

OFFICE OF THE KANE COUNTY AUDITOR
TERRY HUNT, KANE COUNTY AUDITOR

ANDREA RICH
DEPUTY AUDITOR

MARGARET TODD-CAVE
STAFF AUDITOR



719 S.BATAVIA AVENUE
GENEVA, ILLINOIS 60134

630-232-5915
630-208-3838 (FAX)

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Sheriff Transition Audit

Background

As part of best practice procedures and as required under state statute, whenever a new officeholder is elected or a department head is appointed, a transition audit should be performed. Below are pertinent excerpts from state statute:

(55 ILCS 5/6-31005) (from Ch. 34, par. 6-31005) Sec. 6-31005... the County Board shall cause an audit to be made of all funds and accounts under the management or control of a county official as soon as possible after such official leaves office for any reason. The audit shall be filed with the county board not later than 6 months after the official leaves office. The audit shall be conducted and the audit report shall be prepared and filed with the Chairman of the County Board by a person lawfully qualified to practice public accounting...

As used in this Section, "county official" means any elected county officer or any officer appointed by the county board who is charged with the management or control of any county funds; and "audit" means a post facto examination of books, documents, records, and other evidence relating to the obligation, receipt, expenditure or use of public funds of the county, including governmental operations relating to such obligations, receipt, expenditure or use.

(Source: P.A. 86-962.)

Also as a matter of best practices, the Auditor's Office develops an internal audit plan on an annual basis. The plan is ordinarily based upon a risk evaluation of all Kane County (County) offices and departments to coordinate audit rotations which provide countywide coverage on a regular basis. An event such as a change in an elected officeholder can cause that normal audit schedule to be accelerated. Furthermore, the transition itself creates another variable to be considered. Taking those, and other factors, into account the Auditor's Office developed additional audit steps to forge a comprehensive plan for the transition audit with the approval of the County Board and the cooperation of both the outgoing and newly elected County Sheriff.

State statute requires that certain portions of the transition audit must be performed by an independent third party qualified to practice public accounting and to issue an independent opinion on the results. The Auditor's Office contracted with the firm of Baker Tilly Virchow Krause, LLP (Baker Tilly) to perform those portions of the transition audit. Findings from Baker Tilly are summarized at the end of this report as an integral part of the overall transition audit.

County Auditor's Scope

1. General

- Performed fluctuation analysis comparing fiscal year 2014, fiscal year 2013 and budget
- Reviewed a four month period including November and December 2014 and January and February 2015 for large and/or unusual transactions

2. Human Resources Management – Reviewed headcount levels and salary/wage levels for November 2013, November 2014 and January 2015

3. Cash accounts – Reviewed reconciliations for accounts not tested by Baker Tilly. Tested selection of payments and deposits to supporting documentation, and inquired for W9's and 1099's.

4. Fixed assets/inventory

- Reviewed process for seized vehicles
- Performed physical inventory of firearms and ammunition

5. Accounts payable – Reviewed new vendors

County Auditor's Findings/Recommendations

Finding 1: IRS regulations require companies, including governments, to file a form 1099-MISC, miscellaneous income, for each person to which at least \$600 in rent, service, etc. payments have been made during the year. Finance provides the W9 form in the New Vendor Packet located on the County's intranet at <http://web.kane/purchasing/htm>. The Sheriff's Office has not filed 1099's for vendors paid through the off balance sheet accounts. **Recommend the Sheriff's Office collect W9's on vendors paid through the off balance sheet bank accounts and provide Finance with applicable vendors and payments at the end of each year for inclusion in the County's 1099 filings.** Alternatively, if the off balance sheet accounts are rolled into NWS, then Finance will have the required information to file 1099's.

Finding 2: In accordance with Illinois State Statute, 765 ILCS 1025 Uniform Disposition of Unclaimed Property Act, any unclaimed property (i.e., money) should be sent to the State if unclaimed after one year. Surplus foreclosure funds which have been unclaimed by parties such as homeowner's associations, contractors, etc., are held in the off balance sheet bank account, Escrow. The account was most recently reviewed in 2013, and any identifiable unclaimed property was transferred to the County Treasurer for release to the State. Subsequent to that review, no further work has been performed to identify new or old unclaimed property. **Recommend that the unclaimed funds in the account be reviewed and rectified.**

Finding 3: Currently, checks made out to "cash" are written from the DEF Local off balance sheet account in order to supply Investigations with cash. The cash is kept in a safe and used for purchases by Investigations including payment for illegal drugs, informant fees, etc. Once the cash is transferred to Investigations, it does not appear on any listing as off balance sheet account or petty cash, etc. A lack of segregation of duties exists which allows the same employee with check signing authority (i.e., can make checks out to "cash") to also reconcile the bank account. Furthermore, controls around the cash should be enhanced. Cash in the safe should be reconciled on a periodic basis, not less than quarterly, including ensuring that requests for replenishment have been received and documentation exists for the use of cash. **Recommend (1) including cash in safe on listing of off balance sheet petty cash accounts, (2) an independent reviewer of the bank reconciliations, (3) formalized procedures for the transfer of cash (e.g., both parties sign when a transfer occurs including names, signatures and dollar amount), (4) enhanced controls over the cash in the safe (i.e., documented reconciliation).**

