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March 25, 2015

FINANCE and BUDGET COMMITTEE REPORT

Updates from the Auditor's Office

- Work continues on the transition audit of the **Sheriff's Office**. As of the date this report has been prepared Baker Tilly has been provided with the final reports necessary to complete field work on the outsourced agreed upon procedures. The Kane County Auditor's office continues to conduct the majority of the audit work in the overall scope of the transition audit.

Once that is completed, a draft version of the transition audit (including the Baker Tilly component) will be presented to the Sheriff for his review and comments. The final report will be issued to the County Chairman, members of the County Board and the Sheriff prior to the May meeting of the County Board. By statute, the transition audit must be completed within six months of the change in officeholder. The schedule as described above will meet that requirement.

- The Internal Audit Status Report for Fiscal Year 2014 was circulated electronically to the County Board Chairman, members of the Finance and Budget Committee and the Finance Advisory Group, as well as all stakeholders on March 18, 2015. The report is also available on the website at

<http://countyofkane.org/Documents/Auditor/Reports/Fiscal%20Year%202014%20Internal%20Audit%20Status%20Report.pdf>

- An interim draft version of the Auditor's Quarterly Financial Report for the fourth quarter of Fiscal Year 2014 was circulated electronically to the Chairman, the County Board, and the Finance Advisory Group on March 12, 2015. That report is also available on the website at

[http://countyofkane.org/Documents/Auditor/Reports/4th%20Quarter%20Fiscal%202014%20\(Interim%20Draft\).pdf](http://countyofkane.org/Documents/Auditor/Reports/4th%20Quarter%20Fiscal%202014%20(Interim%20Draft).pdf)

The report was issued as being subject to additional year end and audit changes, and will be updated and re-issued after the external audit has been completed and the CAFR has been published. Because of the incomplete nature of the report at this date, final presentation and discussion will be deferred.

- The Auditor's Quarterly Financial Report for the first quarter of Fiscal Year 2015 was also circulated to the Chairman, County Board and the Finance Advisory Group on March 12, 2015. The report is available on the website at

<http://countyofkane.org/Documents/Auditor/Reports/1st%20Quarter%20Fiscal%202015.pdf>

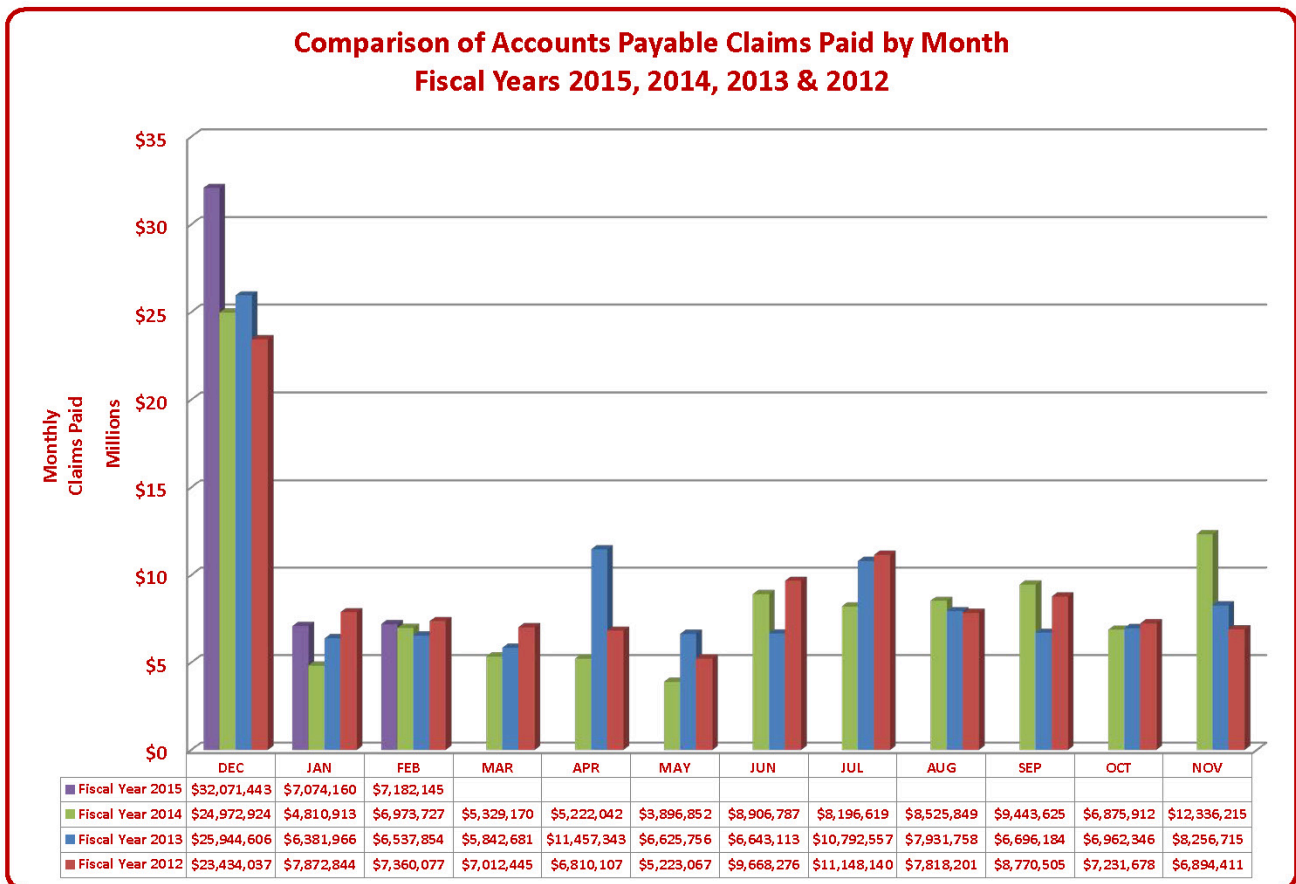
This report will be the subject of a short power point presentation.

