

DuPage County, Illinois

Management Letter

**For the Year Ended
November 30, 2003**

Wolf & Company LLP
Certified Public Accountants

DUPAGE COUNTY, ILLINOIS

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The Honorable Chairman and the
Members of the County Board
DuPage County, Illinois

In planning and performing our audit of the financial statements of DUPAGE COUNTY, ILLINOIS and its combining, individual funds and account group financial statements for the year ended November 30, 2003, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Our study and evaluation did not include the various systems of internal accounting control of the Special Revenue Funds of the DuPage County Health Department. These systems were evaluated by other auditors and, therefore, the conditions noted throughout this letter relate only to those systems examined by us.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 14, 2004, on the financial statements of DuPage County, Illinois.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Wolf & Company LLP

Oak Brook, Illinois
April 14, 2004

CLERK OF THE CIRCUIT COURT

Computer Operations -

The Circuit Court Clerk should address the following areas regarding its computer operations:

- Currently, a formal written contingency plan has not been implemented for continued operations in the event of a major disaster impacting clerical and computer activities. The need for such a plan is recognized. The Circuit Court Clerk has made significant progress in developing a contingency plan and anticipates that the plan will be completed during 2004.

We recommend, as we have in the past, that the Circuit Clerk expedite the completion and implementation of a practical plan which includes the following major elements:

- List of key individuals in the recovery process
 - Identification of critical applications
 - Technical requirements to replicate operations
 - Emergency operational and administrative procedures
 - Potential alternative backup/recovery sites
 - Backup/recovery procedures and individual duties
 - Contractual commitments for backup site
 - Action plan to test elements of the contingency plan
- The Circuit Clerk's current security practices and policy are sound based on the general controls review in this audit. However, many security issues can only be identified through a more detailed review of network and firewall configuration and settings, security software configuration, and actual user practices. We recommend, based on the increased external access due to new application development, that the Circuit Clerk retain a qualified independent security professional or firm to conduct regular (at least annual) technical security audits, including internal and external intrusion testing. This audit will provide additional assurance and will allow the Circuit Clerk to evolve security practices as technology and related factors change.

Liability Reconciliation -

The Clerk of the Circuit Court, which collects fees in criminal traffic cases, does not perform monthly reconciliations from the detailed liability documentation to the amount of cash available to be disbursed at month end for the Criminal Traffic account fund.

Failure to properly perform monthly reconciliations to the cash balance may result in insufficient funds to cover the liability.

We recommend, as we have in the past, that the Clerk of the Circuit Court perform monthly reconciliations from the detailed liability documentation to the amount of cash available.

SHERIFF'S DEPARTMENT

Liability Reconciliation -

The Sheriff's Department does not maintain documentation supporting amounts owed to outside parties from the Inmate Account.

The Sheriff's Department should maintain documentation detailing how much and to whom these amounts are owed.

In addition, the Sheriff's Department should perform monthly reconciliations from the detailed liability documentation to the amount of cash available to be disbursed at month end. As of November 30, 2003, the Inmate Account maintained a balance of \$140,757.

Failure to properly maintain documentation and perform monthly reconciliations to the cash balance may result in insufficient funds to cover the liability.

We recommend, as we have in the past, that the Sheriff's Department maintain documentation supporting the liability in the corresponding fund and perform monthly reconciliations from the detailed liability documentation to the amount of cash available.

STATE'S ATTORNEY

Title IV-D - Loan Repayment -

Title IV-D Fund #65-018 has not repaid the General Fund the \$40,000 loan made several years ago.

The loan from the General Fund was made to provide initial funding for a reimbursement grant. The loan was to be repaid after the final reimbursement was received, but instead the remaining fund balance was transferred to the following year's grant. This procedure has continued year after year.

We recommend, as we have in the past, that Title IV-D Fund #65-839 (current period grant) repay the General Fund when the final reimbursement is received.

Title IV-D - Grant Funds -

The State's Attorney's Office did not submit monthly grant reports to the IDPA in a timely manner. Monthly grant reports should be submitted within 10 days following the end of the month.

Failure to report monthly grant activity in a timely manner could result in the reduction or cancellation of future grant awards.

We recommend that the State's Attorney's Office submit monthly reports in a timely manner.

STATE'S ATTORNEY (CONT.)

Grant Reporting -

Quarterly grant reports should be submitted within fifteen days following the end of the quarter. The State's Attorney's Office did not submit the required filings in a timely manner for the following grants:

- Arts Intervention, Juvenile Probation Care and Holistic Life Skills Program
- Child Advocacy Center Services Victims of Crime Act
- Multi-Jurisdictional Drug Prosecution Program
- Juvenile Justice Council Care Manager and Life Skills Program

Failure to report quarterly grant activity could result in the reduction or cancellation of future grant awards.

We recommend that the State's Attorney's Office submit quarterly reports in a timely manner.