Finding 4: The Sheriff's Office currently has 14 off balance sheet bank accounts. **To enhance control, accountability, compliance and transparency, recommend moving all accounts, excluding the DEF Federal and DEF Local, into NWS.** The accounts can be established as agency accounts to the extent that the funds are not County funds. Benefits of moving the accounts into NWS include:

- Established and consistent accounting system, purchasing controls, invoice and payment review process, and retention of records.
- Proper tax paperwork such as W9's for new vendors and 1099 filings.
- Streamlined deposit of funds from the Circuit Clerk. The collected fees/fines would be moved via journal entry vs the Circuit Clerk's Office writing checks to the Sheriff's Office various off balance sheet accounts.
- Elimination of checks being cut from one off balance sheet account to another. For example, \$600 is collected for each foreclosure case. The \$600 is deposited into the Chancery off balance sheet account. Once a month, the total for foreclosures is transferred via check from the Chancery account to the Civil

Fees off balance sheet account. A check is then written from the Civil Fees account to the County Treasurer for all fees.

- Conversion of bank account debit card purchases to County credit card purchases.
- Insurance coverage of bank account balances greater than \$100k.

Finding 5 – In the review of large and/or unusual transactions, noted the following:

- February 2015 results for the Sheriff’s Office reflect a reduction in both budgeted and actual revenue. Specifically, the budget for the Federal Marshal’s Program revenue line item was reduced by \$1,769k (\$225k and \$1,544k). Correspondingly, budgeted expenses were reduced by \$1,143.5k (representing the estimated \$344k direct costs of housing federal detainees such as medical, dental, hospital, food, water and clothing; \$79.5k grant writer position; \$395k Adult Corrections overtime; \$100k fuel). Risks still remain in the budget. The original Federal Marshal’s Program revenue line item was \$2.5M, and was subsequently reduced by \$1.769M. The new revenue budget of \$731k compared to the \$231k actually collected through the end of February 2015, leaves a budgeted revenue shortage of \$500k - with no further material revenue expected in fiscal 2015. Thus, the Sheriff’s Office will need to achieve both the amended expense budget and implement another \$500k in combined new revenue and/or reduced expenses in order to have a balanced budget. **Recommend the Sheriff’s Office should aggressively consider all options to balance the budget, and to actively monitor financial performance.**

It should also be noted that in an effort to resolve the budget deficit, the Public Safety Vehicle Budget has been reduced by \$500k in 2015. While this action helps to bridge the current year gap, this is at best a short term solution. Vehicles will need to be replaced in the future. In FY 2016, this cost savings will need to be solved elsewhere as it is unlikely that all vehicle replacements could be deferred another year.

- Adult Corrections has two existing contracts with Aramark – one for inmate food, the other for commissary items. During FY 2014, Adult Correction also purchased over \$19k of toilet paper from Aramark without competitive quotes. **Best practices would be to pursue competitive quotes on spend of this magnitude. Using the County Purchasing Ordinance as guidance, quotes should be obtained for purchases greater than \$5k and less than \$30k. Recommend Adult Corrections pursue competitive quotes for toilet paper.**
- A scanner was purchased from Imaging Office Systems for \$13k. This purchase was performed during staff turnover with the election of the new sheriff, and no competitive quotes could be provided. **Best practices would be to pursue competitive quotes on spend of this magnitude. Using the County Purchasing Ordinance as guidance, quotes should be obtained for purchases greater than \$5k and less than \$30k. Recommend competitive quotes be obtained for purchases greater than \$5k and less than \$30k.**

- During FY 2014, the Sheriff's Office spent \$46k with Bob Barker Company through NWS. Additional purchases were made with Bob Barker through the off balance sheet bank accounts (e.g., \$5k purchase in 2/15 for inmate clothing). Bob Barker Company provides the Sheriff's Office with inmate clothing, towels, etc. The County has no contract in place with Bob Barker Company. Best practices would be to competitively bid spend of this magnitude. The County Financial Policy and County Purchasing Ordinance state that spend greater than \$30k should be competitively bid and approved by the County Board. **Recommend pursuing competitive bids for the goods provided by Bob Barker Company in FY 2015.**
- A new vehicle was purchased from the DEF Local fund, but was not added to the County's fixed asset listing for 2014. **Recommend including this vehicle in the County's fixed asset listing. Fixed assets have been finalized for 2014; thus, the information should be provided to Finance for 2015 additions.**
- The collective bargaining agreement calls for a uniform allowance of \$1,100 to be paid in two installments (6/1 and 12/1). In 2013, noted that the timing was slightly different with payments being made 12/1/12, 5/11/13 and 11/9/13 resulting in an extra \$59k in expense recorded in 2013. Historically, annual expense included payments in December and May. With the additional payment in November 2013, the cycle has changed to annual expense including payments in May and November. Potentially, the November payment could be postponed until December if budget is tight in any given year. **Recommend expensing items in the proper year.**

