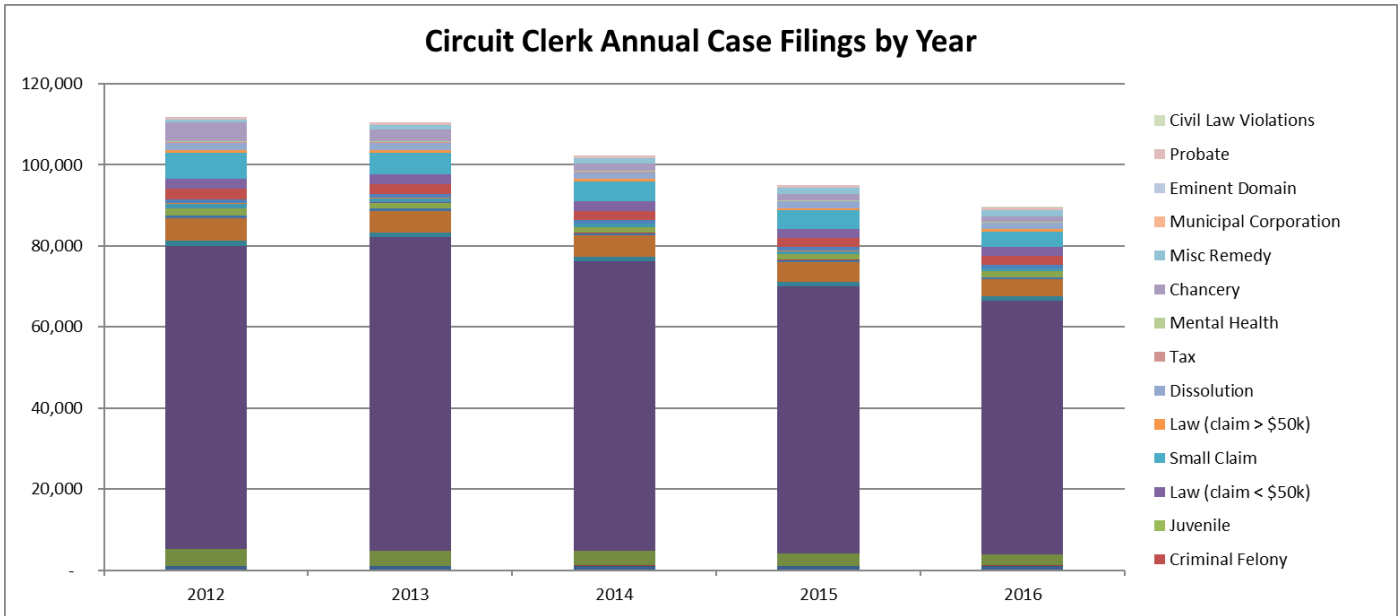
Background

The Circuit Clerk has revenues and expenditures in the general fund and special revenue funds of Court Automation (fund 200), Court Document Storage (fund 201), Child Support (fund 202), Administration Services (fund 203) and E-Citation (fund 204). All funds are included in this audit.

Revenues and expenses for each fund are presented below:

| | <u>2012</u> <u>Actuals</u> | <u>2013</u> <u>Actuals</u> | <u>2014</u> <u>Actuals</u> | <u>2015</u> <u>Actuals</u> | <u>2016</u> <u>Actuals</u> |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Revenue | | | | | |
| <i>General Fund</i> | | | | | |
| 001.250 General Fund | \$ 6,529,676 | \$ 6,415,491 | \$ 5,870,688 | \$ 5,684,281 | \$ 5,081,735 |
| <i>Special Revenue Funds</i> | | | | | |
| 200.Court Automation | 1,246,240 | 1,194,037 | 1,113,817 | 1,078,762 | 1,019,263 |
| 201.Court Document Storage | 1,183,301 | 1,107,921 | 1,032,607 | 989,390 | 923,188 |
| 202.Child Support | 148,653 | 149,931 | 149,898 | 160,109 | 171,704 |
| 203.Circuit Clerk Admin Services | 274,050 | 312,372 | 338,423 | 347,104 | 327,120 |
| 204.Circuit Clk Electronic Citation | 115,787 | 125,670 | 118,906 | 110,823 | 104,956 |
| Total Revenue/Transfers in | 9,497,707 | 9,305,422 | 8,624,339 | 8,370,469 | 7,627,966 |
| Expenses | | | | | |
| <i>General Fund</i> | | | | | |
| 001.250 General Fund | 4,171,516 | 4,047,348 | 4,118,224 | 4,196,937 | 4,387,258 |
| <i>Special Revenue Funds</i> | | | | | |
| 200.Court Automation | 1,169,748 | 1,184,041 | 1,242,500 | 1,102,674 | 1,194,721 |
| 201.Court Document Storage | 1,283,226 | 1,092,123 | 1,048,679 | 1,166,030 | 1,087,550 |
| 202.Child Support | 212,423 | 171,107 | 136,426 | 70,470 | 91,633 |
| 203.Circuit Clerk Admin Services | 289,366 | 267,611 | 276,544 | 263,923 | 349,724 |
| 204.Circuit Clk Electronic Citation | 108,752 | 101,003 | 107,976 | 105,390 | 109,600 |
| Total Expenses/Transfers out | 7,235,031 | 6,863,233 | 6,930,349 | 6,905,424 | 7,220,485 |
| Net | \$2,262,676 | \$2,442,189 | \$1,693,990 | \$1,465,045 | \$ 407,480 |

