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KANE COUNTY ANNUAL INTERNAL AUDIT STATUS REPORT

Update as of November 30, 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

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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

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.

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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.

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-1	Facilities	February 18, 2015	Building Management	(4) Improve invoice description with Alarm Detection System, consolidate billing and combine the countywide budget for security into Building Management.	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.	Declined
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.	Complete

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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.	Declined
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.	Declined
				(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.	Declined
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

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16-1	Kane Comm	January 16, 2016	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
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
				(2) Recommend that the Purchasing Department have a survey conducted of offices/departments to better understand how to improve services.	In Progress
				(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.	Complete

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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
16-5	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.	Complete
17-1	Health Department	January 11, 2017	Performance Audit	(1) Enhance controls around acceptance of cash payments.	Complete
				(2) Recommend maintaining an inventory listing for TB drugs, immunizations and flu shots and performing periodic text counts.	Complete
				(3) Recommend an evaluation of current patient file retainage and insurance billing considering best practice while weighing cost and benefits to each option.	Complete
				(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 Information Technology Department.	Complete

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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
				(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	(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

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17-4	Treasurer/Collector	April 18, 2017	Internal Audit	(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
				(10)Recommend reclassing 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
17-7	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.	Complete

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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

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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
17-8	County Clerk	August 8, 2017	Internal Audit	(1) Recommend closing the Vital Records off balance sheet bank account and depositing daily receipts directly to cash held by the Treasurer.	Declined
				(2) Recommend including (A) maximum allowable annual increases for software maintenance and support and (B) A set discount on future equipment purchases in the request for proposal in order to evaluate the vendors on long term costs.	Complete

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17-8	County Clerk	August 8, 2017	Internal Audit	(3) Recommend that the County Clerk's office perform a periodic physical inventory of the voting equipment to (A) Update the voting equipment asset listing. (B) Obtain the necessary approvals and appropriately dispose of any unusable assets and (C) Update the listing of assets in order to verify the annual license and support fee prior to each payment.	Complete
				(4) Recommend breaking out the various expense components of the election equipment to better understand the spend in each area allowing for greater budgeting ease, system data for the next request for proposal (RFP), etc.	Complete
				(5) At the time of the audit, the County Clerk assembled a listing and is working on reconciling the account, establish procedures going forward for the account which would periodically reconcile the balance to the detail, notify tax buyers of aging amounts being held, follow up on potential unclaimed property, etc.	Complete

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17-8	County Clerk	August 8, 2017	Internal Audit	(6) Recommend (A) Documenting the process and related controls, (B) Automating the data entry through excel formulas a in order to make more efficient and accurate (C) Tying out minimally the totals between the DFM Associates report and payroll upload file prior to submitting to HRM, and (D) Agreeing the total to the verification provided by HRM.	Complete
				(7) Recommend that the County Clerk document internal policies and procedures for obtaining and documenting quotes.	In Progress
				(8) Recommend developing a listing of fixed assets greater than \$500 and less than \$10,000 as a best practice to avoid misappropriation of assets.	Complete
				(9) Recommend working with the Finance Department to discontinue the interest allocation of the Marriage License Fund (746) and Death Certificate Fund (747) since both are agency funds, and both funds are simply a pass through of funds are owed to the state. Recommend transferring the existing interest to the general fund.	Complete

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17-8	County Clerk	August 8, 2017	Internal Audit	(10) Recommend working with the Finance Department to write-off fixed asset #109, Fujitsu Signature Verification System Station, which was purchased in 1996, is fully depreciated and has been disposed of. Additionally, recommend an annual review of the fixed asset listing and communication to the Finance Department for assets which have been discarded, sold, etc.	Complete
				(11) Recommend keeping the safe locked during the day with limited access in order to safeguard the funds.	Complete
17-9	Development and Community Services Department	October 13, 2017	Internal Audit	(1) Recommend to add an additional layer of review to ensure segregation of duties.	In Progress
				(2) Recommend, as best practice, to assign and train an additional employee in the department to perform the A/P coordinator's functions in the event of the coordinators absence. Further it is recommended that cross-training staff to perform multiple tasks wherever possible to ensure continuous operations.	In Progress
				(3) Recommend implementing the best practices quick tip guides created by the Auditor's Office and distributed to department A/P coordinators.	In Progress

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17-9	Development and Community Services Department	October 13, 2017	Internal Audit	(4) Recommend working with the Finance Department to determine if restructuring the general ledger is possible and, if possible, realigning the general ledger accounts currently under Develop to Environmental Management and Water Resources.	In Progress
17-10	Human Resources Management Executive Director	October 17, 2017	Transition Audit	No Findings	Complete