Finding 6 – Seized/forfeited vehicles occur generally in relation to a drug case. Seized vehicles are retained at the Sheriff's garage until the State's Attorney issues a Declaration of Forfeiture. Once the Declaration of Forfeiture is received, the Sheriff's Office goes through the Illinois State Police to either retain the vehicle and add it to the County's fleet or send the vehicle to state auction. If a vehicle enters the County's fleet, it is ultimately disposed of just like all other County vehicles through the Purchasing Department. At the time of the audit, no compiled listing of seized/forfeited vehicles existed, the status of the vehicles was not being monitored in a timely manner, and the auction proceeds from state auction or the Purchasing Department were not tracked to ensure receipt and accurate value. As a result of not tracking the resolution of the forfeited vehicles, proceeds from the sale of forfeited vehicles which had been added to our fleet were deposited with the County instead of going back into the DEF Local account. **Recommend enhancing and formalizing the process for tracking forfeited vehicles.** Specifically:

- Develop and maintain a spreadsheet of all forfeited vehicles with pertinent data such as make, model, year and VIN of vehicle, case number, date seized, date received Declaration of Forfeiture, date either moved into the Sheriff's fleet or picked up for auction, auction payment received from Illinois State Police. Once the disposition is resolved, the vehicle file should be marked "closed".
- Request eligible vehicles to be auctioned on a more regular basis - no less often than quarterly.

- Follow up on vehicles that aren't moving through the process (e.g., State's Attorney may still have case open, auction house may be holding vehicle, or Illinois State Police may not be cutting checks in a timely manner).
- Reconcile payment received from Illinois State Police to ensure accuracy and completeness.
- Fleet vehicles are auctioned through the County's Purchasing department. Revenue from the 2014 auction was credited to 001.380.000.38530 (Sheriff Auction Sales Revenue). For the forfeited vehicles that have been moved onto the Sheriff's fleet and then auctioned through the Purchasing department, the cash from the auction needs to be directed to the Sheriff's DEF account in accordance with the Illinois State Police awarding the vehicle to the Sheriff's Office. The award letter states "under the new Act (Public Act 94-1004), upon disposal of the conveyance, all proceeds from the sale of the conveyance must be used for drug enforcement purposes."

Baker Tilly Findings

Please see the entire Baker Tilly report for details of the audit. Below is a summary of Baker Tilly findings.

Capitalized and non-capitalized assets

- No formal controls or procedures are in place at the Sheriff's Office to track capital asset additions throughout the year.
- An inventory listing is not maintained for equipment and furniture having a cost basis more than \$500 and less than \$10,000 in accordance with the County's financial policy.
- For one capital asset in the sample selected, supporting documentation was not available in order to assess the appropriateness of the asset's value.

Cash

- The department has no formal written procedures around the reconciliation of the accounts, timeliness of deposits and review of reconciliations.
- The individual preparing daily deposit slips often also handles cash collections, resulting in a lack of segregation of duties.
- Account reconciliations are not reviewed by someone independent from the preparer on a monthly basis.
- The Sheriff's Office accounts are not recorded in the County's financial accounting software.

Procurement and dispensing of fuel

- There are no formal documented procedures around the acquisition of fuel, the dispensation of fuel, and the reconciliation of fuel purchased to fuel used.
- A periodic review of errors with chip keys is not performed to ensure that the reactivation of chip keys was appropriate.
- There is no reconciliation of fuel dispensed to fuel purchased.

Vehicle maintenance

- There are no written procedures around vehicle maintenance or inventory management of parts and tools.
- The Sheriff's Office has no set policy on vehicle lives and replacement cycle of vehicles.
- Current procedures in practice for ordering, receiving and maintaining inventory of tools and replacement parts place significant responsibility on one employee and do not segregate responsibilities, which would mitigate the risk of fraud or error.
- Procedures around service tickets are not documented and service tickets are not uniformly and accurately completed.

Inmate medical service

- No current documented procedures exist around the review of Wexford invoices within the Sheriff's office to ensure the accuracy of billings.
- The invoiced adjustment from Wexford for the reduction in inmates used a per diem rate of \$1.90, which varies from the contractually agreed upon amount of \$2.01.

