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August 26, 2015

FINANCE and BUDGET COMMITTEE REPORT

Updates from the Auditor's Office

- The review of Economic Interest Statements filed as of May 1, 2015 has been completed and was circulated to the County Board Chairman, the County Clerk and the County Board electronically on August 14, 2015. It is also available online at the County Auditor's section of the Kane County website at

<http://www.kanecountyauditor.com/Documents/Economic%20Interest%20Review/Economic%20Interest%20Statement%20Review%202015.pdf>

- The Court Services audit has been completed, and includes management responses to audit findings and recommendations. The report was circulated to stakeholders on August 17, 2015. The report is also available online at the Kane County Auditor's section of the Kane County website at

<http://www.kanecountyauditor.com/Documents/Internal%20Audit%20Reports/Internal%20Audit%20Reports%20Fiscal%20Year%202015/Court%20Services%20Audit.pdf>

- The Probation Services Fund audit has also been completed, and includes management responses to audit findings and recommendations. The report was circulated to stakeholders on August 17, 2015. The report is also available online at the Kane County Auditor's section of the Kane County website at

[http://www.kanecountyauditor.com/Documents/Internal%20Audit%20Reports/Internal%20Audit%20Reports%20Fiscal%20Year%202015/Probation%20Services%20Fund%20\(270\)%20Audit.pdf](http://www.kanecountyauditor.com/Documents/Internal%20Audit%20Reports/Internal%20Audit%20Reports%20Fiscal%20Year%202015/Probation%20Services%20Fund%20(270)%20Audit.pdf)

- The Internal Audit Status Report has been updated from the original Fiscal 2014 Report to add the internal audits published to date in Fiscal 2015 and to update the status of the previous open findings and recommendations. The report is also available online at the Kane County Auditor's section of the Kane County website at

<http://www.kanecountyauditor.com/Documents/Internal%20Audit%20Status%20Reports/Fiscal%20Year%202015%20Internal%20Audit%20Status%20Report%20Mid-Year%20Update.pdf>

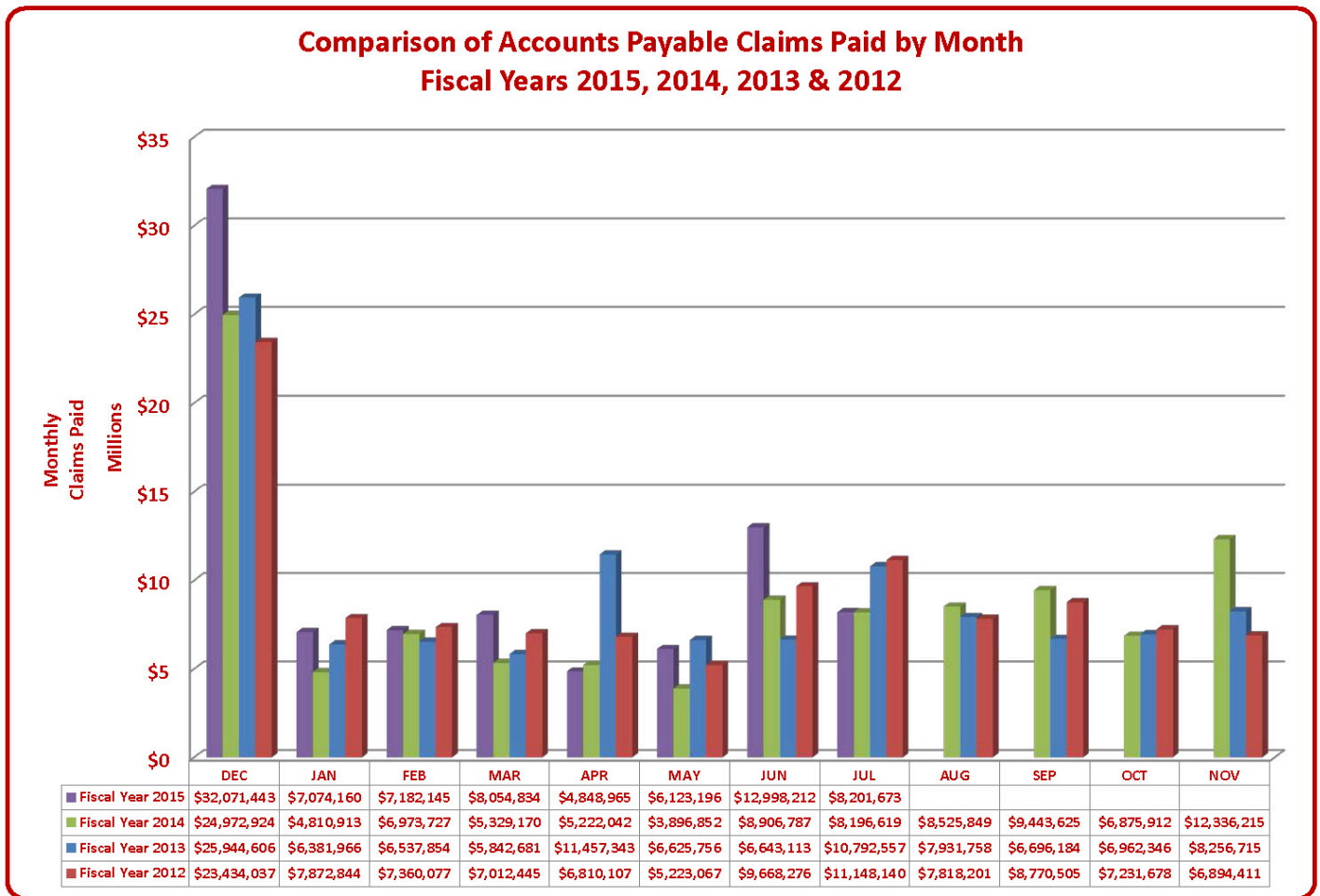
The slides of the status report are included as part of the agenda packet.

