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**Human Resources Management**

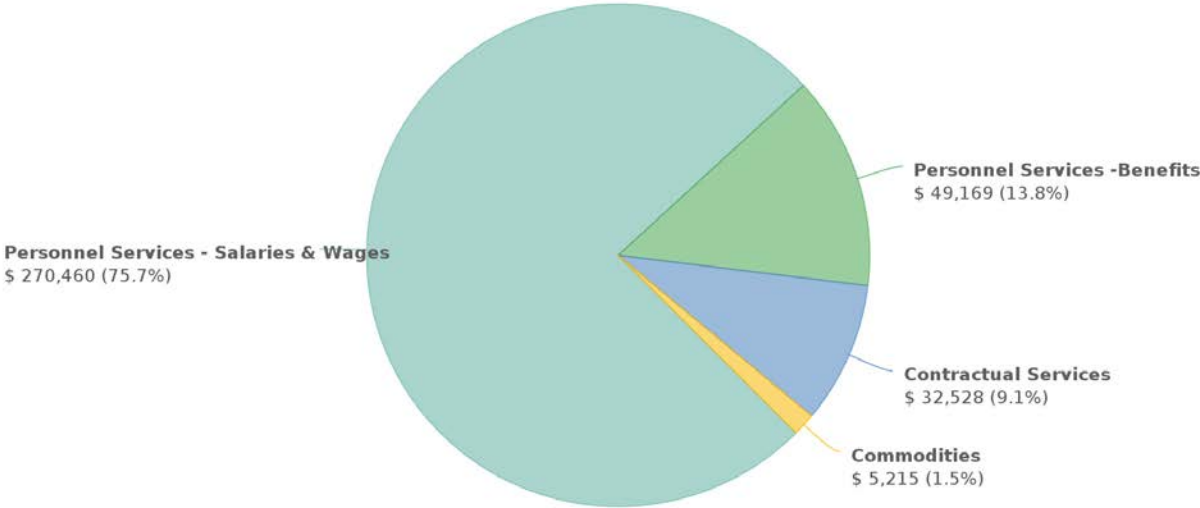
**Background**

Human Resources Management (HRM) audit included the following funds of Kane County (the County): HRM (001.120), Insurance Liability Fund (010.120) and Employee Event Fund (727).

**HRM (001.120)**

HRM has six current employees; seven proposed for 2016 budget. Salaries and benefits (S&B) are split between the General Fund and the Insurance Liability Fund.

Kane County - Expenses  
Fiscal Yr 2014 Actual  
Export generated on 07/28/2015



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u> <u>Amended</u> <u>Budget</u>	*
<b>S&amp;B</b>	<b>323,711</b>	<b>309,611</b>	<b>336,548</b>	<b>354,176</b>	<b>322,511</b>	<b>319,629</b>	<b>369,249</b>	
Project Administration	17,820	19,270	19,726	19,398	17,820	16,698	17,820	
Training	18,851	14,305	5,501	8,907	7,335	5,767	8,000	
Other	7,548	7,491	6,396	6,679	11,566	10,063	9,086	
<b>Total Contractual</b>	<b>44,219</b>	<b>41,066</b>	<b>31,623</b>	<b>34,984</b>	<b>36,721</b>	<b>32,528</b>	<b>34,906</b>	
<b>Commodities</b>	<b>2,247</b>	<b>2,354</b>	<b>3,054</b>	<b>2,253</b>	<b>3,582</b>	<b>5,215</b>	<b>5,276</b>	
<b>Total HRM Gen Fund</b>	<b>370,177</b>	<b>353,030</b>	<b>371,225</b>	<b>391,413</b>	<b>362,813</b>	<b>357,371</b>	<b>409,431</b>	
Inc/(Dec) over prior year		(17,147)	18,195	20,188	(28,600)	(5,442)	52,060	

\* Actuals reflect less expense due to timing of open positions and budgeting fully loaded benefits.