Corrections food service

- No documented procedures exist around the Sheriff's Office review of reports and payment of invoices to Aramark.
- The Sheriff's Office does not receive the monthly summary and there is no review of the services or meal counts to ensure that Aramark is abiding by the guidelines of the contractual agreement.

Inmate accounts (Commissary off balance sheet bank account)

- No formal, documented procedures are in place around the inmate accounts.
- Reconciliations are not completed for each individual inmate balance.
- There is no review of the monthly inmate account reconciliation by someone other than the original preparer.
- The Sheriff's Office tracks inmate cash accounts using the CORE system. Reconciliations are completed, but supporting documentation, such as CORE reports, were not maintained for examination and could not be reproduced as the system cannot run backdated reports.
- As of January 7, 2015, the reconciliation between the CORE system and the off the balance sheet Commissary account has an unidentified variance of \$47,398. The bank balance exceeds the CORE system balance.

Overall Management Response

By definition, a transition audit is intended to cover a time period that spans the administration of both the former elected official and the newly elected official. As such both Sheriff Kramer and former Sheriff Perez were provided with advance copies of this audit report and given the opportunity to include a management response to the findings and recommendations. Sheriff Kramer acknowledged receipt of the report and expressed his gratitude. At the request of former Sheriff Perez, the Auditor's Office met with the former Sheriff and his former Administration Lieutenant Ron Grommes to review the results of the audit. Former Sheriff Perez stated that he understood the findings, and agreed with the recommendations in the report which - in his opinion - would lead to increased accountability, transparency and efficiency in the Office of the Sheriff.

The Auditor's Office would like to thank the Sheriff's Office for their cooperation with our office and the external auditors during this transition audit. Specifically, thanks to Sheriff Kramer, former Sheriff Perez, Sgt. Paul Warren, Lt. John Hickey, Alicia Dominguez, Gary Harrison, Sgt. Brian McCarty and Chief Deputy Bumgarner. Thanks also to the Purchasing Department, Human Resources Management and Circuit Clerk for their continued willingness to provide supporting documentation.



Terry Hunt – Kane County Auditor



Andrea Rich – Deputy Auditor

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES

To the County Auditor
Kane County
719 S. Batavia Avenue
Geneva, Illinois 60134

We have performed the procedures enumerated below, which were agreed to by the County Auditor of Kane County (the "County"), solely to assist you in evaluating the Sheriff's Office on November 30, 2014. Kane County's management is responsible for the financial activities of the Sheriff's Office. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures were as follows:

1. Capitalized and non-capitalized assets

Procedures:

Determine current capitalization thresholds for Sheriff's Office assets. For non-capitalized Sheriff's Office assets, select a sample of 20 items and recalculate inventory extensions. For Office capital assets, select a random sample of 20 items and test the appropriateness of the valuation and ensure the asset is in compliance with the Office's capitalization policy and inclusion in County's financial statements.

Results:

Per discussion with Sheriff's Office personnel, we noted the Office utilizes the County's capitalization policy. According to the County's policy, assets are considered to be capital if the asset value exceeds \$10,000 and has a useful life of greater than one year. The policy also requires department heads to maintain an inventory of all furniture and equipment within their custody having a cost basis more than \$500 and less than \$10,000, excluding computer equipment maintained by the Information Technology Department.

We noted that the Sheriff's Office provides a listing of departmental capital assets to the Finance Office on an annual basis. **However, we noted no formal controls or procedures in place at the Office to track capital asset additions throughout the year.**

Per discussion with Sheriff's Office personnel and the results of procedures completed below, we noted that inventory listings are maintained for vehicle maintenance parts and tools by the Fleet Division and computer equipment by the Information Technology Department. **An inventory listing is not maintained for other equipment and furniture.** The Chief Deputy and Director of Administration have indicated that the development of an inventory listing is in progress.

To the County Auditor
Kane County

As an inventory listing was not maintained by the Office, we were unable to test a sample of 20 inventory items.

We obtained a listing of capital assets held by the Sheriff's Office as of November 30, 2014. From this listing, we sampled 20 assets to test the appropriateness of the valuation and the Office's compliance with the County's capitalization policy. To complete our testing, we requested supporting documentation to verify the existence of the capital purchases.

For 17 sampled assets, we received supporting invoices and check copies, noting that assets appeared to be valued appropriately and in compliance with the County's capitalization policy. For one asset selected, check copies could not be obtained. However, per review of the related invoice, we noted that the asset was purchased through a credit held with the vendor. This asset appeared to be valued appropriately and in compliance with the County's capitalization policy. For two assets selected, we were unable to obtain supporting invoices or check copies. For one of the assets, we were able to obtain alternative documentation (a list of vehicles including pertinent information such as cost, VIN, make, and model) supporting the existence of the vehicle. ***For the other asset, we were able to confirm the existence of the asset through physical examination, but could not obtain information necessary to assess the appropriateness of the asset's value.***

Per review of the County-wide capital asset listing, we noted that all assets are included on the County financial statements.