Accounts Payable Claims Paid Report

- 1,787 invoices were processed in February 2015 which resulted in payments of \$7,182,145. The detailed report is available on the County Auditor's section of the Kane County website at

<http://countyofkane.org/Documents/Auditor/Reports/Claims%20Paid%20February%202015.pdf>

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



Power Point Presentation

The County Auditor's Quarterly Report for the 1st quarter of fiscal year 2015 will be the topic of a power point presentation. The presentation will also highlight first quarter debt payments and forecast the future payment schedule for the retirement of all currently existing debt. Special Revenue Funds currently operating at a deficit will be presented in overview. Slides from this presentation will be available as part of the agenda packet for your convenience.



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KANE COUNTY INTERNAL AUDIT STATUS REPORT FISCAL YEAR 2014

Covering Recommendations Made To

16th Judicial Circuit, Animal Control, County Clerk,
County Sheriff, Finance, Human Resources, Law Library,
Purchasing, and Transportation



Finance & Budget Committee Members

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

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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 follow-up on recommendations and report their status as either completed, in progress, or open.

SCOPE:

This is the first version of the Internal Audit Status Report. As such there is not an earlier iteration to serve as a start point. The scope of this report will deal only with internal audit reports issued during the fiscal year ended November 30, 2014. Further it only includes those reports which included recommendations as a result of the audit. For example, the 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	AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
Purchasing	April 30, 2014	Procurement Card Program Audit – Fiscal Years 2012 and 2013	Improve documentation of p-card transactions for accuracy and completion. Enhance internal control and coordinate with Auditor, Treasurer and Finance Dept. to improve reconciliation, timely payment and vendor detail capture within the accounting system.	Completed
Finance	August 30, 2014	Vehicle Fleet Audit	(1) Correct minor discrepancies (e.g. VIN number, incomplete license plate info)	Completed
			(2) Correct minor updates to combine body and equipment packages to reflect a single vehicle.	Completed
			(3) Record asset value change relative to a replacement vehicle from Transportation.	Completed
			(4) Record retroactive additions to Sheriff's fleet.	Completed
Transportation	August 30, 2014	Vehicle Fleet Audit	Update internal fixed asset schedules to reflect VIN and license plate discrepancies.	Completed
Sheriff's Office	August 30, 2014	Vehicle Fleet Audit	Update internal fixed asset schedules to reflect VIN and license plate discrepancies. Continue to track and account for assets acquired through seizure and/or donation.	Completed
Human Resources	August 30, 2014	Vehicle Fleet Audit	Update vehicle listing per audit to reflect the net addition of six vehicles with an increased valuation of approximately \$100,000 for insurance purposes.	Completed
County Clerk	August 30, 2014	Vehicle Fleet Audit	Reconcile minor asset listing differences with Finance after fleet audit.	Completed