Revenues have been declining year over year (as shown in the 2012 through 2016 actuals above) mostly driven by the decrease in case filings. The number and type of case filings are presented below for calendar years 2012 through 2016:



Following are key points of each Circuit Clerk special revenue fund:

Court Automation (Fund 200)

- Per state statute 705 ILCS 105/27.3a
 - The expense of establishing and maintaining automated record keeping systems in the offices of the clerks of the circuit court shall be borne by the county.
 - ... the county board may require the clerk of the circuit court in their county to charge and collect a court automation fee of not less than \$1 nor more than \$25 to be charged and collected by the clerk of the court.
 - ... each clerk shall commence such charges and collections upon receipt of written notice from the chairman of the county board together with a certified copy of the board's resolution.
 - The fund shall be audited by the county auditor.
- Resolution 16-346 (passed November 8, 2016) raised the fee from \$15 to \$25.

Document storage system (Fund 201)

- Per state statute 705 ILCS 105/27.3c
 - The expense of establishing and maintaining a document storage system in the offices of the circuit court clerks ... shall be borne by the county.
 - To defray the expense..., the county board may require the clerk of the circuit court in its county to collect a court document fee of not less than \$1 nor more than \$25...

- Each clerk shall commence charges and collections of the court document fee upon receipt of written notice from the chairman of the county board together with a certified copy of the board’s resolution...
- ... retained by the treasurer in a special fund designated as the Court Document Storage Fund.
- The fund shall be audited by the county auditor.
- Resolution 16-347 (passed November 8, 2016) raised the fee from \$15 to \$25.

Child Support (Fund 202)

- Per state statute 705 ILCS 105/27.2(bb)(4)
 - The clerk, if authorized by an ordinance of the county board, may collect an annual fee of up to \$36...
 - This fee shall be in addition to and separate from amounts ordered to be paid as maintenance or child support...
 - ... and shall be deposited into a Separate Maintenance and Child Support Collection Fund...
- ...to be used by the clerk to maintain child support orders and record all payments issued by the State Disbursement...
- Current fee is \$36 per Kane County Code 2-196-1: Administrative Fee for Child Support Disbursements.

Circuit Court Clerk Operation and Administrative Fund (Fund 203)

- Per state statute 705 ILCS 105/27.3d
 - Each Circuit Court Clerk shall create a Circuit Court Clerk Operation and Administrative Fund, to be used to offset the costs incurred by the Circuit Court Clerk in performing the additional duties required to collect and disburse funds to entities of State and local government as provided by law.
 - Revenue captured as “miscellaneous fees” representative of such fees as the Guardianship and advocacy operations fee per 705 ILCS 105/27.3f where Circuit Clerk retains 5% of the total fee.
 - Expenditures shall be made from the Fund by the Circuit Court Clerk for expenses related to the cost of collection for and disbursement to entities of State and local government.

Electronic Citation (Fund 204)

- Per state statute 705 ILCS 105/27.3e
 - ... “electronic citation” means the process of transmitting traffic, misdemeanor, municipal ordinance, conservation, or other citations and law enforcement data via electronic means to a circuit court clerk.
 - To defray the expense of establishing and maintaining electronic citations, each Circuit Court Clerk shall charge and collect an electronic citation fee of \$5.
 - 60% of the fee shall be deposited into the Circuit Court Clerk Electronic Citation Fund and 40% of the fee shall be disbursed to the arresting agency...