2. Cash

Procedures:

Gain an understanding of the Office's policies and procedures related to the reconciliation of accounts, timeliness of deposits, and reconciliation reviews. Obtain a listing of bank accounts maintained by the Office and verify that account reconciliations were completed and reviewed in accordance with Office's policy through November 30, 2014. Perform a test count of the Office's petty cash. Select a random sample of Office accounts as of November 30, 2014 and agree reconciled checkbook balances to related accounting records. Test a sample of 10% expenditures or 25 items (whichever is lower) from County Drug Enforcement (DEF) Accounts to determine if expenditures were made for purposes of drug enforcement.

Results:

Per discussion with Sheriff's Office personnel, we obtained an understanding of the policies and procedures around the reconciliation of the accounts, the timeliness of deposits, and the review of reconciliations. ***We noted that the Office had no formal written procedures around these processes, but informal policies were in place.***

Each bank account held by the Sheriff's Office is assigned to a division. The assigned division is responsible for collecting and depositing cash and checks into the accounts. Deposits are completed on a daily basis. Bank deposit slips are prepared by a designated individual within each division. ***The individual preparing daily deposit slips often also handles cash collections, resulting in a lack of segregation of duties.*** After the deposit slips are prepared, an on-duty police officer will bring the deposits to the bank. Cash, checks, and completed deposit slips are kept in a combination safe until the officer picks them up for delivery to the bank.

To the County Auditor
Kane County

Account reconciliations, except for two accounts, are completed on a monthly basis by the Chief Deputy. The Canteen Commission account is reconciled by the Director of Adult Corrections and the Detainee Account is reconciled by the Adult Corrections Division's Information Specialist. Reconciliation responsibilities are completed upon receipt of monthly bank statements. All three reconcilers utilize Quicken to complete the reconciliations.

At the end of each fiscal year, the Treasurer's Office receives the account reconciliations and completes a review as of November 30. ***We noted no evidence of reconciliations being reviewed by someone independent from the preparer on a monthly basis.***

We obtained a listing of bank accounts maintained by the Sheriff's Office. As of November 30, 2014, the Office held fourteen bank accounts. For each account, we verified the completeness of account reconciliations through November 30, 2014. ***The Sheriff's Office accounts are not recorded in the County's financial accounting software.***

We completed a test count of the Office's petty cash on hand. We noted that the Office aims to maintain \$1,609 on hand. During our review, we noted that the Office held \$876.89 on hand. We noted that the variance between the goal amount and the actual count was the result of four withdrawals from cash on hand for which the cash on hand had yet to be replenished. The Office's Accounts Payable Clerk tracks withdrawals of petty cash and the purpose for the use of the cash on hand. Per review of the Accounts Payable Clerk's tracking documentation, we noted that a sign-out sheet was maintained and, for each withdrawal, required the amount being taken, the purpose of the withdrawal, and the signature of the individual requesting funds. Additionally, we noted that receipts submitted for reimbursement through the petty cash account must also be approved by the Lieutenant or Sergeant. The four items listed on the sign-out sheet reconciled to the goal holding amount of \$1,609 and were documented in accordance with the Office's policy stated above.

Based on AICPA small sample guidance, we selected a random sample of three cash accounts maintained by the Office as of November 30, 2014. The accounts selected for testing were the S.W.A.T., Civil Fees, and F.A.T.S. accounts. For each of the accounts selected, we agreed the reconciled checkbook balances to the accounting records. As these accounts were not reported in the County's general ledger software and reconciliations were performed in Quicken, we agreed the reconciliations completed in Quicken back to the bank statements. We noted that all reconciliations could be traced back to the bank statement.

Based on the level of expenditure activity in the County Drug Enforcement (DEF) Local and Federal accounts, we selected 10% of expenditures in the two accounts for testing. This resulted in a selection of sixteen total expenditures – fifteen from the local account and one from the federal account. Per review of invoices and other supporting documentation, we noted that all expenditures selected for testing were for drug enforcement purposes.

3. Procurement and dispensing of fuel

Procedures:

Gain an understanding of the Office's procedures around the acquisition of fuel. Test a sample of 3 approved bids from 2014 for compliance. Through inquiry and observation, determine how fuel is dispensed and how amounts of fuel are reconciled to purchases.