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
Animal Control	October 20, 2014	Transition Audit	(1) Improved control, reconciliation and accounting of daily sales receipts.	Completed
			(2) Improved control process regarding credit card receipts.	Completed
			(3) Revise procedure to ensure management reconciles monthly credit card bank statement.	Completed
			(4) Improve control to provide verification of Cash Register-Daily Report.	Completed
			(5) Improve accounting of revenue streams included in Cash Register-Daily Report.	Completed
			(6) Improve control procedures for cash received by mail, variances on payments for rabies tags, create a control spreadsheet to monitor payment activity from veterinarians, replace the manual ledger with an electronic spreadsheet, and to improve internal control on daily deposits.	Completed
			(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

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
Animal Control	October 20, 2014	Transition Audit	(9) Enhance controls and documentation of the processes related to handling and physical inventory of controlled substances.	Completed
			(10) Enhance controls and documentation of the processes related to the handling and physical inventory of unused prescriptions donated to Animal Control from third parties.	Completed
			(11) Enhance inventory procedures relative to other drugs, possibly through the implementation of software designed for animal control operations.	Completed
			(12) Enhance and document the inventory process and control of rabies vaccination tags, reconciling beginning and ending inventory to recorded activity.	In Progress
			(13) Currently veterinarians are provided an inventory of tags in December, and the County is paid after the tags are sold and the veterinarians submit the payment. Consideration should be given to providing tags to veterinarians after payment has been received.	Completed
			(14) Document and improve the process of purchasing and receiving goods and services.	Completed
			(15) Review current practice relative to service providers with large or repeat spend to comply with County Financial Policy.	In Progress

OFFICE OR DEPARTMENT	INTERNAL AUDIT REPORT DATE	AUDIT SUBJECT	AUDIT RECOMMENDATIONS	COMPLETED, IN PROGRESS OR OPEN
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	Open
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
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.	In Progress

A 3D white figure is climbing a bar chart with four bars of increasing height. A large red arrow points upwards from the first bar, passing behind the figure. The background is a light gray grid.

Presented to the
FINANCE & BUDGET COMMITTEE
March 25, 2015

County Auditor's Quarterly Financial Report
Quarter Ended February 28, 2015



County Auditor's Quarterly Financial Report

The County Auditor is required to prepare a quarterly report of the financial operations of the County which is presented to the County Board.

In accordance with State Statute, the report summarizes “the entire financial operations of the county including revenues anticipated and received, expenditures estimated and paid, obligations unpaid, the condition of all funds and appropriations and other pertinent information.”



