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August 31, 2016

FINANCE and BUDGET COMMITTEE REPORT

Updates from the Auditor's Office

The [Fiscal Year 2016 Mid-Year Internal Audit Status Report](#) has been completed and was circulated to the County Board and all stakeholders electronically on August 25th. The report is updated on a semi-annual basis to add the audit recommendations from current year projects and provide a progress report for open recommendations from prior years. This report is published online on the [Kane County Auditor's Reports Page](#).

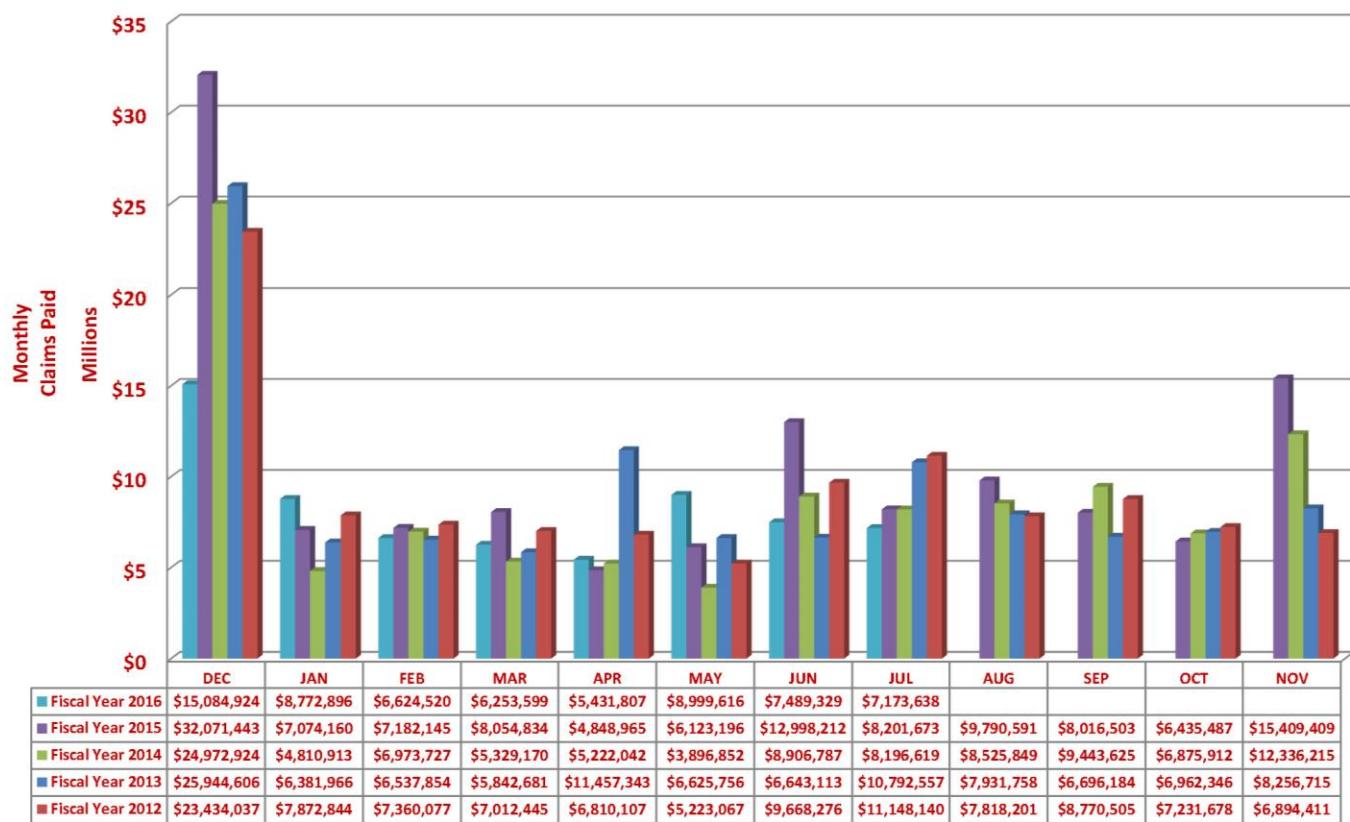
Accounts Payable Claims Paid Report

- The **Accounts Payable Claims Paid Report for July 2016** shows 1,856 invoices were processed during the month which resulted in payments of \$7,173,638.

The supporting detail is available on the **Kane County OpenGov** platform. The following link will connect to the [online checkbook for July 2016](#). Reports for previous months are available as saved views on the [Kane County Online Checkbook](#).