To the County Auditor
Kane County

Results:

We gained an understanding of the Sheriff's Office's policies procedures around the acquisition and dispensation of fuel. **Although informal procedures are followed, there are no formal, documented procedures around the acquisition of fuel, the dispensation of fuel, and the reconciliation of fuel purchased to fuel used.**

Per discussion with the Fleet Service Manager, we noted that fuel is disbursed using one gasoline pump located east of the fleet maintenance building at the Sheriff's complex on Fabyan Parkway. The fuel supply is monitored through an electronic fuel gauge. The supply can also be measured manually with a dipstick. All County departments, except for the Forest Preserve and Highway Department, may use the pump at any time. When the fuel tank has approximately 1,000 gallons remaining, the Fleet Maintenance Division orders fuel. Once the tank is refilled, the electronic gauge is checked to monitor the amount of the fuel supply added.

Fuel purchases are reported as expenditures within the Sheriff's Office budget. Other departments are billed for fuel usage on a quarterly basis. Other departments, on average, account for approximately 25% of fuel usage supported by the Sheriff's Office.

Per discussion with the Fleet Service Manager, we noted that fuel usage is tracked by the Fleet Services Division. Users of the gasoline pump must insert a chip key into the pump and enter the vehicle's odometer reading and pump number. The electronic fueling system will verify the input mileage for reasonableness. If odometer reading is not within the system's allowable range, the fueling system shuts down and the chip key becomes inoperable. Fleet Maintenance Division employees can reset the chip keys. Lost chip keys can only be replaced once the old key has been deactivated. The Fleet Service Manager indicated that there are approximately 30 mileage errors per month and 10 chip key errors per year. **There is no evidence of a periodic review of errors to ensure that the reactivation of chip keys was appropriate.**

The usage data maintained by fueling system is downloaded to the Fleet Maintenance Division's computers on a periodic basis. The information provided includes logs of the vehicles being fueled, mileage entered, and a breakdown of department fuel usage. The Fleet Service Manager monitors the mileage for reasonableness through a review of a "fuel mileage report". **There is no reconciliation of fuel dispensed to fuel purchased.**

Per discussion with the County's Purchasing Department personnel, we noted that the Sheriff's Office received 6 bids related to the supply of fuel for 2014. We reviewed 3 bids, including the winning bid from Petroleum Traders. We noted that the Office followed the County's procurement procedures and selected the lowest priced responsible bidder.

4. Vehicle Maintenance

Procedures:

Gain an understanding of the Office's procedures for vehicle maintenance, including procedures for the purchase, storage, and inventory of tools and replacement parts. Select a sample of 10 vehicles maintained by the Office and verify that maintenance logs and vehicle history fields are accurate and current through observation. Select a sample of 20 Office inventory items and test for compliance.

To the County Auditor
Kane County

Results:

We gained an understanding of the Sheriff's Office's procedures around vehicle maintenance and inventory management through observation and discussion with the Fleet Services Manager.

Although informal procedures have been implemented by the Office, there are no written procedures around vehicle maintenance or inventory management.

The Fleet Maintenance Division performs maintenance on approximately 140 vehicles owned by the Sheriff's Office. The Division performs no service for other department vehicles. Per the Fleet Service Manager, the Division's work is generally preventative maintenance and engine repair. Body work, realignments, and major repairs are outsourced to local auto care services. The Fleet Service Manager prepares a fleet service schedule based on vehicle class, age, and vehicle mileage. The Division completes preventative maintenance on three to four vehicles each day.

The Sheriff's Office has no set policy on vehicle lives and replacement cycles. The Division follows the County's replacement policy. In general, the Division strives to replace vehicles after 10 years or 100,000 miles, unless significant maintenance is required at an earlier period in the vehicle's life. The Fleet Service Manager indicated that approximately 20% of Office vehicles exceed the informal replacement requirements.

The Fleet Service Manager is responsible for ordering tools and replacement parts. In emergency situations, Fleet Service Mechanics may order parts. The Fleet Service Manager checks in all shipments when received and maintains an inventory listing of parts and tools. Parts inventory is maintained in CFAWin, fleet maintenance software utilized by the Division. Tools inventory is manually maintained. The inventory balances are not recorded within the County's financial accounting software. **Although the Division has procedures in place, these procedures are not formalized or documented. Additionally, the current procedures place significant responsibility on one employee and do not segregate responsibilities, which would mitigate the risk of fraud or error.**

The Fleet Service Manager enters inventory records when shipments arrive. Parts are assigned an inventory code. Inventory usage is automatically applied to the parts inventory software through the completion of service tickets. **Procedures around service tickets are not documented and service tickets are not uniformly and accurately completed.** The Fleet Service Manager estimates a 2% loss on parts due to errors in completing service tickets within the fleet management software. The Fleet Service Manager will also adjust inventory records to match physical counts when variances are identified.

All parts and tools inventory is stored in the Sheriff's Office's fleet building. Access is limited to Fleet Maintenance Division personnel, Sheriff's Investigations Division personnel, and certain Corrections Division personnel.