Accounts Payable Claims Paid Report

- 1,664 invoices were processed in July 2015 which resulted in payments of \$8,201,673. The detailed report is available on the County Auditor's section of the Kane County website at

<http://www.kanecountyauditor.com/Documents/Monthly%20Claims%20Paid%20Reports/Monthly%20Claims%20Paid%20Fiscal%20Year%202015/July%202015.pdf>

The chart shown as follows illustrates the comparison between accounts payable claims paid by month for fiscal year 2015 and the individual monthly payments made for the 2014, 2013 and 2012 fiscal years.





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KANE COUNTY INTERNAL AUDIT STATUS REPORT FISCAL YEAR 2015 • MID-YEAR UPDATE

Covering Recommendations Made To
16th Judicial Circuit, Animal Control, County Sheriff,
Facilities, Human Resources, and Law Library



Finance & Budget Committee Members

Chris Lauzen – Kane County Board Chairman
John Hoscheit – Finance & Budget Committee Chairman
Drew Frasz – Vice Chairman
Deborah Allan – Committeeman
Theresa Barreiro – Committeeman
Cristina Castro – Committeeman
T.R. Smith – Committeeman
Susan Starrett - Committeeman

Table of Contents

Introduction **3**

 Background 3

 Objectives and Scope 4

 Methodology **5**

 Status of Internal Audit Recommendations – Prior Fiscal Year 6 – 7

 Status of Internal Audit Recommendations – Current Fiscal Year 8 – 11

Introduction

As per 55 ILCS 5/3-1003, the Kane County Auditor is commissioned by the Governor. The County Auditor is authorized and mandated to perform certain duties in 55 ILCS 5/3-1005.

Among the enumerated responsibilities described in that section, the duties of the County Auditor shall be to

- (f) Audit the receipts of all county officers and departments presented for deposit with the County Treasurer.
- (g) Maintain a continuous internal audit of the operations and financial records of the officers, agents or divisions of the county. The County Auditor shall have access to all records, documents, and resources necessary for the discharge of this responsibility.
- (h) Audit the inventory of all real and personal property owned by the county under the control and management of the various officers and departments of the county.

Section 2-192 of the Kane County Code deals with the Internal Audit Procedures. This section re-affirms the County Auditor's unlimited access, and proscribes the course of actions required as a follow-up to an internal audit report.

