

OFFICE OF THE COUNTY AUDITOR  
KANE COUNTY GOVERNMENT CENTER

WILLIAM F. KECK, C.P.A.  
KANE COUNTY AUDITOR



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630-232-5915  
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January 23, 2007

TO: Chairman McConnaughay, members of the Executive & Finance / Budget  
Committees and participants in the Credit Card Program

FROM: William F. Keck, Auditor *WFK*

RE: Credit Card Program Review

Attached is our Credit Card Program Review for the Fiscal years 2004, 2005 and 2006. Draft copies were submitted for review and comments to the Finance / Budget Committee members and the Circuit Clerk. Comments received were included in the report. Also included within the report are our findings and recommendations.

If you have any questions or need additional information, please contact me.

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**CREDIT CARD PROGRAM REVIEW  
FOR FISCAL YEARS 2004, 2005 AND 2006  
January 23, 2007**

The purpose of the review of the Kane County Credit Card Program was to determine if the program is in compliance with the Finance Policy and analyze statistical data gathered from activity. The source for the data gathered is derived from monthly detailed transaction reports submitted to the Auditor's Office from First National Bank of Omaha, the vendor. Certain audit procedures, noted below, were not performed because they were outside the scope of this review.

**COMPLIANCE WITH FINANCE POLICY:**

On March 13, 2001 Resolution 01-68 AMENDING KANE COUNTY FINANCIAL POLICIES ADOPTED BY RESOLUTION 99-30 was passed. In Section 12.a Other Financial Policies – *Departmental Credit Cards Issued by the County* are the rules governing the Kane County Credit Card Program. The following bullet points segregate Section 12.a of the policy, by sentence, with comments pertaining to adherence of the policy:

- *It is the intent of the County to place limitations on the use of credit cards issued by the County.* Credit cards are issued on a department level to department heads. Policy is followed.
- *Department heads may issue these credit cards to the division heads or other personnel deemed appropriate and a list of all cardholders shall be provided to the Finance Director.* Policy is not followed. The list is submitted to the Auditor's Office, not the Finance Director. The Finance Department does not have any responsibilities with the program.
- *Employees that are assigned credit cards must sign a waiver stating that they will not make any personal charges to a County issued credit card and acknowledge that use of the credit card is for County purposes only.* Policy is not followed. Waivers are not requested by the Auditor's Office. Procedures were not performed to determine if the respective Office or Departmental is following this policy.
- *A listing of those County personnel that are assigned credit cards must be updated by department heads for the Finance department whenever a change is made.* Policy is not followed. The list is submitted to the Auditor's Office, not the Finance Department. Currently, the Office or Department will contact the Auditor's Office to initiate any additions to or deletions from the program. The Auditor's Office will

then contact First National Bank of Omaha to make the change. Copy of the request is sent to the requesting Office or Department. An exception has been granted by First National Bank of Omaha to the Sheriff's Office whereby the office credit card administrator can perform this function without Auditor approval.

- *All credit card statements will be sent to the Finance department and audited by the County Auditor. Therefore, departments must keep documentation related to credit card purchases for a minimum of one year.* Policy is not followed. Statements are sent to the respective Office or Department for processing. Procedures were not performed to determine if documentation is kept for one year.
- *Credit cards may not be used for the following purchases: cash advances or personal purchases.* Two cash advances were discovered. See Statistical Data, section, paragraphs four, five and six below. There was no indication that personal purchases were made.
- *Use of County credit cards for these purposes will result in payroll deductions for repayment of these expenses.* Procedures were not performed to determine whether there was repayment of these cash advances.
- *In addition, if items may be purchased at a lower cost through other means, such as a purchase order, credit cards should not be used. Use of County credit cards for this purpose will result in County payment only up to the lower amount.* Procedures were not performed to determine if this is being followed.

The Finance Director has proposed to the Finance/Budget Committee a complete change to Section 12.a. These changes were approved at the January 10, 2007 Finance/Budget Committee meeting. While, the Auditor's Office is in agreement with the current proposal, further discussion is needed to cover issues not included, such as safeguarding of the cards, which Office or Department has the authority to negotiate with the credit card vendor, and determining credit and cash limits.

### **STATISTICAL DATA:**

For the statement period November 16, 2006 through December 18, 2006 there are sixty two (62) credit cards in use. Twenty six (26) of these cards have a credit limit of \$5,000, 1 card has \$7,500, 1 card has \$8,000 and has been terminated (Sheriff), 4 cards have \$10,000 and the remaining 30 cards are between \$500 and \$3,000.

The Finance Policy does not address any dollar amount restrictions for the credit limit. The Auditor's Office has received requests for credit limits exceeding \$10,000. The Auditor's Office has not approved these requests because of the current purchasing policy requiring board approval for any expenditure over \$10,000. There were no charges at or near the \$10,000 threshold.