- The fund shall be audited by the County’s auditor.

Summary of Procedures Performed

- Gathered background information such as organizational chart, applicable state statutes, etc.
- Performed fluctuation analysis of current year vs budget vs prior year actuals as well as five year comparisons of major revenue and expense components (e.g., S&B, contractual services, etc.).
- For a selection of payments received (e.g., child support, bond payment, traffic fine):
 - Traced payment received into the Circuit Clerk off balance sheet bank account.
 - Traced funds received through various reports to ultimate payout to agency, if applicable.
- For a selection of fixed assets, physically observed the asset.
- For a selection of accounts payable payments, reviewed for proper approvals, general ledger coding, contracts/quotes, compliance with applicable statute, etc.
- Petty cash tested in previous internal audit.

Recommendations and Management Response

Recommendation 1 – While reviewing the Circuit Clerk’s Office internal purchasing policy, Policy 98-45 *Purchase of Goods & Services Budget Accounting*, noted inconsistencies between policy and practice. The Circuit Clerk’s Office bids and maintains its own contracts, purchase orders are not entered into New World Systems (NWS), and purchases greater than \$10k are not approved by the County Board. **Recommend utilizing the Purchasing Department in order to properly bid, obtain all necessary forms (e.g., contractor disclosure form, certificate of insurance, etc.), and enter a purchase order in NWS to encumber the funds.**

Management Response – We are in the process of re-writing Circuit Clerk Policy to take advantage of the County Purchasing Department and the use of the New World Systems where appropriate.

Recommendation 2 – While reviewing the Circuit Clerk’s Office internal purchasing policy, Policy 98-45 *Purchase of Goods & Services Budget Accounting*, noted the language in the policy is outdated. Section 2.3 states that “While there is no specific requirement that a budget be created for these special funds or that they be audited...”. Statutes 705 ILCS 105/27.3a Court Automation, 705 ILCS 105/27.3c Document Storage and 705 ILCS 105/27.3e E-citation specify that the funds shall be audited by the county auditor. Further, to be in line with the financial policy, \$30k is the minimum purchase amount that requires County Board approval, and not \$10k. **Recommend reviewing and updating the internal purchasing policy where the Circuit Clerk’s Office deems reasonable.**

Management Response – We are in the process of re-writing Circuit Clerk Policy to take advantage of the County Purchasing Department and the use of the New World Systems where appropriate.

Recommendation 3 – While observing physical fixed assets, the assets could not be properly identified. Per the fixed asset listing, unique identifiers and / or serial numbers were not documented and assets were not tagged. Fixed asset #901 is labeled as a Pressure Sealer #FD 2052, but no serial number was recorded on the fixed asset listing even though the asset had a serial number (A10820). **Recommend working with the Finance Department to ensure that unique identifiers are included in the fixed asset listing and tagged, appropriately.**

Management Response – See the attached Asset Listing.

Recommendation 4 – The Circuit Clerk’s Office has nine off balance sheet bank accounts and other off balance sheet investment accounts. The 2015 Circuit Clerk audited financial statements have the total cash and investments at \$14M, of which \$13.6M represents Deposits of Bail Securities. Changes to the total cash and investments are tracked, but no sub-ledger exists in order to agree the actual balance. **Recommend maintaining a sub-ledger of activity and performing timely reconciliations.**

Management Response – Odyssey, the case management system, provides sub-ledger details of the balance of Deposits of Bail Securities.

Recommendation 5 – The Circuit Clerk’s Office has nine off balance sheet bank accounts and other off balance sheet investment accounts. Per the external auditor’s report, the usage of *off balance sheet bank accounts* can increase the risk of error and/or fraud. Due to the nature and materiality of off balance sheet bank accounts held by the Circuit Clerk, **recommend that any transfers between accounts have two individual approvers.**

Management Response – Transfers from off balance sheet bank accounts have and will continue to require two individual approvers. Attached is our investment policy, which mirrors the Kane County Investment Policy.

Recommendation 6 – Of the \$14M in off balance sheet accounts, at the end of fiscal year 2015, \$2.4M was held by US Bank. Reviewing the reconciliations and bank statements, noted that US Bank charges an annual service charge of \$10 to two accounts (NLP and Collections) and an analysis service charge of \$2k to one account (Child Support). **Recommend working with the bank to eliminate service fees.**

Management Response – These accounts are closed.

