Penny Wegman
Kane County Auditor
719 S. Batavia Ave. – Building A
Geneva, IL 60134
(630) 232-5915

INTERNAL AUDIT STATUS REPORT
Update as of November 30, 2020

Finance & Budget Committee Members

Corinne Pierog – Kane County Board Chair
Dale Berman – Finance & Budget Committee Chairman
William Lenert – Vice Chairman
Ron Ford – Committeeman
John Martin – Committeeman
Jarett Sanchez – Committeeman
Clifford Surges – Committeeman
Verner Tepe- 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.

- (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 upon 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.

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

Report Date	Office/Department	Audit Type	Audit Recommendation	Status
June 2, 2016	Purchasing	Performance Audit	(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
June 2, 2016	Countywide	Performance Audit	(6) Recommend that electronic filing of copies be combined to the extent possible to reduce redundancies but maintain an acceptable level of support documentation. (Moved from Purchasing recommendations)	In Progress
May 22, 2017	Coroner	Internal Audit	(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
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
November 21, 2018	Countywide	Fleet Inventory	(5) Recommend the establishment of a documented county-wide fuel policy.	Open

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March 19, 2020	Countywide	Internal Audit	**All items below were for the Vendor Application Internal Audit**	
	Finance & Treasurer		(2) Develop a Countywide fraud management action plan.	In Progress
	Human Resources		(3) Review the County's insurance coverage – specifically as it applies our exposure to fraud and to errors and omissions.	Complete
	Finance		(4) Remove view access of all employees not required to see / use banking information as part of their authorized responsibility.	In Progress
	Finance		(5) Purge outdated vendor information	In Progress
	Auditor		(6) Perform an updated vendor audit.	In Progress
	Finance		(7) To adequately protect the County from increasingly sophisticated attacks on the County's systems and maintain segregation of duties, it may be appropriate to consider hiring a new staff person to be responsible for reviewing and validating vendor applications.	Complete

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Report Date	Office/Department	Audit Type	Audit Recommendation	Status
	Finance & IT		(8) In order for the Auditor's Office to effectively address system risk, to test limits, and perform additional data analytics, it is recommended that the Auditor's Office be granted the same unlimited system wide (viewer only) access within the system's test environment. Currently that access is limited and as a result, certain tests and analyses cannot be performed.	In Progress
October 19, 2020	Sheriff's Office/ Jail Commissary	Performance Audit	(1) Work with Commissary provider to review and update the purchase price to be in line with local stores. (Same as recommendation 2 from Canteen Commission Performance Audit)	Complete
October 19, 2020	Sheriff's Office/ Canteen Commission	Performance Audit	(1) Request provider create and provide an annual SOC Type 1 and Type 2 report. If not available, develop internal controls and monitoring procedures.	Open
			(2) Work with Commissary provider to review and update the purchase price to be in line with local stores. (Same as recommendation 2 from Canteen Commission Performance Audit) *Same as recommendation (1) from Jail Commissary Service Audit above.	Complete
			(3) Document policies and procedures over the commissary processes to ensure work is properly performed and procedures and processes remain consistent.	Complete
			(4) Verify the commissions earned is accurate and appropriate either by performing a recalculation or requesting an audit.	Complete
			(5) Maintain a master list of all goods sold in the commissary. Develop controls and procedures to maintain the list with a 3-way match.	In Progress

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Report Date	Office/Department	Audit Type	Audit Recommendation	Status
			(6) Require an audit trail for changes. Work with commissary provider to require changes be signed off on before implementing.	In Progress
			(7) Request the new agreement reflect the actual processes and procedures.	In Progress
			(8) Document approved detainee programs.	Open
			(9) Develop and maintain a procurement process for commissary vendors.	In Progress
			(10) Sign agreements with vendors to ensure existence of arrangements, to understand roles and responsibilities, and to list terms of agreement.	Open
			(11) Become more diligent in identifying if transactions are tangible items or services.	In Progress
			(12) Special revenue fund activity should be recorded directly into New World System.	Declined
			(13) Review the description of the Canteen Commission Fund and provide the Kane County Finance Department with an updated description that properly reflects the purpose of the fund.	Complete