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KANE COUNTY ANNUAL INTERNAL AUDIT STATUS REPORT

Update as of November 30, 2018

**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
William Lenert – Vice Chairman
Deborah Allan – Committeeman
Mohammad “Mo” Iqbal – Committeeman
Jarett Sanchez – Committeeman
Clifford Surges – Committeeman
Angela C. Thomas- 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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Report Date	Office/Department	Audit Type	Audit Recommendation	Status
February 18, 2015	Facilities	Internal Audit	(4) Combine the countywide Alarm Detection Systems (ADS) budget for security into Building Management's ADS budget. *As an alternative, all ADS users have been notified to provide service changes to Building Management and the Auditor's Office.	Complete
August 17, 2015	Court Services	Internal Audit	(1) Recommend that Court Services enhance documentation of controls for accounts that need to remain as off balance sheet accounts.	In Progress
January 16, 2016	Kane Comm	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. *New subscriber agreement will be negotiated in four years, at which time this will be addressed.	Complete
			(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.). *New subscriber agreement will be negotiated in four years, at which time this will be addressed.	Complete
June 2, 2016	Purchasing	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

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Report Date	Office/Department	Audit Type	Audit Recommendation	Status
June 2, 2016	Purchasing	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
April 10, 2017	Division of Environmental and Water Resource	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.	Declined
May 22, 2017	Coroner	Internal Audit	(1) Recommend pursuing a contractual agreement with service providers in keeping with best financial practices. * Providers referred to are limited.	Complete
			(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.	Complete
			(4) Recommend requiring vendors to provide invoices in a timely manner to ensure that expenditures can be recorded in the proper fiscal year.	Complete
			(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
			(8) Recommend the Coroner work with the Purchasing Department to put together an RFP for countywide vehicle repair.	In Progress

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Report Date	Office/Department	Audit Type	Audit Recommendation	Status
August 8, 2017	County Clerk	Internal Audit	(7) Recommend that the County Clerk document internal policies and procedures for obtaining and documenting quotes.	In Progress
October 13, 2017	Development and Community Services Department	Internal Audit	(1) Recommend to add an additional layer of review to ensure segregation of duties.	Complete
			(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
			(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.	Declined
November 29, 2017	Law Library & Self Help Legal Center Fund	Internal Audit	(1) Recommend the General Order be amended to reflect the current conditions.	Complete
			(3) Recommend compliance with the established fee schedule by creating stronger Internal controls to prevent or detect future fee collection discrepancies	Complete

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Report Date	Office/Department	Audit Type	Audit Recommendation	Status
November 29, 2017	Law Library & Self Help Legal Center Fund	Internal Audit	(5) Recommend to record deposits appropriately and consistently.	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
			(13) Recommend the Library maintain a list of assets to comply with the County Financial Policy.	In Progress
December 21, 2017	Circuit Clerk	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 and 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

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Report Date	Office/Department	Audit Type	Audit Recommendation	Status
December 21, 2017	Circuit Clerk	Internal Audit	(8) Recommend including expenses during the year incurred and recording expenses consistently year over year.	Open
			(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
November 21, 2018	Countywide	Fleet Inventory	(1) Remove six (6) fixed asset vehicles which show a purchase price of \$0.01, identified noncompliant with the fixed asset policy *Will remain for informational purposes and tracking.	Declined
			(2) Recommend to reclassify (8) vehicles misclassified Machinery & Equipment – Heavy Equipment to Vehicles	Complete
			(3) Recommend (a) the fixed asset listing and (b) the Department/Office list be updated real time. *(a) Due to limited staffing and timing the fixed asset listing updates will continue to be an annual process.	(a) Declined (b) Complete
			(4) Recommend to maintain valid insurance card inside each vehicle to remain compliant with Illinois Vehicle Code – 625 ILCS 5/7-602	Complete
			(5) Recommend establishing a formal county-wide fuel policy.	Open