We obtained a complete listing of all active vehicles owned by the Sheriff's Office as of November 30, 2014. From this listing, we randomly selected 10 vehicles for testing. For each vehicle selected, we obtained maintenance logs, noting that preventative maintenance was performed on a regular basis and mileage was consistently tracked. We also reviewed vehicle history files, noting that labor hours and parts used on each vehicle were documented.

We obtained complete listings of parts and tools inventory from the Fleet Services Manager as of December 29, 2014. From these listings, we selected 20 inventory items for testing. For each item selected, we observed that item descriptions and counts were accurate and items were for vehicle maintenance purposes.

To the County Auditor
Kane County

5. Communication division procurement

Procedures:

Gain an understanding of and document the Office's procedures for the procurement of communication services/equipment. Test a sample of 3 approved bids from 2014 for compliance.

Results:

Per discussion with Sheriff's Office personnel, we gained an understanding of the Office's procedures around the procurement of communication services and equipment. We noted that the Office follows the County's procurement procedures and must submit a requisition through New World, the County's financial accounting software. Requisitions must be approved by the Sheriff and sent to the County's IT Department. When the IT Department receives the approved requisition, the IT Department's Finance Manager orders the requested communications equipment and services. When an invoice is received, the IT Department Finance Manager will review the invoice for appropriateness and enters the invoice into the New World system. A copy of the invoice is sent to the Sheriff's Office for documentation purposes. The County Treasurer's Office will disburse funds once the invoice runs through the County's standard cash disbursement approval processes.

Per discussion with Sheriff's Office personnel and the IT Department's Finance Manager, we noted that the Sheriff's Office initiated three requests for bids during 2014 for communication equipment and/or services (Bid Numbers 49-013, 51-013, and 45-013). BT reviewed the submitted bids for each requested service, noting that County procurement policies were followed.

6. Inmate Medical Service

Procedures:

Gain an understanding of the Office's procedures for the review of reports from Wexford Health Sources, Inc. and the payment of invoices for inmate medical services. Select a random sample of 3 monthly invoices/reports from Wexford Health Sources, Inc. for 2014. For the sampled items, verify that health services provided were allowable and in accordance with the contract agreement, recalculate invoice amounts to ensure accuracy and compliance with the contract agreement, and determine if invoices were reviewed, approved, and disbursed in a timely fashion and in compliance with documented procedures.

Results:

We obtained a copy of the current inmate medical services contract with Wexford Health Sources, entered into on November 15, 2013. The contract requires the County to make payments to Wexford for services provided on a monthly basis. **We noted no current documented procedures around the review of Wexford invoices within the Sheriff's Office to ensure the accuracy of billings.** Although procedures are not documented, the Office maintains informal review and approval processes around medical inmate service invoices.

We selected a random sample of 3 monthly invoices from Wexford Health Services during fiscal year 2014, all of which fall under the guidelines of the November 15, 2013 contract. The invoices selected for testing were the monthly billings for February, June, and October. For each invoice, we completed the following tests:

- Agreed invoice amount to contract
- Assessed allowability of services provided
- Observed documentation of review and approval of invoice
- Examined the timeliness of payment
- Recalculated for mathematical accuracy

To the County Auditor
Kane County

For each invoice examined, we noted that the invoice amount did not agree to the base compensation amount (\$167,809) identified in the contract. Upon further examination, we noted that the February and October invoices (each in the amount of \$161,524), were adjusted for the Affordable Care Act. As noted in the contract agreement, Wexford agreed to credit the County \$6,285 each month if the County qualified to be covered by Medicaid under the terms of the Affordable Care Act. In addition to the credit adjustment for the Affordable Care Act, the June invoice, equaling \$161,182, was further reduced due to a decrease in inmate population for the month. The contract requires Wexford to reimburse the County \$2.01 per day for each inmate less than 600. Per review of the June invoice, we noted that the County only held an average of 594 inmates during the month. **We noted that the adjustment for the reduction in inmates used a per diem rate of \$1.90, which varies from the contractually agreed upon amount of \$2.01.** The difference resulting from the variance in the per diem rate was \$20.

We noted no other exceptions in the other procedures performed above.

7. Corrections food service

Procedures:

Gain an understanding of the Office's procedures for the review of reports and payment of invoices to Aramark for corrections food service. Select a random sample of 10 weekly invoices to ensure billings are accurate and meal counts were approved by appropriate personnel. Select a random sample of 3 monthly summary reports provided by Aramark and test for compliance with the service contract. Observe the available menu for food service and verify compliance with contractual nutrition requirements.

Results:

We gained an understanding of the Sheriff's Office's procedures for the review of reports and payment of invoices to Aramark for corrections food service. **We noted no documented procedures around the Sheriff's Office's review of reports and payment of invoices to Aramark.** However, informal procedures are followed.