### Insurance Liability Fund (010.120)

The HRM component of the Insurance Liability Fund houses worker's compensation, property damage and unemployment claims.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u> <u>Amended</u> <u>Budget</u>	
S&B	126,079	136,602	169,296	155,113	163,400	182,436	
Project Administration Services	100,000	149,240	155,825	110,899	109,358	128,903	
Contractual/Consulting Services	275,882	590,397	262,173	168,834	185,193	250,000	
Liability Insurance	574,538	324,278	400,012	215,585	657,875	372,228	
Workers Compensation	839,483	1,145,091	630,501	484,485	1,433,262	879,840	
Unemployment Claims	136,992	121,711	67,756	27,618	70,903	108,755	
Other	24,186	967	412	759	282	8,401	
Total	2,077,160	2,468,286	1,685,975	1,163,293	2,620,273	1,930,563	
<b>Increase/(Decrease) from prior year</b>							
S&B		10,523	32,694	(14,183)	8,287	19,036	a
Project Administration Services		49,240	6,585	(44,926)	(1,541)	19,545	b
Contractual/Consulting Services		314,515	(328,224)	(93,339)	16,359	64,807	c
Liability Insurance		(250,260)	75,734	(184,427)	442,290	(285,647)	d ↓
Workers Compensation		305,608	(514,590)	(146,016)	948,777	(553,422)	↓
Unemployment Claims		(15,281)	(53,955)	(40,138)	43,285	37,852	
Other		(23,219)	(555)	347	(477)	8,119	
Total		391,126	(782,311)	(522,682)	1,456,980	(689,710)	

- a. Differences are due to allocations of HRM personnel and a temporarily open position.
- b. Cost of insurance agency fee and claims administrator fee, currently Wine Sergi and CCMSI, respectively. Fluctuations between years mostly driven by line item classification (e.g., 2012 holds 9 months of claims administrator fee vs 12 months in 2013).
- c. Dependent upon type of legal guidance (e.g., union negotiations, liquor license review, sale of 6<sup>th</sup> street school, etc.).
- d. Dependent upon number and magnitude of claims.

**The Employee Event Fund (727)**

The Employee Event Fund represents commissions from county vending machines and expenses for employee events. The Employee Events Committee (the Committee) was founded in 1989 by HRM. According to the Committee by-laws:

- It is comprised of employee volunteers from various county departments.
- The main purpose is to plan the annual Employee Picnic and the Christmas Party and any other future activities for the employees of Kane County.
- The committee receives commissions from the vending service throughout the county buildings.

Revenues have declined over the years as service providers have gone through mergers and have reduced the number of machines at our locations (previously 32 total Candy/Snack, Bottle/Can, Coffee, Gatorade machines down to 9 current machines). Expenses have decreased as well as the cost of employee events have been paid for by employees and not subsidized by the fund. Following represents the financial history of the Employee Event Fund (from NWS):

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>thru 7/2015</u>
<b>Revenue</b>	8,673	7,821	12,654	4,221	1,528	1,872	1,942
<b>Expenses</b>	(27,645)	(20,266)	(16,718)	(3,051)	(2,714)	-	(800)
<b>Other</b>	851	213	99	65	53	54	24
<b>Net Cash</b>	30,063	17,831	13,866	15,101	13,967	15,893	17,059

## Summary of Procedures Performed

- Documented policies and procedures such as payroll related journal entries, HRM roles and responsibilities, HRM payroll and benefit procedures, HRM insurance claim procedures, organizational chart and applicable mandates.
- Performed fluctuation analysis of current year actuals to amended budget.
- Pulled 2014 spend by vendor and (1) reviewed for contracts and (2) tested a selection of invoices for proper approval, g/l coding, contracts/quotes and supporting documentation.
- Reviewed allocation and applicable reimbursements from Workforce Development, Regional Office of Education and Kane County Forest Preserve.
- Compared addresses of employees to addresses of vendors.
- Selected five employees to agree payroll data to personnel file.