- Access To Records: The County Auditor shall have access to all records, documents and resources necessary to maintain a continuous internal audit.
- Response To Internal Audit Report:
 - (1) Each county officer, agent or division shall, within three (3) business days, acknowledge receipt of the internal audit report.
 - (2) Within thirty (30) days of receipt of the internal audit report, each county officer, agent or division shall submit a written response to the County Auditor, outlining the action that has been taken in response to the recommendations made by the auditor.
 - (3) Subsequent to the issuance of the internal audit report, the County Auditor shall review the operations and financial reporting of the affected county officer, agent or division. This review will focus on, but not be limited to, the recommendations suggested in the internal audit report. Upon completion of the review, a report outlining the conditions found at the time of the review will be prepared and delivered to the county board.

OBJECTIVE:

The objective of this report is to monitor recommendations offered from internal audit reports, and to report their updated status as either completed, in progress, or open.

SCOPE:

The Internal Audit Status Report was first created based upon the recommendations from the internal audits performed during the fiscal year ended November 30, 2014. The mid-year update reflects any changes in the status of recommendations included previously. Recommendations that have been completed are included as part of the mid-year update, but will be removed from future versions of the status report. Recommendations that remain as in progress or open will continue to be part of future status reports.

This mid-year report also includes recommendations from the internal audits published thus far in fiscal year 2015, including the audits of Building Management, Mill Creek SSA, Sheriff Transition, Court Services and the Probation Services Fund. The scope of this report will not include recommendations from any internal audit reports issued prior to fiscal year 2014.

Further it only includes those reports which included recommendations as a result of the audit. For example, the Fiscal 2014 Audit of the Tax Sale Automation Fund (150) resulted in no findings or recommendations and is, therefore, not included in this status report.

The status report was developed from various sources of information including

- Recommendations included in the original Internal Audit Report
- Management responses included in the original Internal Audit Report
- Subsequent communication with the audit stakeholders
- Follow-ups from the Kane County Auditor

In cases where recommendations have not been implemented, comments were sought for either the rationale behind the decision not to implement the recommendations or for the planned timing to address the issues in question. It is understandable that some of the recommendations will take an extended period of time to fully implement. Offices and departments in that process are acknowledged in this report for the effort and commitment to address the recommendations.

It is also possible that a recommendation cannot be implemented, or cannot be fully implemented, due to financial or personnel limitations. Even in those cases, however, a response from the affected stakeholders should be documented as part of best financial practices.

As the Kane County Internal Audit Status Report itself required no substantive audit work, there is no requirement to meet or follow *Government Auditing Standards* (aka "Yellow Book") issued by the Comptroller General of the United States. The report is intended to meet the requirement set forth by the Kane County Code for subsequent reporting to the County Board.

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	PRIOR YEAR AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
Animal Control	October 20, 2014	Transition Audit	(7) Enhance and document cross training procedures to provide better separation of duties related to cash and controlled substances.	In Progress
			(8) Consider change to municipal billing frequency to enhance KPASS support, improve notification process for non-compliant animal owners.	In Progress
			(12) Enhance and document the inventory process and control of rabies vaccination tags, reconciling beginning and ending inventory to recorded activity.	In Progress
			(15) Review current practice relative to service providers with large or repeat spend to comply with County Financial Policy.	In Progress
Human Resources	October 23, 2014	Review of Payroll Overpayment	Work with New World System (software provider) to correct the problem within the Payroll module which allowed this to occur.	In Progress
16 th Judicial Circuit	November 13, 2104	Foreclosure Mediation Fund (197)	Improve accuracy of accounting for expenditures to benefit current reporting and future budgeting	Completed
16th Judicial Circuit	November 13, 2104	DUI Fund (196)	Consider following or amending current County Code. County Code specifies these revenues to be placed in the General Fund. In practice, the revenues and expenses are going through this special revenue fund.	Open

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	PRIOR YEAR AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
16th Judicial Circuit	November 13, 2104	Children's Waiting Room Fund (195)	(1) State Statute allows for the Children's Waiting Room fee to be \$10 per filing. Kane County currently charges \$5. As expenses to operate the facility continue to increase causing this fund to operate at a deficit, consideration should be given to raising the fee.	Open
			(2) There is an agreement between the Kane County Bar Foundation (as licensee) and Kane County (as licensor) related to construction, operation and maintenance of the Children's Waiting Room. That application of the agreement should be reconciled.	Open
Law Library	November 14, 2014	Law Library Fund (250)	Develop written document procedures for handling cash variations.	Completed

