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 May 31, 2017

Covering Outstanding Audit Recommendations Beginning in Fiscal Year 2014

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

Table of Contents

Introduction

Background **3**

Objective and Scope **4**

Methodology **5**

Status of Internal Audit Recommendations 6-**21**

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 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 that are reflected in the status of recommendations.

STATUS DEFINITIONS

Complete	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.
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 either for 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 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.	Complete
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.	Declined
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.	Complete
				(4) Improve invoice description with Alarm Detection System, consolidate billing and combine the countywide budget for security into Building Management.	In Progress

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-1	Facilities	February 18, 2015	Building Management	(5) Building Management should review, process and analyze all utility bills by meter/location - some are processed through other offices/departments.	Declined
15-2	Facilities	February 18, 2015	Mill Creek Special Area	(1) Recommend development of a long-range maintenance plan.	Complete
				(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
15-4	Sheriff's Office	April 18, 2015	Transition Audit	Baker Tilly findings on capitalized and non-capitalized assets.	Declined
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 that need to continue as off balance sheet, enhance documentation of controls.	In Progress

Kane County Internal Audit Status Report Update

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
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 that should be capitalized.	In Progress
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 that may aid an outside party in obtaining the County's business.	In Progress

Kane County Internal Audit Status Report Update

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.	In Progress
				(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.	In Progress
16-1	Kane Comm	January 16, 2016	Transition Audit	(4) Recommend establishing a combined Kane Comm Contingency and Reserve Fund that should receive 2% of the annual operating budget of Kane Comm, and implementing procedures for required reporting and acceptable uses.	In Progress
				(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
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.	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	(2) Recommend that the Purchasing Department have a survey conducted of offices/departments to better understand how to improve services.	In Progress
				(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.).	Complete
				(5) Various areas for consideration such as standard PO terms, utilization of outside bid service, etc.	In Progress
				(6) Recommend that electronic filing of copies be combined to the extent possible to reduce redundancies but maintain an acceptable level of backup.	Open
				(8) Recommend reevaluation of current procedures to reach a greater audience for reuse and simplify the process.	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	(9) Recommend working with (a) the County Clerk's Office to update the online version of the Purchasing Ordinance and (b) the Administrative Committee to bring the County Code section pertaining to use of County owned vehicles in line with the replacement policy.	(a) Complete (b) In Progress
16-3	Countywide	April 14, 2016	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.	Complete
				(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.	Complete
				(5) Recommend preparing a timely PEV to reimburse petty cash.	Complete
				(6) Recommend that regular deposits be made to the Treasurer's Office to maintain the recommended balance.	Complete

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
16-3	Countywide	April 14, 2016	Petty Cash	(9) Recommend that an amended resolution be presented to the County Board to update current petty cash policies and procedures.	Declined
16-5	Circularization of Bank Accounts	June 1, 2016	Countywide	(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
17-1	Health Department	January 11, 2017	Performance Audit	(1) Enhance controls around acceptance of cash payments.	Open
				(2) Recommend maintaining an inventory listing for TB drugs, immunizations and flu shots and performing periodic text counts.	Open
				(3) Recommend an evaluation of current patient file retainage and insurance billing considering best practice while weighing cost and benefits to each option.	Open
				(4) Recommend working with the Finance Department to close the agency account #716.	Complete
				(5) Recommend continuing to work with grantors to ensure that no checks are made payable to individual County employees.	Complete

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-1	Health Department	January 11, 2017	Performance Audit	(6) Recommend notifying the Finance Department of the disposal of assets in order to have disposed assets removed from the County fixed asset listing.	Complete
				(7) While procuring services and processing invoices, recommend (a) using the most descriptive g/l code, (b) approving the Purchase Requisition prior to goods or services being procured, and (c) working with the Purchasing Department to include other positions under contract for temporary staffing needs.	Complete
				(8) Recommend updating the deposit summary sheet to reflect most up to date g/l codes used.	Complete
				(9) Recommend working with the County Board Office, Sterling Codifiers and the County Clerk's Office to update the noted areas of County code.	Complete

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-1	Health Department	January 11, 2017	Performance Audit	(10) Recommend developing a schedule to track inventory of all furniture and equipment within their custody having a cost basis more than $500 and less than $10,000, other than computer equipment included in the IT Department.	Open
				(11) Recommend working with the County Clerk's Office to adjust the Tax Extension Detail Report to maximum rate of .05 as stated by the County Ordinance.	Complete
				(12) Recommend that supporting documentation for grant revenue be retained for each submission to grantor in order to validate the submission.	Complete
17-2	Duplicate Vendor	February 22, 2017	Internal Audit	(1) Recommend reviewing and addressing the identified results, which can be performed in conjunction with a cleansing of vendor records, to include for example: obtain missing information from vendors (e.g., TIN, contact information, etc.), correct unknown vendors, and inactivate or merge vendors.	In Progress