Per discussion with Adult Justice Center personnel and review of the contract agreement with Aramark effective September 1, 2008, Aramark bills the County on a weekly basis using meal sheets filled out by the Corrections Office. When the Sheriff's Office receives the weekly invoice, the Corrections Officer will review the bill for accuracy, including a comparison to the meal counts prepared during the week. The Administrative Lieutenant at the Adult Justice Center will approve the invoice for processing. Once the invoice has been reviewed and approved, the Sheriff's Office's Accounts Payable Clerk will initiate the payment process within the New World system and abide by the County's payment procedures.

In addition to the weekly invoices, the contract agreement requires Aramark to provide the County with a comprehensive monthly summary of meals, services, and credits. The summaries are required to be forward to the County Administrator or a designee each month. **The Sheriff's Office does not receive the monthly summary and there is no review of the services or meal counts to ensure that Aramark is abiding by the guidelines of the contract agreement.**

We selected a random sample of 10 weekly invoices from Aramark for testing. For each invoice selected, we recalculated the billing amount for mathematical accuracy, agreed meal counts to supporting documentation, and confirmed that meal count information was approved by the Corrections Office. We noted that all invoices selected were mathematically accurate, agreed to support, and were approved by appropriate personnel.

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As noted above, the Sheriff's Office does not receive monthly summary reports from Aramark. **Although the County Administrator may receive the reports, there is no indication that any review is completed by Sheriff's Office personnel or any other County employee outside of the Office around monthly summary reports from Aramark.**

We obtained a copy of food services menus used by Aramark. We noted that the meals being prepared appear to be in accordance with nutritional guidelines set forth by the American Correctional Association, the Food and Nutritional Board of the national Academy of Science, and the State of Illinois.

8. Inmate accounts

Procedures:

Gain an understanding of the Office's procedures for the reconciliation of each inmate's cash balance, the review of reconciliations, and the payout procedures upon inmate release. Test a sample of 10% of active inmate cash accounts to determine if account balances are reconciled to total cash as of November 30, 2014.

Results:

Per discussion with Sheriff's Office personnel, we obtained an understanding of the Offices procedures for the reconciliation of inmate cash balances, reviews of reconciliations, and payouts upon inmate release. **We noted that, although certain informal procedures are in place, the Office has not implemented a formal, documented policy around the inmate accounts.**

The Sheriff's Office tracks inmate cash accounts using the CORE system. The Intake Record Keeper completes reconciliations on a monthly basis. The CORE system can only run reports as of the date at which the report is run. Historical reports cannot be accessed. As such, the Inmate Record Keeper must utilize the bank statements and separate CORE reports for outstanding checks and deposits, as of the month-end, to complete her reconciling procedures. **Reconciliations are not completed for each individual inmate balance.** All reconciling procedures are completed around inmate accounts as a whole.

There is no review of the monthly inmate account reconciliation by someone other than the original preparer.

When an inmate is released, the individual is provided a debit card by Intake Officers at the front desk of the Adult Justice Center. If the inmate balance is negative at the time of release, no debit card is provided. The Intake Record Keeper maintains updated account balances for released inmates in case a repeat offender returns to the Adult Justice Center. Such a situation would arise if the released inmate did not utilize the entire balance available on the debit card provided upon release. The Intake Record Keeper indicated that this was a common occurrence.

As reconciliation procedures were not completed around individual inmate accounts, a 10% sample could not be selected. In lieu of sampling individual inmate accounts, we opted to reconcile the CORE system total balance back to the account statement as of November 30, 2014. Due to the CORE system's restrictions noted above related to running historical reports, the Intake Record Keeper could only run a report from the CORE system as of the day of testing (January 7, 2015). In order to properly reconcile the CORE system balance to the most recent bank statement, the Intake Record Keeper ran separate deposits and outstanding checks reports, which were used to reconcile back to the bank statement balances. **We noted that, although reconciliations were completed, supporting documentation, such as CORE reports, was not maintained for examination.**

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As of January 7, 2015, we noted that the CORE system identified a total inmate account balance of \$242,695. The reconciling procedures identified above were completed by the Intake Record Keeper to provide us with an adjusted bank balance of \$307,621, which presents a variance of \$64,926 between the CORE system and adjusted bank balances.

Upon further investigation, it was noted that \$17,528 of the variance related to debit card activity that had yet to be recorded in the CORE system. The Intake Record Keeper indicated that the remaining variance could relate to the timing of reports and funds left over from the Canteen account that had not been removed from the inmate bank accounts despite being for other purposes. We could not obtain information that supported these assertions. **As such, we noted that reconciling procedures completed on January 7, 2015 resulted in an unidentified variance of \$47,398.** The Intake Record Keeper indicated that the bank balance has always exceeded the CORE system balance.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Sheriff's Office financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Kane County management and the Kane County Board and is not intended to be and should not be used by anyone other than these specified parties.

Balaz Tilly *Vicchow Kraus, LLP*

Oak Brook, Illinois
April 7, 2015