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# KANE COUNTY BI-ANNUAL INTERNAL AUDIT STATUS REPORT

## Update as of May 31, 2018



### 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 Annual Internal Audit Status Report Update

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## Table of Contents

### **Introduction**

Background .....	3
Objective and Scope.....	4
Methodology.....	5
<b>Status of Internal Audit Recommendations .....</b>	<b>6-14</b>

## Kane County Annual 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.

## Kane County Annual Internal Audit Status Report Update

- (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.

## Kane County Annual Internal Audit Status Report Update

### 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 Annual Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-1	Facilities	February 18, 2015	Building Management	(4) (a) Improve invoice description with Alarm Detection System, consolidate billing and (b) combine the countywide budget for security into Building Management.	(a) Completed (b) In Progress
15-7	Court Services	August 17, 2015	Court Services Audit	(1) (a) Recommend that Court Services consolidate off balance sheet bank accounts into New World Systems where possible. (b) For accounts, which need to continue as off balance sheet, enhance documentation of controls.	(a) Completed (b) In Progress
16-1	Kane Comma	January 16, 2016	Transition Audit	(4) Recommend establishing a combined Kane Comma 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
				(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

## Kane County Annual Internal Audit Status Report Update

16-2	Purchasing	June 2, 2016	Performance Audit	(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
				(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) 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.	Complete

## Kane County Annual Internal Audit Status Report Update

17-2	Duplicate Vendor	February 22, 2017	Internal Audit	(2) Recommend In general, best practices for maintaining the master vendor file are a few for example: (A) Require complete vendor forms, including the W9, to be submitted before creating a new vendor record. Ideally, this would occur prior to the issuance of a purchase order, but certainly prior to any payment to the vendor. (B) Perform a thorough search of the current vendor file before setting up a new vendor in order to avoid unnecessary duplication. (C) Periodically – at least annually – run W9 data through the IRS TIN matching program to identify potential illegitimate vendors and reduce the number of B-notices.	Complete
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
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.	Complete
				(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.	Complete

## Kane County Annual Internal Audit Status Report Update

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

## Kane County Annual Internal Audit Status Report Update

17-7	Coroner	May 22, 2017	Internal Audit	(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.	Complete
				(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 countywide vehicle repair.	In Progress
17-8	County Clerk	August 8, 2017	Internal Audit	(7) Recommend that the County Clerk document internal policies and procedures for obtaining and documenting quotes.	In Progress
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

## Kane County Annual Internal Audit Status Report Update

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
17-11	Law Library & Self Help Legal Center Fund	November 29, 2017	Internal Audit	(1) Recommend the General Order be amended to reflect the current conditions.	In Progress
				(2) Recommend to redesign the Photocopier Revenues worksheet	Complete
				(3) Recommend compliance with the established fee schedule by creating stronger Internal controls to prevent or detect future fee collection discrepancies	In Progress
				(4a) Recommend to immediately cease using funds from the cash register. If a petty cash fund is necessary, it should be approved and established by the Finance Department.	Complete
				(4b) Recommend to make purchases using the County issued procurement card or to process invoices through the normal accounts payable process to allow for more transparency to its purchases.	Complete
				(5) Recommend to record deposits appropriately and consistently.	In Progress
				(6) Recommend all other activity currently processed as reimbursement be ceased.	Complete
				(7) Recommend the Library host a book sale no more than semi-annually.	Declined

## Kane County Annual Internal Audit Status Report Update

17-11	Law Library & Self Help Legal Center Fund	November 29, 2017	Internal Audit	(8) Recommend that the Library confirm through testing that the debit cards are being used correctly, that they have the expected eft on photocopier revenues, and that their use is not contributing to the over/under cash.	Complete
				(9) Recommend that a process is developed whereby the revenue can be recorded at time of purchase (and posted to the correct fiscal year,) and the receivable monitored, or alternately that the invoicing process be discontinued. If it is decided that the invoicing process will continue in some form through NWS, it is recommended that a policy for writing off bad debt should be developed.	In Progress
				(10) Recommend the Library Director create procedures to include obtaining a copy of the monthly report from Circuit Clerk's Office and reviewing them for accuracy.	Complete
				(11) Recommend the Library Director monitor the timing of Law Library Fees deposits collected and remitted to the Treasurer to ensure that they comply with the financial policy.	Complete
				(12) Recommend the Library comply with the County's purchasing ordinance.	Complete
				(13) Recommend the Library maintain a list of assets to comply with the County.	In Progress

## Kane County Annual Internal Audit Status Report Update

17-13	Circuit Clerk	December 21, 2017	Internal Audit	(1) Recommend utilizing the Purchasing Department in order to properly bid, obtain all necessary forms (e.g., contractor disclosure form, certificate of insurance, etc.), and enter a purchase order in NWS to encumber the Funds.	In Progress
				(2) Recommend reviewing an updating the internal purchasing policy where the Circuit Clerk's Office deems reasonable.	In Progress
				(3) Recommend working with the Finance Department to ensure that unique identifiers are included in the fixed asset listing and tagged, appropriately.	In Progress
				(4) Recommend maintaining a sub-ledger of activity and performing timely reconciliations.	In Progress
				(5) Recommend that any transfers between accounts have two individual approvers	Complete
				(6) Recommend working with the bank to eliminate service fees.	Complete
				(7) Recommend, as allowable under state statutes, that the new case management system have the functionality to allow reports to be stored electronically.	Complete
				(8) Recommend including expenses during the year incurred and recording expenses consistently year over year.	Open
				(9) Recommend maintaining a file with supporting documentation and performing a periodic review that fees are properly collected and allocated.	Complete

## Kane County Annual Internal Audit Status Report Update

17-13	Circuit Clerk	December 21, 2017	Internal Audit	(10) Recommend management review the existing vendors and contracts in light of the new case management system, and determine possible synergies.	Complete
				(11) Regarding monthly Judicial and Public Safety Committee presentation of statistical data, recommend presenting the data in a format allowing for comparisons between months and years.	In Progress
18-1	Sheriff	April 13, 2018	Commissions Earned From Inmate Calling Solutions, LLC (ICS)	(1) Recommend the Sheriff's Office to review/analyze the commissions earned verses commissions estimated. This in turn can help provide valuable information for future negotiations.	Declined
				(2) Recommend to update the ICS and Aramark contract to clearly state who should be responsible for paying commissions on debit card calls.	Declined
				(3) Recommend following the terms of the contract, or to go through the appropriate channels to extend services past the term of the contract.	Declined