## Recommendations and Management Response

**Recommendation 1** – HRM has rolled out Kane County eSuite (eSuite) which provides employees with the opportunity to view benefits, contacts, deductions, paychecks, etc. An employee can print a paystub through eSuite for any period beginning in February 2014. Currently the Treasurer’s Office prints a single page paystub for every employee earning a paycheck. Some departments/offices have elected not to receive the paystubs, and the Treasurer’s Office shreds those paystubs. Paystubs for remaining departments/offices are sent interoffice mail to each department/office. The Treasurer’s Office generates a NWS report for (1) direct deposit paystubs and (2) check paystubs. **Recommend that the Treasurer’s Office no longer print the report for direct deposit paystubs.** Employees will be able to view and print paystubs at any time via eSuite. For terminated employees without access to eSuite, HRM will provide a final paystub upon request. NWS payroll module has recently added a new checkbox called “go paperless”. The “go paperless” option is in the test phase to allow the HRM and IT to understand all impacts. One feature of “go paperless” is the ability to have an employee email address on file, and an employee’s paystub is automatically emailed to the address. Implementation of the above recommendation to discontinue printing the direct deposit report will reduce the County’s paper consumption by approximately 60 reams or six boxes of paper per year, not to mention savings on toner and work hours.

**Management Response** – *It has long been the recommendation of the Human Resources Department and the Treasurer’s Office that the County cease printing out the direct deposit paystubs. Less than 100 employees have not set up direct deposit of their wages. Active employees with access to eSuite have the ability to print out their individual paystub. This can be done from any computer with internet access. The HR Dept is very aggressive in encouraging employees to sign up for direct deposit and to activate their eSuite account. The Department continues to test the “go paperless” option and assuming there are no unsurmountable options, will implement this feature in 2016.*

**Recommendation 2** – HRM communicates the payroll data to the Treasurer’s Office via an electronic NWS report and a manually prepared one page summary (the “green sheet”). The “green sheet” has evolved over time to fulfill different needs such as summarizing the Sheriff’s outside detail dollars for journal entry support, communicating certain employee deductions to hold because they are only paid monthly (not with each pay cycle), and providing a one page summary to the Treasurer’s Office. When NWS was implemented, an electronic one page summary was created to replace the manual “green sheet”. **Recommendation is to provide the system generated summary to the Treasurer’s Office in lieu of the “green sheet” and discontinue the “green sheet”.** Automating the summary will (1) prevent data entry error and (2) provide a more user friendly summary so any employee could pick up the report and not need the story of how it has evolved over time in order to understand the sheet’s intricacies and inconsistencies.

**Management Response** – *The Human Resources Department would love to discontinue the green sheet. We firmly believe that using a system-generated report is the best option to prevent data entry errors. Please note, however, that the system-generated report is created using the “info view” function of Crystal Reports and the HR Dept has been informed by the Info Tech Dept that we may not have access to this function in 2016. If HR access is discontinued, HR will work with the Treasurer’s Office to come up with another alternative.*

**Recommendation 3** – There are currently up to 15 monthly invoices that do not follow the normal accounts payable process. For the normal accounts payable process, invoices are entered into batches in NWS by each department/office and approved; the Auditor’s Office reviews the data entry for accuracy and passes to the Treasurer’s Office for payment. The exceptions are not entered by the department/office in NWS, but rather come to the Auditor’s Office for a manual approval stamp. The Auditor’s Office hand delivers the hard copy invoices to the Treasurer’s Office for payment, and Finance inputs the accounts payable information into NWS after payment. These exception invoices mostly relate to payroll type items (Blue Cross Blue Shield, IMRF, etc.), but other exceptions are on-line payments (HUD and Affordable Care Tax), postage, bond payments and juror checks. Exceptions, in general, increase processing time and the potential for error. In the case of these exceptions, additional time is incurred by the Auditor’s Office and Treasurer’s Office because the items are not batched together but come in one at a time for separate review and payment. **Recommend incorporating the exception invoices into the normal accounts payable process where possible.**

**Management Response** – *Where appropriate, Human Resources has no objections to incorporating invoices into the normal accounts payable process; however, this is not appropriate for all payments. For example, payment of workers compensation claims and liability claims could be delayed by two to three weeks if run through the normal accounts payable process. In addition, if health, dental and vision payments are received after the 1<sup>st</sup> day of each month, Kane County runs the risk of having Blue Cross, Guardian or Dental suspend the processing of provider claims because our payment was not received. Also, IMRF payments must be made via the IMRF portal. Human Resources will take this recommendation under further review and when appropriate will run invoices through the normal accounts payable process.*