Recommendation 7 – The Circuit Clerk’s Office enters hundreds of thousands transactions per month into the court management system (average of past year per the Circuit Clerk reports to the Judicial and Public Service Committee). The number of transactions as well as the detail associated with a transaction (e.g., one case may have multiple fines to track) results in voluminous reports. Under the legacy court case management system, hard copies of these reports are produced and retained. **Recommend, as allowable under state statutes, that the new case management system have the functionality to allow reports to be stored electronically.**

Management Response – Odyssey allows reports to be stored electronically.

Recommendation 8 – Recurring annual expenses are not being applied to the correct fiscal year or to the same general ledger expense account. The Advanced Public Safety annual fee is \$94k. In 2011 – 2015, the fee was recorded \$94k, \$0, \$0, \$188k and \$94k, respectively. Furthermore, in the first year, the expense was split between accounts 52160 and 52130 (52160 = Repair & Maintenance Equipment, 52130 = Repair & Maintenance Computers), and thereafter, the expenses hit only 52130. Similarly, the SHI charge for Adobe Manager was expensed to 52130 (Repair & Maintenance Computers) in 2013, to 50150 (Contractual/Consulting Services) in 2014, and back to 52130 in 2015. **Recommend including expenses during the year incurred and recording expenses consistently year over year.**

Management Response – The contract with APS is terminated. Further, Kane County Finance Department has not provided the needed general ledger accounts to comply with your recommendation.

Recommendation 9 – In documenting the process for fines and fees, supporting documentation was unavailable to validate certain fees and the allocation of fees. Some of the fees have specific language in the statute, such as the following in respect to Court Automation (705 ILCS 105/27.3a):

With respect to the fee imposed under subsection 1 of this Section, each clerk shall commence such charges and collections upon receipt of written notice from the chairman of the county board together with a certified copy of the board's resolutions...

Recommend maintaining a file with supporting documentation and performing a periodic review that fees are properly collected and allocated.

Management Response - This recommendation has been adopted.

Recommendation 10 – Reviewing the Circuit Clerk Office's payments by vendors, noticed that majority of expenditures are related to IT services. For vendor with balances greater than \$25k, the Circuit Clerk's Office spent \$680k in 2015 and \$593k in 2016. **Recommend management review the existing vendors and contracts in light of the new case management system, and determine possible synergies.**

| <u>Vendor Name</u> | <u>2015</u> | <u>2016</u> |
|---|-------------|-------------|
| Integrated Court Technologies, Inc. | \$ 192,000 | \$ 192,000 |
| Presidio Technology Capital LLC | 100,512 | 100,512 |
| Advanced Public Safety, Inc. | 94,238 | - |
| Innovative Business Systems, Inc (IBS) | - | 60,563 |
| SHI International Corp | 80,855 | 70,135 |
| Datamation Imaging Services Corporation | 79,904 | 49,158 |
| Integrated Software Specialists Inc | 61,700 | 45,500 |
| Image-Pro Services & Supplies Inc | 45,036 | 43,684 |
| Automated Forms & Graphics | 26,007 | 31,819 |
| Total | \$ 680,252 | \$ 593,371 |

Management Response - This recommendation has been adopted.

Recommendation 11 – Every month, the Circuit Clerk’s Office presents a report to the Judicial and Public Safety Committee, which includes statistical data such as number of new case filings, number of transactions entered on the CMS system, general fee summary, etc. The amounts presented are for a single month and, at times, include errors such as missing fields or typos in the numbers. **To increase accuracy, analytical ability and transparency, recommend presenting the data in a format allowing for comparisons between months and years.** Such reports could be incorporated into the OpenGov platform, located on the County’s home page, to increase transparency.

Management Response - The form of the report was requested and accepted by the Judicial and Public Safety Committee. We will inquire with the Committee whether the recommended is acceptable to the committee.

We would like to thank the Circuit Clerk and staff for their cooperation during the internal audit, especially at a time when the new court case management system was being customized and rolled out.

*Please note that fieldwork for the audit of the Circuit Clerk’s Office was completed during fiscal year 2016.

Respectfully submitted,



Terry Hunt
Kane County Auditor



Mariola Oscarson
Kane County Deputy Auditor