Countywide Funds



Governmental Funds



General Fund,
Special Revenue Funds
and Permanent Fund

Proprietary Funds



Enterprise Surcharge Fund,
Enterprise General Fund
and Health Insurance Fund

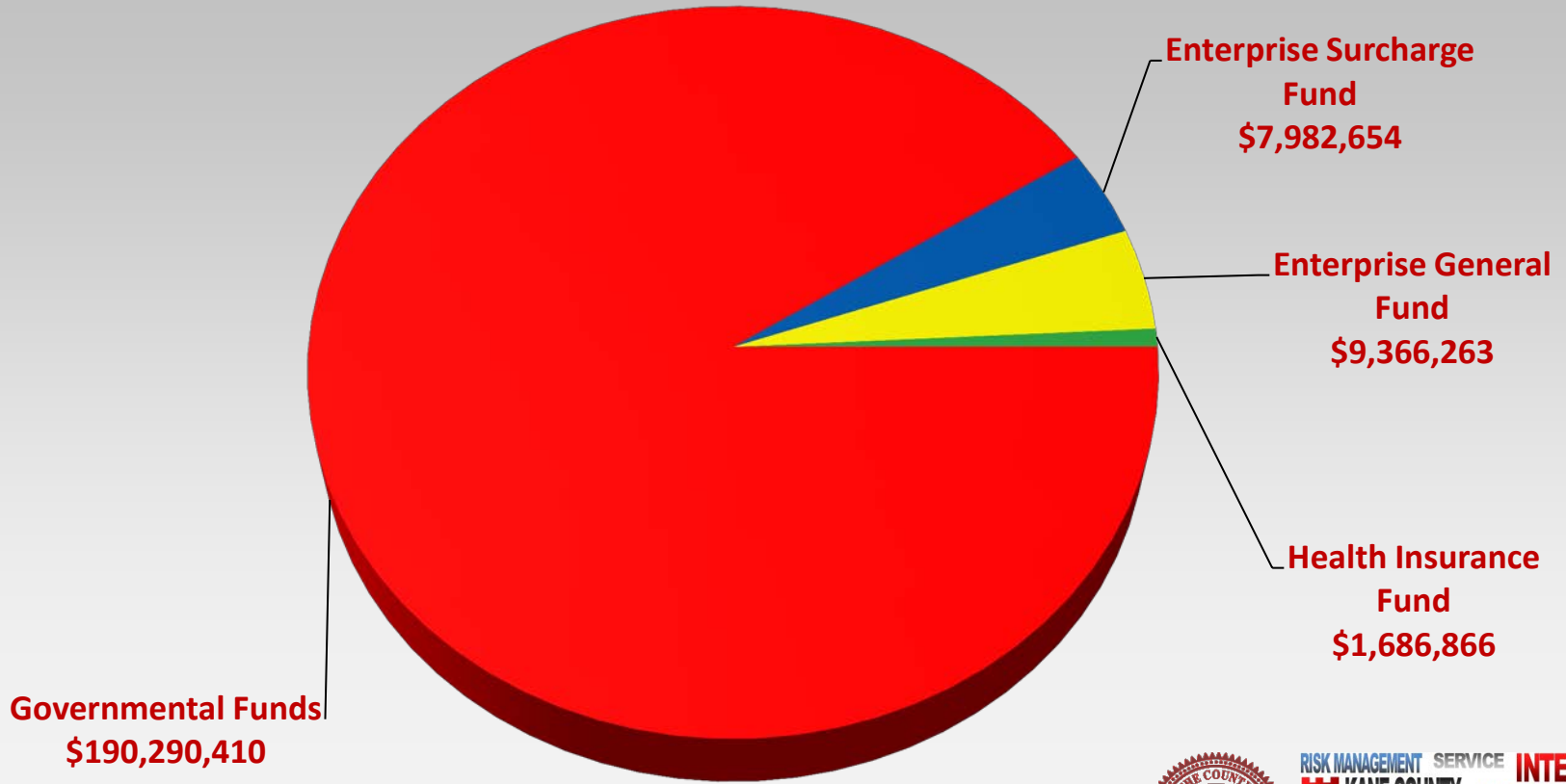


Quarterly Report **First Quarter Fiscal 2015**

COUNTYWIDE FUNDS		ANNUAL BUDGET	YEAR-TO-DATE
Revenues	\$	242,118,631	22,127,381
Expenditures & Encumbrances		242,118,631	87,599,750
Excess/(Deficiency) Revenues over Expenditures		0	(65,472,369)
Other Financing & Net Transfers In/(Out)		0	0
Less: Encumbrances Included Above		0	34,715,520
Net Change in Countywide Funds Balance		0	(30,756,849)
Countywide Funds Balance, Beginning of Year			240,083,042
Countywide Funds Balance, End of Quarter	\$		209,326,193