**Recommendation 4** – Responsibility for obtaining quotes for insurance repairs falls to the department/office incurring the insurance claim. Insurance repairs should follow the County’s Purchasing Ordinance by obtaining quotes for expenses \$5k-30k and bids for expenses equal to or greater than \$30k. Noted one insurance repair where the hourly rate charged was \$175/hr for a total of \$8,400 when the same vendor charges \$125/hr elsewhere in the County (difference of \$2,100). **Recommend that departments/offices forward quotes for insurance repair to HRM with the invoice.** HRM has consolidated insurance auto repairs, but no contract is currently in place. FY2014 spend for insurance auto repairs was \$54k. **Additionally, recommend that the insurance auto repair spend be consolidated with the general auto repair and maintenance spend (FY2014 approximately \$53k) and taken out to bid.**

**Management Response** – *Human Resources serves a limited role in the processing of insurance repair invoices. Invoices are run through the normal accounts payable cycle after the reporting department has performed its due diligence in obtaining quotes and/or authorizing repairs. It is the responsibility of the reporting department to obtain the lowest responsible cost. Invoices are only paid through the account payables system when there is no responsible 3<sup>rd</sup> party to bill for the expense. Sending the invoices to the 3<sup>rd</sup> party administrator to set up a claim will result in unnecessarily claim set-up charges and will increase the amount that we pay out for liability claims. Human Resource Director has no objection to Purchasing issuing a RFP for auto and vehicle repair.*

**Recommendation 5** – In fiscal year 2014, HRM spent \$5,300 with the Regional Office of Education for fingerprinting services relating to new County employees and \$16,698 with Metropolitan Family Services for employee assistance (e.g., emotional issues, substance abuse problems, etc.). At this time the agreements with both vendors could not be located. The County Board authorized the contract with Metropolitan Family Services in December 2014, but the signed agreement has not been located. **Recommend pursuing a new agreement with the Regional Office of Education and obtaining a copy of the Metropolitan Family Services contract.** When available, all contracts should be forwarded to the County Clerk and County Auditor for retention.

**Management Response** – *Human Resources has obtained a signed copy of the agreement with Metropolitan Family Services. An agreement with the Regional Office of Education will be obtained.*

**Recommendation 6** – In the review of employee and vendor addresses for matches, there were circumstances noted where employees are also vendors to the County, and relatives of employees are employed as contractors. The County has no rules prohibiting either scenario. Proper segregation of duties needs to be established in order to ensure fair bidding procedures, fair pricing to the County, receipt of services and appropriate payment. The County’s Ethics Ordinance states that “No officer nor any of their employees while representing Kane County or employed by Kane County shall engage in any act that is in conflict with the performance of his or her official duties. A conflict of interest exists whenever official action could result in a personal advantage or disadvantage to the interested officer or employee...”. **Recommend that additional wording be added to the County’s Ethics Ordinance specifically prohibiting any employee to participate directly or indirectly in procurement when the employee has an ownership, employment, prospective employment, or family interest pertaining to the procurement. Further, no employee shall disclose County information which may aid an outside party in obtaining the County’s business.**

**Management Response** – *Human Resources has no objection to amendment of the Ethics Ordinance.*

**Recommendation 7** – **Recommend pursuing the capability to include personal expense voucher (PEV) reimbursement with an employee’s paycheck.** Currently, paychecks are processed through the HRM NWS module and PEV reimbursements are processed through the financial NWS module. In order to process employee PEV’s through the financial NWS module, the employees are set up as vendors, and this information has no connection to the HRM NWS module. When an employee changes address and alerts HRM, the address for PEV’s remained unchanged. Additionally, an employee must submit duplicate direct deposit information in order to receive PEV reimbursements via direct deposit. Combining paychecks with PEV reimbursements would decrease the error rate for old addresses as well as reducing the number of checks printed and postage used to mail PEV reimbursements.

