



Terry Hunt
Kane County Auditor
719 S. Batavia Ave. – Building A
Geneva, IL 60134
(630) 232-5915
HuntTerry@co.kane.il.us

KANE COUNTY INTERNAL AUDIT STATUS REPORT

Update as of February 24, 2016

Covering Recommendations Made To

Animal Control, County Sheriff, Court Services, Facilities,
Human Resources, Judiciary, KaneComm, Merit Commission,
Public Defender and Veteran’s Assistance Commission



Finance & Budget Committee Members

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

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Introduction

BACKGROUND

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 AND SCOPE

OBJECTIVE:

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

SCOPE:

The Internal Audit Status Report was first created based upon the recommendations from the internal audits performed during the fiscal year ended November 30, 2014. The report is a fluid document and audit recommendations will continue to be added and/or removed, accordingly. Recommendations from newly completed audits will be added; recommendations that have been completed or declined are included as part of the update, but will be removed from future versions of the status report. Recommendations that remain as in progress or open will continue to be part of future status reports. With each update, we reach out to each office/department for changes which are reflected in the status of recommendations.

STATUS DEFINITIONS

- | | |
|--------------------|--|
| Completed | The office/department has successfully resolved the audit point through implementing the audit recommendation, adopted mitigating controls, etc. |
| In Progress | The office/department has made some plans and moved toward completing the audit recommendation. |
| Open | The audit point remains unchanged. The office/department may be in the discussion phase. Audit recommendations that remain open for over six months are noted. |
| Declined | The office/department does not intend to resolve the audit point. |

METHODOLOGY

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.

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
14-5	Animal Control	October 20, 2014	Transition Audit	(7) Enhance and document cross training duties related to cash and controlled substances.	Complete
			Transition Audit	(8) Consider change to municipal billing frequency to enhance KPASS support, improve notification process for non-compliant animal owners.	In Progress Over 6 mos
			Transition Audit	(12) Enhance and document the inventory process and control of rabies vaccination tags, reconciling beginning and ending inventory to recorded activity.	In Progress Over 6 mos
			Transition Audit	(15) Review current practice relative to service providers with large or repeat spend to comply with County Financial Policy.	In Progress Over 6 mos
14-1	Human Resources Management	October 23, 2014	Review of Payroll Overpayment	Work with New World Systems (software provider) to correct the problem with the payroll module which allowed this to occur.	In Progress Over 6 mos
14-7	Judiciary	November 13, 2014	DUI Fund	Consider following or amending current County Code. County Code specifies these revenues be placed in the General Fund. In practice, the revenues and expenses are going through this special revenue fund.	Open Over 6 mos

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
14-8	Judiciary	November 13, 2014	Children's Waiting Room - Statutory	(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.	In Progress
			Children's Waiting Room - Statutory	(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. The application of the agreement should be reconciled.	Open Over 6 mos
15-2	Facilities	February 18, 2015	Mill Creek Special Area	(1) Recommend development of a long-range maintenance plan.	In Progress
			Mill Creek Special Area	(2) Recommend expensing items to proper expense codes with particular attention to "capital outlay" coding.	In Progress
			Mill Creek Special Area	(3) Recommend tighter controls over documenting quotes, maintaining contracts, tracking contract expiration dates to be proactive on renewal or bidding, and ensuring proper approvals. Purchase orders in NWS should be utilized.	In Progress
15-1	Facilities	February 18, 2015	Building Management	(1) Building Management should adhere to County purchasing policy. Both Building Management and Purchasing need to establish roles and responsibilities regarding various components of documentation for insurance, prevailing wage, etc.	In Progress

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-1	Facilities	February 18, 2015	Building Management	(2) Although services covered under the Local Government Professional Services Select Act are excluded from the County's purchasing policy, presenting these contracts to the Board for approval would enhance transparency.	Complete
			Building Management	(3) Restructure invoice entry and approval process to better align responsibilities between the administrative officer and the department head.	Complete
			Building Management	(4) Improve invoice description with Alarm Detection System, consolidate billing and combine the countywide budget for security into Building Management.	Open Over 6 mos
			Building Management	(5) Building Management should review, process and analyze all utility bills by meter/location - some are processed through other offices/departments.	Open Over 6 mos
			Building Management	(6) Building Management should optimize utilization of the Help Desk software.	Complete
			Building Management	(7) Enhance internal controls over quick supply pickups, including segregation of duties.	In Progress

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-4	Sheriff's Office	April 8, 2015	Transition Audit	(1) Recommend the Sheriff's Office collect W9's on vendors paid through off balance sheet bank accounts and provide the Finance Department information to be included with the County's 1099 filings.	Complete
			Transition Audit	(2) Recommend that unclaimed funds in the Foreclosure Fund be reviewed and rectified.	Open Over 6 mos
			Transition Audit	(3) Various recommendations to improve internal controls over vault cash and off balance sheet petty cash accounts.	In Progress
			Transition Audit	(4) Recommend that all off balance sheet bank accounts - except DEF Federal and DEF Local - be established as special funds or agency accounts within the County's New World System financial reporting system. (also a repeat recommendation from Baker Tilly)	Declined
			Transition Audit	(5) The revenue flux review noted a substantial reduction in Federal Marshall's Program revenue. Recommendation is to aggressively pursue all options, including cost savings, to balance the FY 2015 budget. Various recommendations to comply with the purchasing policy and best practice financial policies.	In Progress
			Transition Audit	(6) Recommendation to enhance and formalize the process for tracking forfeited vehicles.	In Progress
			Transition Audit	Baker Tilly findings on capitalized and non-capitalized assets.	In Progress

