

OFFICE OF THE COUNTY AUDITOR

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CONTRACT REVIEW CALENDAR YEAR 2008

March 18, 2009

The purpose of the review is to collect statistical data to determine how many contracts executed by county departments and offices has been submitted to the Auditor's Office in accordance with state statute 55ILCS5/3-1005 (d) "Duties of Auditor." The scope of the audit is restricted to contracts approved by County Board resolution for calendar year 2008 and contracts not approved by resolution that were voluntarily submitted to the Auditor's Office for the same time period. Audit steps were not performed on those contracts submitted that did not have board approval to determine if the contract should have been board approved. Audit steps were not performed to confirm if the contract is on file with the County Clerk.

During our review we identified weaknesses in the Auditor's Office procedures for maintaining a file of contracts as stipulated in the statute. New procedures have been implemented that will enable the office to identify contracts that should be submitted that have not, identify and purge expired contracts, and easily identify contracts to be selected for a compliance audit.

Our review discovered a contract that was executed by the County Board Chairman as authorized by board resolution. Subsequent to the execution of the contract a department director executed two amendments and one addendum that included an increase in the per unit charge for the service provided. This contract has been submitted to the County Board State's Attorney for an opinion.

In August of 2006 a contract review was performed on contracts with execution dates of 2004, 2005 and 2006. A contract listing spreadsheet was created but subsequently not updated by the Auditor's Office. The audit review report issued on December 26, 2006 recommended that copies of contracts indentified in resolutions must be submitted to the Auditor within 30 days from the resolution date, copies submitted should have the resolution number indicated on the contract, copies should be fully executed and the contract copy must be attached to a request for payment submitted to the Auditor's Office.

The Auditor's Office did not create procedures to ensure the recommendations referenced above were implemented. The Auditor's Office upon receipt of a contract would immediately file the contract. Entering contract data into the spreadsheet was not performed.

Statistical data from the 2006 review and this review confirms that the Auditor's Office receives a small proportion of the contracts created by the county and that the probability of the Auditor's Office approving a claim against the county that should not be approved is likely.

Beginning with calendar year 2009 the office is logging all contracts received into an Excel spreadsheet. The contract is submitted to the Deputy Auditor for review and disposition of the contract. The Deputy Auditor checks for ambiguous contract terms and determines if a continuous compliance audit is to be performed. Those contracts deemed not worthy of a continuous compliance audit will be filed and are readily available, if needed, to confirm that claims are appropriate while performing the daily accounts payable approval process. Office staff is researching whether database type software is a better tool than an Excel spreadsheet to maintain the required file of contracts.

To further enhance the procedures the Auditor's Office has sent an opinion request to the State's Attorney's Office seeking a definition of the terms "contracts" and "authorized county officers" as it pertains to the state statute. During the course of dialogue with the State's Attorney Office regarding the opinion request it was discovered that the County does not have a formal written policy for the execution of contracts.

STATISTICAL DATA:

Following is the statistical data for contracts approved by county board resolution for calendar year 2008:

- The total number of resolutions approved by the County Board in 2008 is 406. This includes 20 resolutions approving settlement of claims discussed during executive session.
- 194 of the 406 resolutions (47.8%) authorized the execution of various contract types. The 194 total does not include settlement of claims discussed during executive session. The most common types of contracts authorized include intergovernmental agreements, bid acceptance or purchase, road construction and professional service including engineering and maintenance.
- 74 of the 194 resolutions (38.1%) included verbiage that the contract must be on file with the County Clerk's Office.
- 6 of the 194 resolutions (3.1%) included verbiage that the contract must be on file with the County Auditor's Office.
- The Auditor's Office received 34 of the 194 board approved contracts, or 17.5%.
- The Auditor's Office received 25 contracts that were voluntarily submitted and not board approved. Of the 25 contracts submitted 11 have expired in 2008.

- Other types of agreements not included in the above statistical data as contracts are:
 - Local Agency Agreements that arise from Transportation projects where the State or Federal government is the lead in the project.
 - ESRI Maintenance Agreement. The resolution appropriated the money to purchase the maintenance agreement but did not provide that a contract is to be executed.
 - Vehicle Replacement. A number of resolutions were passed that authorized the purchase of replacement vehicles but did not specify that a purchase agreement was to be executed.
 - Authorizing payment of \$500,000 for legal services and other expenses for the Judicial Center Roof litigation, but did not specify that contracts were to be executed.
 - Appropriation to extend an amount on an existing contract with an individual for consulting services and did not specify that the contract extension be executed.
 - Appropriation for an amount to pay Maximus for their consulting services and did not specify that a contract be executed.

SURROUNDING COUNTIES REVIEW

A review of the 5 surrounding counties meeting minutes concluded that it is up to the discretion of the county to determine what constitutes a contract and who is designated to execute the contract – simply stated there is no consistency. For one county it was noted that change orders were consistently submitted for board approval in amounts as low as \$1,000. Also, some counties did not authorize a specific individual to execute the approved contract; however, one county in particular authorized the board chairman to execute the approved contract in almost all instances. It is noted that Kane County authorized the board chairman to execute 91.2% of the board approved contracts in 2008.

RECOMMENDATIONS

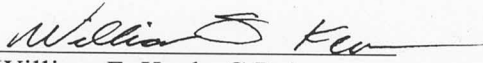
It is recommended that the Auditor's Office continue to utilize newly implemented procedures to ensure that all contracts are submitted to the office in accordance to State Statute (55ILCS5/3-1005 (d)) and ensure that the probability that an inappropriate claim submitted for approval is decreased.

It is recommended that the State's Attorney's Office pursue the creation of a county wide contract procedure policy.

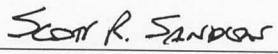
It is recommended that Auditor office generate a monthly report of contracts received/not received and submit said report to the County Board Executive Committee for review and disposition.

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