Countywide Funds



Governmental Funds



General Fund

General (Corporate) Fund
and 8 other individual funds

Special Revenue
Funds

2 Major Special Revenue Funds,
64 Nonmajor Special Revenue Funds,
4 Debt Service Funds and
28 Capital Project Funds

Permanent Fund

Working Cash Fund



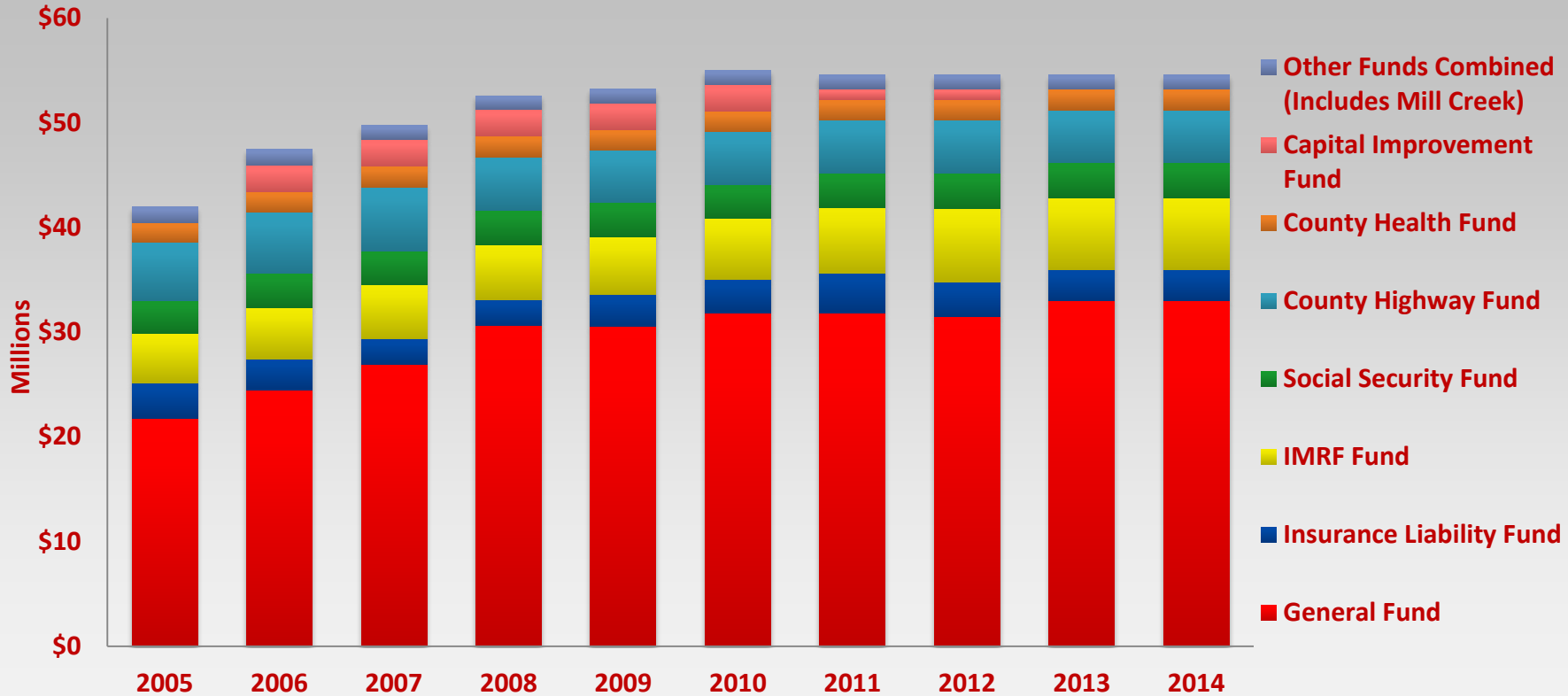
RISK MANAGEMENT SERVICE INTEGRITY
KANE COUNTY BEST PRACTICES
BOARD OF SUPERVISORS
AUDITOR PUBLIC
ANALYSIS TRANSPARENCY FINANCIAL INFORMATION INNOVATION ACCOUNTABILITY

Quarterly Report **First Quarter Fiscal 2015**

GOVERNMENTAL FUNDS		ANNUAL BUDGET	YEAR-TO-DATE
Revenues	\$	224,857,341	19,281,274
Expenditures & Encumbrances		225,025,916	85,542,742
Excess/(Deficiency) Revenues over Expenditures		(168,575)	(66,261,468)
Other Financing & Net Transfers In/(Out)		168,575	168,575
Less: Encumbrances Included Above		0	34,587,061
Net Change in Governmental Funds Balance		0	(31,505,832)
Governmental Funds Balance, Beginning of Year			221,796,242
Governmental Funds Balance, End of Quarter	\$		190,290,410