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-4	Sheriff's Office	April 8, 2015	Transition Audit	Baker Tilly findings on Cash.	Complete
			Transition Audit	Baker Tilly findings on procurement and dispensing of fuel.	Open Over 6 mos
			Transition Audit	Baker Tilly findings on vehicle maintenance.	Open Over 6 mos
			Transition Audit	Baker Tilly findings on medical service billings from contract details with Wexford.	Open
			Transition Audit	Baker Tilly findings regarding procedures to review and pay invoices from Aramark.	Open
			Transition Audit	Baker Tilly findings for off balance sheet Commissary bank account.	In Progress
15-7	Court Services	August 17, 2015	Court Services Audit	(1) Recommend that Court Services consolidate off balance sheet bank accounts into New World Systems where possible. For accounts which need to continue as off balance sheet, enhance documentation of controls.	In Progress
			Court Services Audit	(2) Recommend that Court Services present the Board with contracts equal to or greater than \$30,000 to improve transparency and meet best practice policies. Contract copies should be provided to the Auditor's Office.	Open
			Court Services Audit	(3) Recommend that Court Services follow Kane County purchasing policy for quotes and RFP's to enhance transparency and to meet best practices for purchasing.	In Progress

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-7	Court Services	August 17, 2015	Court Services Audit	(4) Recommend utilization of intergovernmental agreements to document and track significant reimbursements and expenses.	In Progress
			Court Services Audit	(5) Recommend improvements on vendor invoice numbering procedures to enhance controls.	In Progress
			Court Services Audit	(6) Recommend that individual receipts supporting p-card transactions be approved by the cardholder with indication that the charges are valid County expenses.	In Progress
			Court Services Audit	(7) Recommend enhanced process and documentation to ensure receipt of billings for Youth Home Reimbursements, etc.	In Progress
15-6	Court Services	August 17, 2015	Probation Services Fund	(1) Combination of recommendations relative to Capita Technologies contract, and subsequent accounting distribution for expenditures which should be capitalized.	In Progress
			Probation Services Fund	(2) Recommendations relative to certain expenditures of \$55,770 which had been incurred with no quotes/RFP's and/or contracts.	Open
15-8	Veteran's Commission	September 23, 2015	Veteran's Commission	Recommend periodic review of the VAC operation manual.	In progress

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-9	Merit Commission	October 8, 2015	Merit Commission	Consider annual performance forecasting of deputy and correction officer rotation lists to project possible declines in eligible applicants from both lists.	Complete
15-10	Human Resources Management	November 16, 2015	Human Resource Management	(1) Recommend that the Treasurer's Office no longer print paystubs.	Declined
			Human Resource Management	(2) Recommend eliminating the "Green Sheet" and utilizing the system generated summary of payroll information to provide the Treasurer's Office.	Open
			Human Resource Management	(3) Recommend incorporating the exception invoices, Blue Cross Blue Shield, IMRF, etc., into the normal A/P bi-weekly process.	Complete
			Human Resource Management	(4) Recommend that departments/offices forward quotes for insurance repair to HRM with the invoice. Also recommend that the insurance auto repair spend be consolidated with the general auto repair and maintenance spend and taken out to bid.	Complete
			Human Resource Management	(5) Recommend pursuing a new agreement with the Regional Office of Education for finger printing services and obtaining a copy of the Metropolitan Family Services Contract.	Complete

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-10	Human Resources Management	November 16, 2015	Human Resource Management	(6) Recommend additional wording to the County's Ethics Ordinance to specifically prohibit any employee from participating directly or indirectly in procurement of any kind when there is a possible personal interest, ownership, employment, prospective employment, or family interest pertaining to the procurement. Further, no employee shall disclose County information which may aid an outside party in obtaining the County's business.	Open
			Human Resource Management	(7) Recommend pursuing the capability to include personal expense voucher reimbursement with an employee's paycheck.	Declined
			Human Resource Management	(8) Establish consistent job titles/responsibilities and salary bands for similar positions throughout the County.	Complete
			Human Resource Management	(9) Recommend pursuing on-line benefit enrollment.	Complete
			Human Resource Management	(10) Recommend bank reconciliations are approved by someone other than the person performing the bank reconciliation.	Complete
			Human Resource Management	(11) Recommend that HRM establish certain annual review procedures to validate the reporting of the outsourced vendor managing employee flexible spend accounts.	Complete

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-12	Public Defender	November 30, 2015	Public Defender	(1) Recommend that Public Defender and departments/offices using the same vendor (e.g., Thomson Reuters), bid the services to provide the County with potential savings and enhanced functionality.	Open
			Public Defender	(2) Require regularly used vendors to include a distinct invoice number on each invoice. Additionally, vendors should provide enough information on the invoice in order to validate the charge.	Open
16-1	KaneComm	January 16, 2016	Transition Audit	(1) Recommend setting up an approval matrix allowing for approval levels and separation of purchasing and invoice approval functions.	In Progress
			Transition Audit	(2) Recommend budgeting and recording expenses in the most descriptive, appropriate line item, pursuing consistent line item classification across the County.	Complete
			Transition Audit	(3) Recommend all accounts set up with vendors be set up as KaneComm, not an individual employee.	In Progress
			Transition Audit	(4) Recommend establishing a combined KaneComm Contingency and Reserve Fund which should receive 2% of the annual operating budget of KaneComm, and implementing procedures for required reporting and acceptable uses.	In Progress
			Transition Audit	(5) Recommend that when subscriber contracts are renegotiated consideration be given to a fee structure based upon a fully loaded charge (i.e., inclusive of rent, utilities, property insurance, capital, etc.).	In Progress