Forty Nine (49) cards have cash advance limits ranging from \$250 to \$5,000. Twenty one (21) cards have a cash limit totaling \$2,500, 1 card has \$3,750, 1 card has \$4,000, 3 cards have \$5,000 and 23 cards have a limit between \$250 and \$1,500. It is recommended that cash advance limits be eliminated to comply with the Finance Policy. If all cash advances were utilized the liability to the County would be \$100,750.

Two cash advances were made in September of 2005. Both advances were made by the Circuit Clerk's Office. How payment for the cash advances was made can not be determined from our review of the management reports. The Circuit Clerk was contacted for an explanation.

**Circuit Clerk Response:**

*Correspondence dated September 1, 2005 was sent to Karen McConnaughay, William Keck, Cheryl Pattelli, and copied to David Rickert regarding the Treasure's Office withdrawing from the cash advance process. No response was or has ever been received from anyone except David Rickert. A copy of the letter is attached (Exhibit B). In it, you can clearly see that a procedure for cash advances was being requested and a deadline stated as to when the advances were needed. The failure to reply left me with a need to deal with the situation.*

*There seems to be an assumption in the county that anyone traveling has a salary that affords them the luxury of fronting cash, even when their boss is the one that determines that they must travel. A policy that to this day, I find causes an imposition on the employee. It is my understanding that the change was due to one or more office's or department's discrepancies in handling cash advances, so all must be punished, including those that can ill afford it.*

Auditor's Office noticed that the first advance was made on 9-9-05 in the amount of \$576.00. The advance incurred a cash fee totaling \$17.28 and finance charge totaling \$12.61 for a total transaction cost of \$605.89. A payment of \$576.00 was made to the credit card vendor on 10-18-05. An explanation for the cash advance can not be determined based on the monthly detailed transaction report activity.

The second advance was made on 9-20-05 in the amount of \$302.00. The advance incurred a cash fee totaling \$15.00 and a finance charge totaling \$2.89 for a total transaction cost of \$319.89. A payment of \$613.80 was made on 10-9-05. On the monthly detailed transaction report there was a hotel charge on 9-23-05 indicating the reason for the advance may be due to travel.

**Circuit Clerk Response:**

*No cash was obtained from the credit transactions; they were purchases of multiple limited value debit cards each individually equal to the corresponding amount of per diems. Travel vouchers for the same two time periods clearly show the visa reference and that no per diem was requested by the employees that utilized the limited value debit cards.*

**Audit Review Report Continues:**

Over Limit Fee, Late Fee and Finance Charge fees were noted. Attempts to reverse some of these fees is evident, however all three fees have increased each year for the period reviewed. The three fees totaled \$962.37 for 2004, \$1,330.12 for 2005 and \$3,834.13 for 2006. Late Fees and Finance Charges are the bulk of the total amount. No conclusion can be made regarding the reason for late payments increasing without further investigation. See Exhibit A for breakdown of fees by Office/Department by year.

Not including the County Chairman, seven Elected Offices and five Department Heads utilize the program. Purchases total \$171,752 for 2004, \$226,952 for 2005 or a 32.2% increase, and \$293,915 in 2006 or a 29.5% increase over 2005. Average purchase per card is \$190 in 2004, \$277 in 2005 and \$435 in 2006. The largest total card count was 79 cards for October and November of 2004 and low total of 56 cards for November of 2005. For 2006, the total number of cards range between 59 and 64 cards.

There are three instances of a card that was lost or stolen. One instance was noted in 2004 and two instances in 2006, with one of the cards being found right away. The County did not incur any financial loss as a result of the cards being lost or stolen.

**DISPLEASURE WITH VENDOR:**

Customer service is an important element for a sound business relationship. A couple of the Offices or Departments are not satisfied with the level of customer service provided by First National Bank of Omaha. The Auditor's Office is one of them.

The review of the monthly detailed transaction reports has indicated instances where the beginning balance is different than the ending balance (all instances were less than a dollar and in the County's favor) and sub-program name and address changes made for no reason. For example, when the Health Department was initially enrolled they were included in the Auditor's sub-program and not their own as requested. Efforts to resolve the issue resulted in all sub-program names now being identified as Health Department. Essentially First National Bank of Omaha is a big, computer driven company with no one person available for face to face resolution. This means we have difficulty resolving problems with them.

There were two instances noted where the credit card was simply dropped from the monthly detailed transaction report. The normal process is to indicate the status of the card as "Closed" on the month it is closed and then the card is eliminated in the subsequent month.

Controls are not in place to confirm the employee has received the card subsequent to enrollment and ensure the card is destroyed upon termination. Efforts by the Auditor's Office to implement accountability controls have been unsuccessful. Upon enrollment, First National Bank of Omaha's policy is to send the card directly to the cardholder. Terminated cards are safeguarded by the Office or Department.