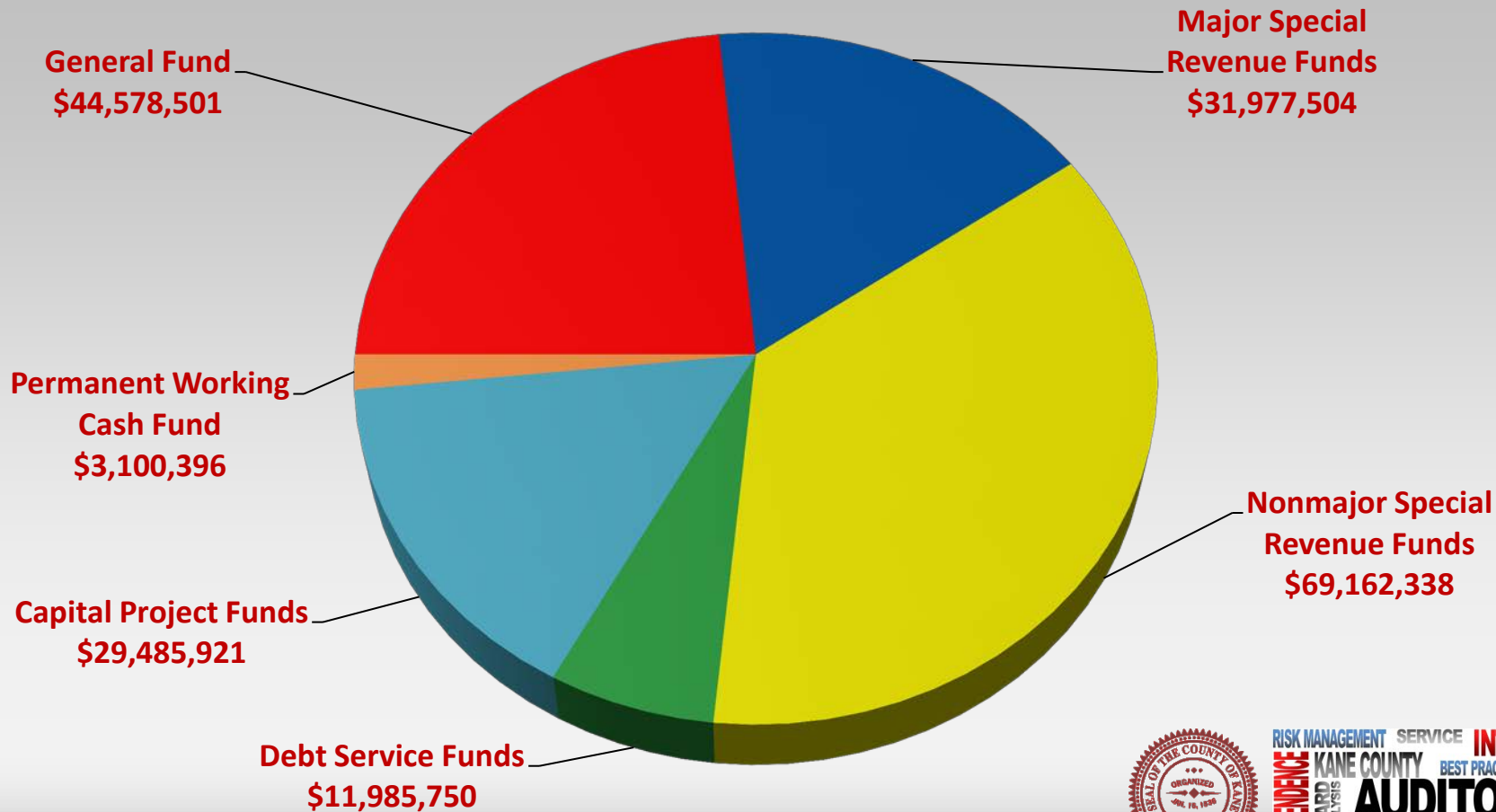
Governmental Funds Tax Levies by Fund



Levies by Tax Year
(Includes Mill Creek
but not other SSA/SBA)



Governmental Funds



Condition of Funds **First Quarter Fiscal 2015**

As of the end of the first quarter of fiscal 2015, twenty-five (25) nonmajor special revenue funds were operating at a year-to-date deficit. For the most part, this is not unusual. Nine (9) of these funds are largely dependent upon property tax collections which will occur mostly in the third and fourth quarters. Similarly, nine (9) other funds have other taxes and grants built into their revenue budgets which tend to lag behind expenditures. Five (5) of the funds' deficits are relatively small and do not warrant special attention at this point.



Condition of Funds **First Quarter Fiscal 2015**

There are two (2) funds that deserve some attention.

- Geographic Information Systems continues to operate at a deficit. The fund does still maintain a healthy balance of approximately \$2.2 million and has a projected sustainable condition for the foreseeable future.
- The Grand Victoria Casino Elgin also continues to operate at a deficit. However, this fund balance of approximately \$7.4 million will continue to require careful management.



Condition of Funds **First Quarter Fiscal 2015**

Additionally, without a transfer of \$618,328 again this year, the Court Security Fund would continue to operate at a deficit in 2015. For information purposes only, the recent history of transfers into the Court Security Fund is shown below.