The following chart illustrates the comparison between accounts payable claims paid by month for fiscal years 2012 through 2016.

Comparison of Accounts Payable Claims Paid by Month
Fiscal Years 2012 through 2016





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KANE COUNTY MID-YEAR INTERNAL AUDIT STATUS REPORT

Update as of May 31, 2016 (Q2)

Covering Recommendations Made To

**Animal Control, County Sheriff, Court Services, Facilities,
Human Resources, Judiciary, Kane Comm,
Offices/Departments holding Petty Cash, Public Defender, Purchasing,
State's Attorney and Veteran's Assistance Commission**



Finance & Budget Committee Members

Chris Lauzen – Kane County Board Chairman
John Hoscheit – Finance & Budget Committee Chairman
Drew Frasz – Vice Chairman
Deborah Allan – Committeeman
Theresa Barreiro – Committeeman
Cristina Castro – Committeeman
T.R. Smith – Committeeman
Susan Starrett - Committeeman

Kane County Mid-Year Internal Audit Status Report Update

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Kane County Mid-Year Internal Audit Status Report Update

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 Mid-Year Internal Audit Status Report Update

OBJECTIVE AND SCOPE

- (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:

The objective of this report is to monitor recommendations offered from internal audit reports, and to report their updated status as either completed, 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

Completed	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.

Kane County Mid-Year 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 Mid-Year Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
14-5	Animal Control	October 20, 2014	Transition Audit	(8) Consider change to municipal billing frequency to enhance KPASS support, improve notification process for non-compliant animal owners.	Complete
			Transition Audit	(12) Enhance and document the inventory process and control of rabies vaccination tags, reconciling beginning and ending inventory to recorded activity.	In Progress
			Transition Audit	(15) Review current practice relative to service providers with large or repeat spend to comply with County Financial Policy.	Complete
14-1	Human Resources Management	October 23, 2014	Review of Payroll Overpayment	Work with New World Systems (software provider) to correct the problem with the payroll module which allowed this to occur.	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.	Open

Kane County Mid-Year Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
14-8	Judiciary	November 13, 2014	Children's Waiting Room - Statutory	(1) State Statute allows for the Children's Waiting Room fee to be \$10 per filing. Kane County currently charges \$5. As expenses to operate the facility continue to increase causing this fund to operate at a deficit, consideration should be given to raising the fee.	Complete
			Children's Waiting Room - Statutory	(2) There is an agreement between the Kane County Bar Foundation (as licensee) and Kane County (as licensor) related to construction, operation and maintenance of the Children's Waiting Room. The application of the agreement should be reconciled.	Open
15-2	Facilities	February 18, 2015	Mill Creek Special Area	(1) Recommend development of a long-range maintenance plan.	In Progress
			Mill Creek Special Area	(2) Recommend expensing items to proper expense codes with particular attention to "capital outlay" coding.	Complete

Kane County Mid-Year Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
	Facilities cont'd		Mill Creek Special Area	(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.	In Progress
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.	In Progress
			Building Management	(4) Improve invoice description with Alarm Detection System, consolidate billing and combine the countywide budget for security into Building Management.	In Progress
			Building Management	(5) Building Management should review, process and analyze all utility bills by meter/location - some are processed through other offices/departments.	In Progress
			Building Management	(7) Enhance internal controls over quick supply pickups, including segregation of duties.	Complete

Kane County Mid-Year Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-4	Sheriff's Office	April 8, 2015	Transition Audit	(2) Recommend that unclaimed funds in the Foreclosure Fund be reviewed and rectified.	Declined
			Transition Audit	(3) Various recommendations to improve internal controls over vault cash and off balance sheet petty cash accounts.	Complete
			Transition Audit	(5) The revenue flux review noted a substantial reduction in Federal Marshall's Program revenue. Recommendation is to aggressively pursue all options, including cost savings, to balance the FY 2015 budget. Various recommendations to comply with the purchasing policy and best practice financial policies.	Complete
			Transition Audit	(6) Recommendation to enhance and formalize the process for tracking forfeited vehicles.	Complete
			Transition Audit	Baker Tilly findings on capitalized and non-capitalized assets.	In Progress
			Transition Audit	Baker Tilly findings on procurement and dispensing of fuel.	Complete
			Transition Audit	Baker Tilly findings on vehicle maintenance.	Complete