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-2	Duplicate Vendor	February 22, 2017	Internal Audit	(2) Recommend developing and/or documenting best practices for maintaining the master vendor file such as requiring complete vendor forms, including the W9, to be submitted before creating a new vendor record, performing a thorough search of the current vendor file before setting up a new vendor and periodically running W9 data through the IRS TIN matching program to identify potential illegitimate vendors and reduce the number of B-notices.	In Progress
17-3	Division of Environmental and Water Resource	April 10, 2017	Internal Audit	(1) Recommend pursuing best practice by obtaining quotes for spend equal to or greater than $3K. Bids and County Board approval should continue to be obtained for spend equal to or greater than $30k.	Declined
				(2) Recommend that Water Resource formalize the cost sharing contractor selection process and require multiple quotes/bids (quotes if under $30k) to protect against potential overbilling and related party transactions.	Declined

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-3	Division of Environmental and Water Resource	April 10, 2017	Internal Audit	(3) Recommend establishing standard retainage procedures, in accordance with applicable laws and regulations, and enforcing the contractual terms to protect the County against project defects and/or liens.	Declined
				(4) Recommend that the total amount of vendor annual spend be approved by the County Board with all invoices applied to the purchase order. Additionally, recommend that expenses be applied to the proper fiscal year.	Declined
				(5) Recommend working with the Finance Department to determine if restructuring the general ledger is possible and, if possible, realigning general ledger accounts currently under Development to Environmental Management and Water Resources.	In Progress

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-4	Treasurer/Collector	April 18, 2017	Internal Audit	(1) To strengthen the internal controls currently in place it is recommended that procedures be implemented to ensure that all payments flow through the NWS accounts payable, thereby ensuring that vendor information has been correctly established within the financial system, and ensuring that all payments are reviewed and approved by the Auditor's Office prior to their payment.	Complete
				(2) To further enhance the existing internal controls, it is recommended that the book balance on bank reconciliations be substantiated from the sub-system or detail supporting records in order to determine if there are any unreconciled amounts.	Complete
				(3) Recommend that bank statements and reconciliations be included with the total cash reconciliation provided to the Finance Department to provide further improvement of the crosscheck functions built into the existing internal controls.	Complete

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-4	Treasurer/Collector	April 18, 2017	Internal Audit	(4) Recommend that the Treasurer run the Devnet change report on a regular, periodic basis and review for large and/or unusual transactions.	Complete
				(5) Recommend working with the Finance Department to close fund #710, discontinue the allocation of interest to the fund, and transfer the remaining balance to the general fund.	In Progress
				(6) Special Trust Fund, #703 is a pass through account; recommend working with the Finance Department to discontinue allocation of interest to the account and transfer the accumulated interest to the general fund.	In Progress
				(7) Recommend that the Treasurer's Office discontinue performing the interest allocation journal entry, but provide the Finance Department with the necessary information to perform the allocation.	Complete

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-4	Treasurer/Collector	April 18, 2017	Internal Audit	(8) Recommend matching the g/l code on the hard copy invoice to the g/l code entered into NWS.	Complete
				(9) Recommendation is to provide the payroll system generated summary to the Treasurer's Office in lieu of the "Green Sheet" and discontinue the "Green Sheet".	Declined
				(10) Recommend reclassifying the Sale and Error fund to a special revenue fund (vs agency) and transferring balance in excess of $500k to general fund per statute (approximately $2.5M).	In Progress
17-5	Tax Sale Automation Fund	April 18, 2017	Internal Audit	Recommend matching the g/l code on the hard copy invoice to the g/l code entered into NWS.	Complete
17-7	Coroner	May 22, 2017	Internal Audit	(1) Recommend pursuing a contractual agreement with service providers in keeping with best financial practices.	In Progress
				(2) In general, it is recommended that pursuing quotes for expenditures in excess of the applicable threshold would allow the Office to obtain the best value while utilizing best financial practices.	In Progress

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-7	Coroner	May 22, 2017	Internal Audit	(3) Although the Coroner is not subject to line item budgetary review, it is recommended that through the consistent use of the correct general ledger expense codes for both budgeting purposes and actual expenditures the Coroner will have a more useful resource for managing his office.	In Progress
				(4) Recommend requiring vendors to provide invoices in a timely manner to ensure that expenditures can be recorded in the proper fiscal year.	In Progress
				(5) Recommend establishing an accounts receivable policy which may include guidelines for following up on aging receivables, writing off aging receivables, tracking of non-paying customers, and developing special payment terms (e.g., prepayment, etc.).	In Progress
				(6) Recommend closing the Coroner's Escrow fund (713) and Child Abuse Prevention Fund (720), transferring the balances to the Coroner's special revenue fund, working with the Finance department to discontinue interest allocation, and monitoring closed accounts to ensure no activity.	In Progress

Kane County Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
17-7	Coroner	May 22, 2017	Internal Audit	(7) Recommend that the Coroner's Office transfer the budget and associated expense for Alarm Detection Systems, Inc. to Building Management.	In Progress
				(8) Recommend the Coroner work with the Purchasing Department to put together an RFP for county-wide vehicle repair.	In Progress