Ten Year History of Transfers Into Court Security Fund



General Fund

General Fund

1. General (Corporate) Account
2. Special Reserve Fund
3. Emergency Reserve Fund
4. PP Tax Freeze Protection Fund
5. SAO Domestic Violence Fund
6. Environmental Prosecution Fund
7. Economic Development Fund
8. Cost Share Drainage Fund
9. Public Building Commission Fund

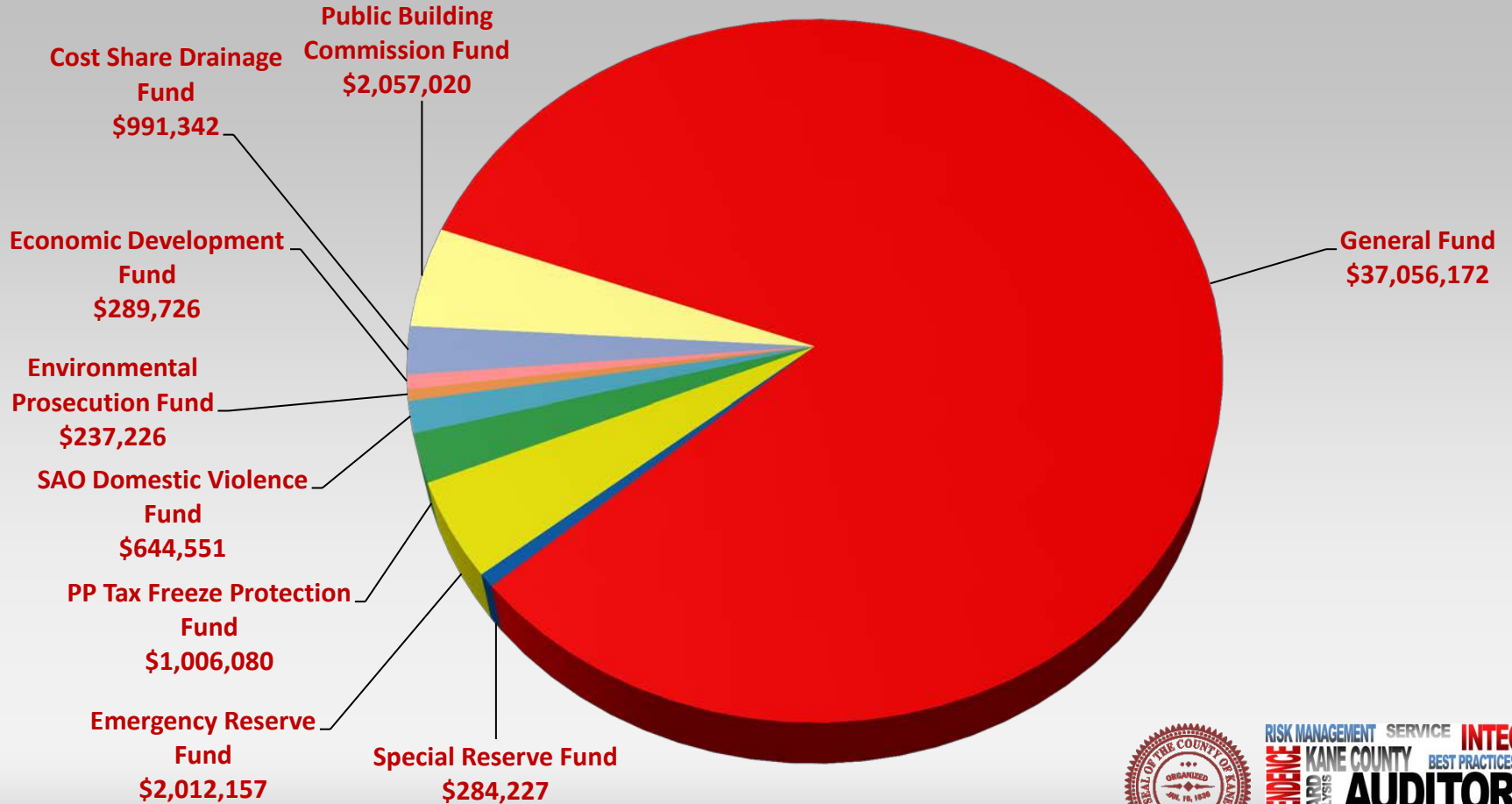


Quarterly Report **First Quarter Fiscal 2015**

GENERAL FUNDS		ANNUAL BUDGET	YEAR-TO-DATE
Revenues	\$	82,539,959	5,809,251
Expenditures & Encumbrances		78,914,065	19,965,947
Excess/(Deficiency) Revenues over Expenditures		3,625,894	(14,156,696)
Other Financing & Net Transfers In/(Out)		(3,625,894)	(3,703,128)
Less: Encumbrances Included Above		0	385,600
Net Change in General Funds Balance		0	(17,474,224)
General Funds Balance, Beginning of Year			62,052,725
General Funds Balance, End of Quarter	\$		44,578,501



