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# KANE COUNTY INTERNAL AUDIT STATUS REPORT

## Update as of November 30, 2016

### Covering Recommendations Made To

**Animal Control, County Sheriff, Court Services, Facilities, Finance,  
Human Resources, Judiciary, Kane Comm, Offices/Departments  
holding Petty Cash, Public Defender, Purchasing,  
State's Attorney and Supervisor of Assessment**



#### Finance & Budget Committee Members

Chris Lauzen – Kane County Board Chairman  
John Hoscheit – Finance & Budget Committee Chairman  
Susan Starrett – Vice Chairman  
Deborah Allan – Committeeman  
Kurt Kojzarek – Committeeman  
William Lenert – Committeeman  
Douglas Scheflow – Committeeman  
Penny Wegman – Committeeman

# Kane County Internal Audit Status Report Update

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## Kane County Internal Audit Status Report Update

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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.

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- (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 complete, in progress, open or declined based on Elected Official or Department Head responses to follow up requests.

#### 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

<b>Complete</b>	The office/department has successfully resolved the audit point through implementing the audit recommendation, adopted mitigating controls, etc.
<b>In Progress</b>	The office/department has made some plans and moved toward completing the audit recommendation.
<b>Open</b>	The audit point remains unchanged. The office/department may be in the discussion phase.
<b>Declined</b>	The office/department does not intend to resolve the audit point.

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### 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.

## Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
14-5	Animal Control	October 20, 2014	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
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
14-8	Judiciary	November 13, 2014	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.	Complete
15-2	Facilities	February 18, 2015	Mill Creek Special Area	(1) Recommend development of a long-range maintenance plan.	In Progress

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
			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.	Complete
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
			Building Management	(4) Improve invoice description with Alarm Detection System, consolidate billing and combine the countywide budget for security into Building Management.	In Progress
			Building Management	(5) Building Management should review, process and analyze all utility bills by meter/location - some are processed through other offices/departments.	In Progress

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-4	Sheriff's Office	April 18, 2015	Transition Audit	Baker Tilly findings on capitalized and non-capitalized assets.	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	(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.	Complete
			Court Services Audit	(6) Recommend that individual receipts supporting pcard transactions be approved by the cardholder with indication that the charges are valid County expenses.	Complete

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
			Court Services Audit	(7) Recommend enhanced process and documentation to ensure receipt of billings for Youth Home Reimbursements, etc.	Complete
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
15-10	Human Resources Management	November 16, 2015	Human Resource Management	(2) Recommend eliminating the "Green Sheet" and utilizing the system generated summary of payroll information to provide the Treasurer's Office.	Declined
			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.	In Progress

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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 offices/departments 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	Kane Comm	January 16, 2016	Transition Audit	(4) Recommend establishing a combined Kane Comm Contingency and Reserve Fund which should receive 2% of the annual operating budget of Kane Comm, 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

## Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
16-2	Purchasing	June 2, 2016	Performance Audit	(1) Recommendation that the Purchasing Department pursue bringing current PO practice in line with the Purchasing Ordinance.	Open
			Performance Audit	(2) Recommend that the Purchasing Department have a survey conducted of offices/departments to better understand how to improve services.	In Progress
			Performance Audit	(3) Recommend that the purchasing Department develop a process workflow/checklist (e.g., obtain the certificate of insurance, check the federal vendor debarment list, etc.).	In Progress
			Performance Audit	(5) Various areas for consideration such as standard PO terms, utilization of outside bid service, etc.	In Progress
			Performance Audit	(6) Recommend that electronic filing of copies be combined to the extent possible to reduce redundancies but maintain an acceptable level of backup.	Open

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
			Performance Audit	(8) Recommend reevaluation of current procedures to reach a greater audience for reuse and simplify the process.	In Progress
			Performance Audit	(9) Recommend working with (1) the County Clerk's Office to update the online version of the Purchasing Ordinance and (2) the Administrative Committee to bring the County Code section pertaining to use of County owned vehicles in line with the replacement policy.	(1) Open (2) In Progress
16-3	Countywide	April 14, 2016	Petty Cash	(1) Recommend that offices/departments follow the guidelines set forth in the resolution when establishing any type of petty cash account and notify the Finance Department whenever a petty cash account is established, merged or closed within their offices/departments.	Complete
			Petty Cash	(2) Recommend that management segregate as many duties as possible in the cash receipts, cash disbursement and reconciliation process. Also, recommend a timely cash reconciliation process be implemented with the proper support for cash variances.	In Progress

## Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
			Petty Cash	(3) Recommend follow-up discussions within the offices/departments to determine the necessity of the petty cash account(s) and communication to the Finance Department if the account(s) is closed.	In Progress
			Petty Cash	(4) Recommend assigning a backup custodian.	Complete
			Petty Cash	(5) Recommend preparing a timely PEV to reimburse petty cash.	In Progress
			Petty Cash	(6) Recommend that regular deposits be made to the Treasurer's Office to maintain the recommended balance.	In Progress
			Petty Cash	(7) Recommend employee mileage reimbursement be processed through a PEV submitted by the employee.	Complete

## Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
			Petty Cash	(8) Recommend that the County sales tax exempt letter be provided to employees shopping for department/office purchases with petty cash.	Complete
			Petty Cash	(9) Recommend that an amended resolution be presented to the County Board to update current petty cash policies and procedures.	In Progress
			Petty Cash	(10) Recommend periodic training sessions for offices/departments with petty cash accounts to refresh departments/office heads and custodians on County Board policies and procedures.	Complete
16-4	State's Attorney	June 1, 2016	DUI Task Force	(1) Recommend that the practice of paying employees through accounts payable is discontinued, with all employees being paid exclusively through payroll.	Complete
16-5	Countywide	June 1, 2016	Circularization for Unknown Bank Accounts	(1) Either include these accounts in the County's reporting as agency accounts or have the accounts re-established under their own, independent tax identification number.	In Progress

## Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
16-6	Supervisor of Assessment	September 20, 2016	Supervisor of Assessment	Recommend ongoing cross training of personnel to support the department's staff when employee absences occur.	Complete