**Management Response** – *Human Resources believes that paychecks should only contain payouts related to those payroll items specified in the Internal Revenue Service Code. We strongly oppose adding payment information that is unrelated to wages, salaries, deductions, etc. Moreover, most keying of payroll data is done at the department level. Who will be responsible for keying the expense information? Who will be responsible for ensuring the keyed information is accurate? This is not an appropriate function for payroll staff.*

**Recommendation 8** – The County does not currently have salary bands for similar job functions. For example, an employee performing an accounting/finance role in one department/office may be paid very differently than an employee performing a similar function in another department/office. **Recommend that the County minimally establish consistent job titles/responsibilities and salary bands for similar positions (e.g., finance, administrative, etc.) throughout the County which would improve the County’s ability to move employees between different department/offices. Ideally, salary bands would be established for all positions. This would facilitate the linkage of HRM payroll data to budgets.** Actual salary and benefit amounts would be pulled directly from the NWS HRM module to the NWS Finance module for budgets. Open positions would be budgeted by job description and average per salary band.

**Management Response** – *Kane County’s salary schedules are woefully outdated and have been for 20 years. It is possible to run reports banding titles and salaries, but the Human Resources Department lacks the manpower to completely overhaul our wage classification system. The last time this was done in 1991, the County Board declined to make normalizing wage adjustments because it was cost prohibitive. Today’s environment is no better. Moreover, updating the salary schedules would only apply to employees that are not unionized and are not in offices headed by elected officials, who have internal control to set the terms and condition of employment for employees of their offices. Given this reality, wage differentials will always exist.*

**Recommendation 9** – **Recommend pursuing on-line benefit enrollment. Currently, benefit enrollment is performed by HRM personnel on paper forms which are manually input into NWS.** Ability for employee’s to enroll on-line would eliminate personnel hours to manually enroll employees.

**Management Response** – *When Kane County purchased the eSuite module from New World, it was our hope that on-line benefit enrollment would be possible. Unfortunately, this has not been possible because Kane County has more plans and options than can be accommodated within the software currently available (e.g., 3 health plans: PPO, HMO-I and HMO-BA and 3 employee contributions rates: employee participates in wellness, employee + spouse participate in wellness, neither the employee nor spouse participates in wellness). Moreover, given our large number of employees, it is not possible to easily identify any benefit changes that employees make via eSuite. See attached example of the enrollment options.*



**Recommendation 10** – In tracing the payroll journal entries through the system, certain detail of the payroll bank account reconciliation was unavailable. The specific information is what is referred to as the “book balance” on the payroll bank account bank reconciliation. In general, the amount would represent timing when certain payroll deductions are paid on a monthly basis, not with each payroll cycle. However, without the detail behind the “book balance”, the amount may contain unreconciled items. The amount described as “book balance” does not appear in a bank balance within NWS. **Recommend, minimally, that the bank reconciliations are approved by someone other than the person performing the bank transactions. Another option would be to transfer these types of timing payroll deductions out to an agency account to await payment.** This would allow the payroll bank account to truly be a clearing account with a zero balance.

**Management Response** – *Human Resources has no comment on this recommendation since bank reconciliations are performed by staff in other County departments.*

**Recommendation 11** – The County has outsourced management of employee flexible spend accounts. The County’s current agreement calls for the County to maintain a balance of \$13,500 in an account with the vendor. The vendor reimburses employees out of this account and emails a weekly notice to the County for the amount to replenish. Employee payroll deductions and payments made to the vendor run through the Flexible Spending Account Fund (733). **Even though management of the employee flexible spend accounts has been outsourced, recommend that HRM establish certain annual review procedures to validate the vendor’s reporting.** Such procedures would include (1) rolling the Flexible Spending Account Fund from beginning balance to ending balance agreeing employee deposits and County payments to the vendor’s reports and (2) obtaining vendor report of account balance in order to agree County payments and employee reimbursements. **Additionally, payments to the vendor should be reviewed by the Auditor’s Office prior to payment by the Treasurer.** Currently, payments are made weekly at an average of \$4,900 per week in order to maintain the \$13,500 balance with the vendor. These payments are outside of the normal AP process. **HRM should consider processing a set dollar amount during the normal AP process.**

**Management Response** – *The amount of each weekly funding request is directly tied to the processing of employee reimbursement requests. Human Resources has the ability to run a weekly report validating the vendor’s reporting and has no objection to providing this documentation to Auditor or Treasurer staff to support the vendor’s funding requests.*

We would like to thank the Human Resources Department Director and staff, Finance Department and Treasurer’s Office for their support during this audit.



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