General Funds

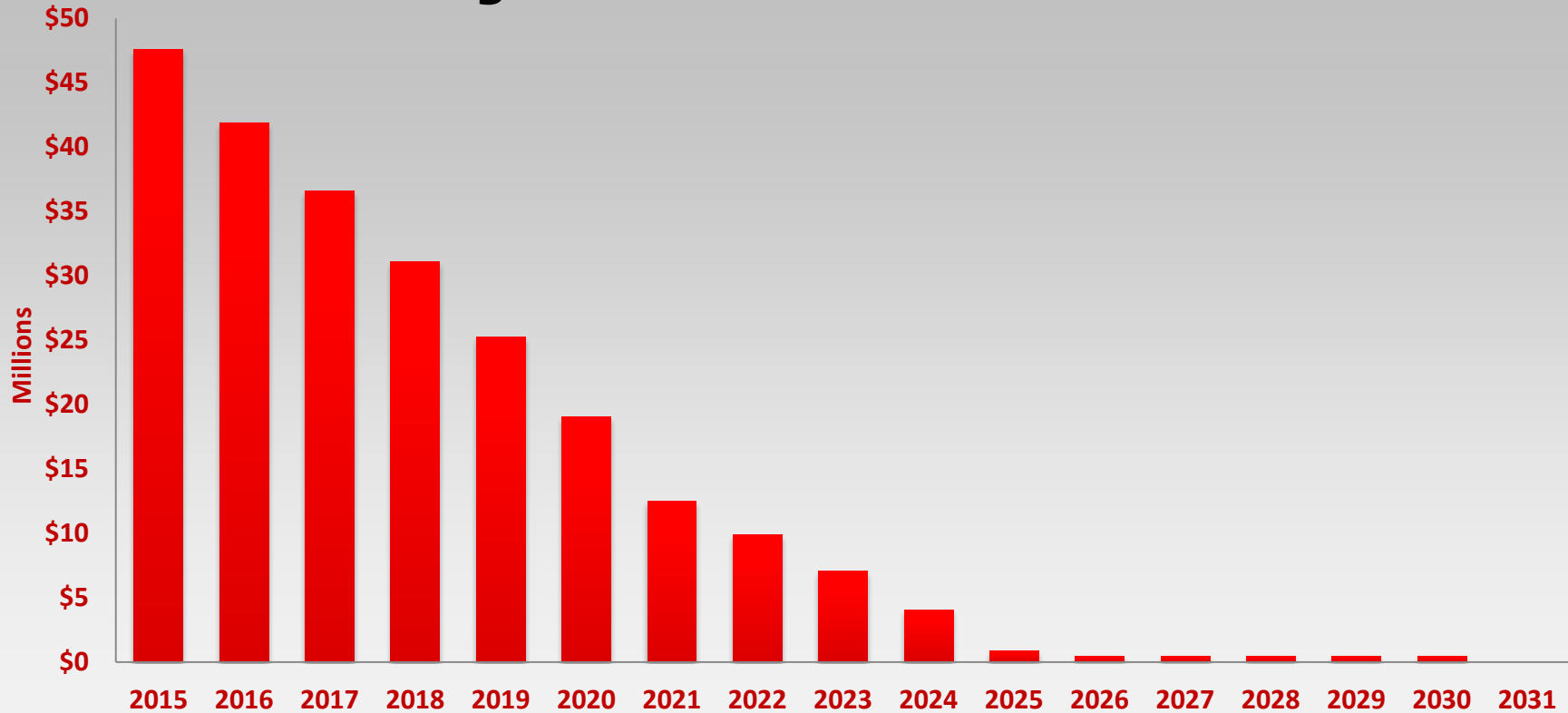


Debt Payments **First Quarter Fiscal 2015**

Issues	BEGINNING BALANCE	PAYMENTS MADE FY 2015	ENDING BALANCE
<u>BONDS</u>			
Series 2004 – GO Refunding Bonds	\$ 20,045,000	2,445,000	17,600,000
Series 2009B – GO Alt Revenue Bonds	8,280,000	8,280,000	0
Series 2010 – GO Alt Revenue Bonds	5,815,000	645,000	5,170,000
Series 2013 – GO Alt Revenue Bonds	26,180,000	1,345,000	24,835,000
<u>DEBT CERTIFICATES</u>			
Series 2006 – Debt Certificates	1,005,000	1,005,000	0
TOTAL	\$ 61,325,000	13,720,000	47,605,000



Debt Projections Balance by Fiscal Year End



■ Principal Balance Outstanding as of End of Fiscal Year