**RECOMMENDATIONS:**

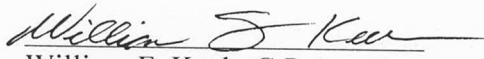
It is recommended that the Treasurer's Office, with the assistance of Auditor's Office consider finding a more suitable vendor to better meet the needs of the County. If consideration for a more suitable vendor is desired then the data collected by the Auditor's Office will be available for review and analysis. The agreement with the vendor needs to provide controls considered necessary by the Auditor.

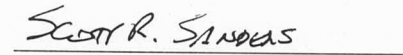
It is recommended that an acceptable Finance Policy be approved to ensure the proper use of the credit cards and that internal controls be developed and implemented by the appropriate personnel. Such a policy was approved by the Finance/Budget Committee and submitted to the Executive Committee January 10, 2007.

It is recommended that an Employee Waiver form be developed by the State's Attorney office for employees who use credit cards.

In accordance with KCC Sec. 2-192 (c) (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."

Respectively Submitted,

  
William F. Keck, C.P.A.  
County Auditor

  
Scott R. Sanders  
Deputy Auditor

**DISTRIBUTION:**

Hon. Karen McConnaughay, County Board Chairman

**Finance/Budget Committee**

Hon. John A. Noverini  
Hon. Jan Carlson  
Hon. Catherine S. Hurlbut  
Hon. James C. Mitchell, Jr.  
Hon. Hollie Kissane  
Hon. Arlene H. Shoemaker  
Hon. Jackie Tredup

**Executive Committee**

Hon. Karen McConnaughay  
Hon. Don Wolfe  
Hon. Jan Carlson  
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Hon. Catherine S. Hurlbut  
Hon. Gerald A. Jones  
Hon. Michael Kenyon  
Hon. Robert J. McConnaughay  
Hon. James C. Mitchell, Jr.  
Hon. John A. Noverini  
Hon. William A. Wyatt

**Participants in Credit Card Program**

Hon. Deborah Seyller – Circuit Clerk  
Hon. Chuck West - Coroner  
Hon. John A. “Jack” Cunningham – County Clerk  
Hon. Pat Perez – Sheriff  
Hon. John Barsanti – State’s Attorney  
Hon. David Rickert - Treasurer  
Roger Fahnestock – Director Information Technologies  
David Kliment, Public Defender  
Doug Naughton – Court Administrator  
Halle C. Mikyska – Law Library Director  
Cheryl Pattelli – Finance Department  
Mary Lou England – Exec. Dir. Public Health

EXHIBIT A

Office/Department	TOTAL FEES					
	2004 \$	2004 %	2005 \$	2005 %	2006 \$	2006 %
Chairman/Board	\$40.02	4.2%	\$208.05	15.7%	\$275.42	7.2%
Circuit Clerk	\$101.38	10.5%	\$134.95	10.2%	\$9.38	0.2%
Coroner	\$45.00	4.7%	\$1.75	0.1%	\$159.17	4.2%
County Clerk	\$147.31	15.3%	\$43.98	3.3%	\$714.08	18.6%
IT	\$40.19	4.2%	\$287.89	21.6%	\$748.35	19.5%
Sheriff	\$469.65	48.8%	\$155.53	11.7%	\$616.22	16.1%
State's Attorney	\$78.20	8.1%	\$32.50	2.4%	\$384.23	10.0%
Treasurer	\$40.62	4.2%	\$0.00	0.0%	\$0.00	0.0%
Public Defender	\$0.00	0.0%	\$465.47	35.0%	\$451.18	11.8%
Judicial Center	N/A	N/A	N/A	N/A	\$179.72	4.7%
Law Library	N/A	N/A	N/A	N/A	\$103.23	2.7%
Health	N/A	N/A	N/A	N/A	\$193.15	5.0%
<b>Total All</b>	<b>\$962.37</b>	<b>100.0%</b>	<b>\$1,330.12</b>	<b>100.0%</b>	<b>\$3,834.13</b>	<b>100.0%</b>



EXHIBIT B

Date: September 1, 2005

To: Karen McConnaughay, Chairman  
William Keck, Auditor  
Cheryl Pattelli, Finance Director

From: Deborah Seyller

Re: Cash Advances

The advent of the Treasurer's Office not participating in the cash advance process has created issues that need to be addressed quickly. I have employees that I am sending to conferences and need to have advances by September 9<sup>th</sup>. My office routinely uses credit cards to cover travel and lodging because of the efficiency.

Some of the employees I am sending out of county do not have credit card authority and need the cash advances to cover meals. With children, household expenses, and tight budgets affecting my staff, I prefer to cover their meals in advance instead of requiring them to front the money.

Under County Code Sec. 2-191, the Finance Director is to "approve travel advance requests from the imprest fund, prepare disbursement checks and follow up on reimbursements." Under County Code Sec. 2-72(b), "cash advances are administered and approved by the auditor and any exceptions must be approved by the county board chairman."

I have not noticed further correspondence on the procedure to follow since the Treasurer's Office withdrew. Has the current procedure changed, other than the Treasurer's withdrawal?

xc: David Rickert, Treasurer