Kane County Mid-Year Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
	Sheriff's Office cont'd		Transition Audit	Baker Tilly findings on medical service billings from contract details with Wexford.	Complete
			Transition Audit	Baker Tilly findings regarding procedures to review and pay invoices from Aramark.	Complete
			Transition Audit	Baker Tilly findings for off balance sheet Commissary bank account.	Complete
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	(2) Recommend that Court Services present the Board with contracts equal to or greater than \$30,000 to improve transparency and meet best practice policies. Contract copies should be provided to the Auditor's Office.	Complete
			Court Services Audit	(3) Recommend that Court Services follow Kane County purchasing policy for quotes and RFP's to enhance transparency and to meet best practices for purchasing.	Complete

Kane County Mid-Year Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
	Court Services cont'd		Court Services Audit	(4) Recommend utilization of intergovernmental agreements to document and track significant reimbursements and expenses.	In Progress
			Court Services Audit	(5) Recommend improvements on vendor invoice numbering procedures to enhance controls.	In Progress
			Court Services Audit	(6) Recommend that individual receipts supporting pcard transactions be approved by the cardholder with indication that the charges are valid County expenses.	In Progress
			Court Services Audit	(7) Recommend enhanced process and documentation to ensure receipt of billings for Youth Home Reimbursements, etc.	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 which should be capitalized.	In Progress
			Probation Services Fund	(2) Recommendations relative to certain expenditures of \$55,770 which had been incurred with no quotes/RFP's and/or contracts.	Complete

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
15-8	Veteran's Commission	September 23, 2015	Veteran's Commission	Recommend periodic review of the VAC operation manual.	Complete
15-10	Human Resources Management	November 16, 2015	Human Resource Management	(2) Recommend eliminating the "Green Sheet" and utilizing the system generated summary of payroll information to provide the Treasurer's Office.	Open
			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.	In Progress
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.	Open

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
	Public Defender cont'd			(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.	Open
16-1	Kane Comm	January 16, 2016	Transition Audit	(1) Recommend setting up an approval matrix allowing for approval levels and separation of purchasing and invoice approval functions.	Complete
			Transition Audit	(3) Recommend all accounts set up with vendors be set up as Kane Comm, not an individual employee.	Complete
			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
			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

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
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.	Open
			Performance Audit	(2) Recommend that the Purchasing Department have a survey conducted of offices/departments to better understand how to improve services.	In Progress
			Performance Audit	(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.).	In Progress
			Performance Audit	(4) Recommend that the Purchasing department periodically review County spend by vendor and item to pursue potential areas of cost savings.	In Progress
			Performance Audit	(5) Various areas for consideration such as standard PO terms, utilization of outside bid service, etc.	In Progress
			Performance Audit	(6) Recommend that electronic filing of contract copies be combined to the extent possible to reduce redundancies but maintain an acceptable level of backup.	Open

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
	Purchasing cont'd		Performance Audit	(7) Recommend defining what savings to be captured and ultimately reported, and enhancing the log spreadsheet to consistently and accurately capture the data.	Complete
			Performance Audit	(8) Recommend reevaluation of current procedures to reach a greater audience for reuse and simplify the process.	In Progress
			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) Open (b) In Progress
16-3	Countywide	April 14, 2016	Petty Cash	(1) Recommend that offices/departments follow the guidelines set forth in the resolution when establishing any type of petty cash account and notify the Finance Department whenever a petty cash account is established, merged or closed within their office/department.	In Progress

Kane County Mid-Year Internal Audit Status Report Update

Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
	Countywide cont'd		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.	In Progress
			Petty Cash	(3) Recommend follow-up discussions within the offices/department to determine the necessity of the petty cash account(s) and communication to the Finance Department if the account(s) is closed.	In Progress
			Petty Cash	(4) Recommend assigning a backup custodian.	In Progress
			Petty Cash	(5) Recommend preparing a timely PEV to reimburse petty cash.	In Progress
			Petty Cash	(6) Recommend that regular deposits be made to the Treasurer's Office to maintain the recommended balance.	In Progress
			Petty Cash	(7) Recommend employee mileage reimbursement be processed through a PEV submitted by the employee.	Complete

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Audit #	Office/Department	Report Date	Audit Subject	Audit Recommendation	Status
	Countywide cont'd		Petty Cash	(8) Recommend that the County sales tax Exempt letter be provided to employees shopping for office/department purchases with petty cash.	Complete
			Petty Cash	(9) Recommend that an amended resolution be presented to the County Board to update current petty cash policies and procedures.	In Progress
			Petty Cash	(10) Recommend periodic training sessions for offices/departments with petty cash accounts to refresh elected officials/department heads and custodians on County Board policies and procedures.	In Progress
16-4	State's Attorney	June 1, 2016	DUI Task Force	Recommend that the practice of paying employees through accounts payable is discontinued, with all employees being paid exclusively through payroll.	Complete