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	CURRENT YEAR AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
Facilities	February 18, 2015	Building Management	(1) Building Management should adhere to County purchasing policy. Both the Building Management and Purchasing need to establish roles and responsibilities re various components of documentation for insurance and documentation of wage rate compliance, etc.	Open
			(2) Although services covered under the Local Government Professional Services Select Act are excluded from the County's Purchasing Policy – presenting those contracts to the Board for approval would enhance transparency in the process.	Open
			(3) Restructure invoice entry and approval process to better align responsibilities between the administrative officer and the Department Head	Open
			(4) Improve invoice description with Alarm Detection System, consolidate billing process and combine the countywide budget for security into Building Management	Open
			(5) Building Management review, process, and analyze all utility bills by meter/location	Open
			(6) Building Management should optimize utilization of the Help Desk software available	Open
			(7) Enhance internal controls over quick supply pickups, including segregation of duties	Open

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	CURRENT YEAR AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
Sheriff's Office	April 8, 2015	Transition Audit	(1) Recommend the Sheriff's Office collect W9s on vendors paid through off balance sheet accounts and provide Finance Department information to be included with County 1099 filings	Open
			(2) Recommend that unclaimed funds in Foreclosure Fund be reviewed and rectified	Open
			(3) Various recommendations to improve internal controls over vault cash, and off balance sheet petty cash accounts.	Open
			(4) Recommend that all off balance bank accounts – except DEF Federal and DEF Local – be established as special funds or agency accounts within the county's New World financial reporting system. Also a recommendation from the external audit report from Baker Tilly for Fiscal Year 2014	Open
			(5) The revenue flux review noted a substantial reduction in Federal Marshal's Program revenue. Recommendation is to aggressively pursue all options, including cost savings, to balance the FY 2015 budget. Various recommendations to comply with purchasing policy and best practice financial policies.	Open
			(6) Recommendation to enhance and formalize the process for tracking forfeited vehicles.	Open

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	CURRENT YEAR AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
Sheriff's Office	April 8, 2015	Transition Audit	Baker Tilly findings on capitalized and non-capitalized assets	Open
			Baker Tilly findings on Cash	Open
			Baker Tilly findings on procurement and dispensing of fuel	Open
			Baker Tilly findings on vehicle maintenance	Open
			Baker Tilly findings on medical service billings from and contract details with Wexford	Open
			Baker Tilly findings regarding procedures to review and pay invoices from Aramark	Open
			Baker Tilly findings for off balance sheet Commissary bank account	Open
16 th Judicial Circuit	August 17, 2015	Court Services Audit	(1) Recommend that Court Services consolidate off balance sheet accounts into New World Systems when possible. For accounts which need to continue as off balance sheet enhanced documentation of controls.	In Progress
			(2) Recommend that Court Services present the Board with contracts equal to or greater than \$30,000 to improve transparency and meet best practice policies. Further recommendation to provide the Auditor's office with copies of all contracts on file.	Open
			(3) Recommend that Court Services follow Kane County Purchasing Policy for quote and RFP's to enhance transparency and to meet best practices for purchasing	In Progress

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	CURRENT YEAR AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
16 th Judicial Circuit	August 17, 2015	Court Services Audit	(4) Recommend utilization of intergovernmental agreements to document and track significant reimbursements and expenses	In Progress
			(5) Recommend improvements on vendor invoice numbering procedures to enhance controls.	In Progress
			(6) Recommend that individual receipts supporting P-card transactions be approved by the cardholder with indication that the charges are valid County expenses	In Progress
			(7) Recommend enhanced process and documentation to ensure receipt of billings for Youth Home Reimbursements, etc	In Progress
16 th Judicial Circuit	August 17, 2015	Probations Services Fund	(1) Combination of recommendations relative to Capita Technologies contract, and subsequent accounting distribution for expenditures which should be capitalized	In Progress
			(2) Recommendations relative to certain expenditures of \$55,770 had been performed with no quotes/RFPs and/or contracts	Open