Grant Expenditures -

The State's Attorney's Office did not expend the entire amount of federal funds awarded to them by the Illinois Criminal Justice Information Authority for the following grants:

- Child Advocacy Center Services Victims of Crime Act
- Arts Intervention, Juvenile Probation Care and Holistic Life Skills Program

PERSONNEL DEPARTMENT

Compensated Absences - Accountability -

Since July, 1981, the County Board resolved to permit employees to accumulate sick days; however, the following departments and elected officials had not made available, on an ongoing basis, to the Personnel Department the information necessary to determine the amount of the current and long-term liabilities for these compensated absences at any point of time:

Recorder (vacation only)	Treasurer's Office	County Jail
Coroner	Sheriff's Department	States Attorney
Board of Elections	Court Security	Clerk of Circuit Court

Rather, these departments and elected officials had maintained these records on their own. In December, 1986, the County Board passed a resolution which requires all departments to submit this information by October 31st of each year. However, as of November 30, 2003, several departments have failed to comply with this resolution. Not only are these departments in violation of this resolution, but further a centralized maintenance would allow appropriate County officials accessibility to the total compensated absences for the entire County at any given time. In addition, since the Personnel Department has the computer software capabilities to account for these compensated absences, having done so already for numerous departments, it is appropriate for them to account for all the compensated absences. Also, if the Personnel Department maintained these records, it would allow personnel within these departments and elected officials' offices more time to devote to other responsibilities. Therefore, we recommend, as we have in the past, that the records being maintained by certain departments and elected officials be instead maintained by the Personnel Department.

PERSONNEL DEPARTMENT (CONT.)

Employment Files -

During our audit it was noted that employee files did not contain the most current employee information. The files were missing employee W-4's and other authorized deduction schedules.

We recommend that the Personnel Department allocate the resources necessary to assure all employee files contain the most current information.

HUMAN RESOURCES DEPARTMENT

CSBG Revolving Loan Program -

During our audit it was noted that the County had not received a grant agreement from the Illinois Department of Commerce and Community Affairs (DCCA), assigning the County as a Community Action Agency (CAA) to hold program funds.

A grant agreement with DCCA would properly assign the County as CAA, as well as recognizing the IVCA as the intermediary. Updated agreements would make the County aware of special circumstances or requirements that involve the handling of these funds.

We recommend that the County obtain a signed agreement with DCCA and reassess the advantages and disadvantages of this program.

BOARD OF ELECTION COMMISSIONERS

Centralization of Accounting Records -

Since April of 1987, it has been mandated by State Statute that the expenses incurred by the Election Commission shall be paid out of the General Corporate Fund. The Board of Election Commissioners retains the supporting documentation related to these expenditures on its own, rather than place them on file with the County Clerk. While the decentralized maintenance of these records is not prohibited, a centralized maintenance would allow appropriate County officials accessibility to the records at any given time.

We recommend, as we have in the past, that the documentation and records currently maintained by the Election Commission relating to expenditures paid from the General Corporate Fund be maintained in the office of the County Clerk with other General Corporate Fund documentation.

PROBATION DEPARTMENT

Cash Management and Disposition of Funds -

During our audit of the Agency Fund of the Probation Department, the records indicated the following:

- This Agency Fund had funds available for distribution of approximately \$216,012 and \$177,899, which represents an average of 100 and 77 days of undistributed funds, as of November 30, 2003 and 2002, respectively.

We recommend, as we have in the past, that the County resolve these matters as follows:

- Consult with the State's Attorney for assistance in locating recipients of court ordered payments which are being held by the Department due to insufficient forwarding information. In addition, a policy should be established which requires that addresses of recipients must be provided to the Department when payment is received from the offenders.

We believe that implementation of the recommendation will help the County better fulfill its custodial duties relating to these funds.

Outstanding Checks -

The Probation Department checking account has outstanding checks totaling \$68,557. Of this amount, \$17,572 has remained outstanding for greater than one year.

We recommend, as we have in the past, that checks greater than one year old be written off so that the ending cash balance accurately reflects what is on hand at November 30, 2003. A policy should be determined as to the final disposition of the unclaimed checks.

Functional Family Therapy and Multi-Systematic Therapy - Grant Reports

The Probation Department did not submit quarterly grant reports in a timely manner. Quarterly grant reports should be submitted by the fifteenth day of each month following the quarter.

Failure to report quarterly grant activity in a timely manner could result in the reduction or cancellation of future grant awards.

We recommend that the Probation Department submit quarterly reports in a timely manner.

MIS DEPARTMENT

Contingency Planning -

The County's disaster recovery policy of constructing shell sites is based on an adverse cost/benefit of establishing a full off-site disaster recovery facility.

While this policy is a sound economic option, we recommend, as we have in the past, that the County conduct a formal review of this policy to identify any changes in the cost/benefit analysis that could impact the current policy. This review should be conducted tri-annually, or when significant changes to computer systems are implemented.

In addition, we recommend that the contingency plan be updated to reflect the change in alternate processing site from Kane County to Cook County.

Technical Security Audit -

The County's current security practices and policy are sound based on the general controls review in this audit. However, many security issues can only be identified through a more detailed review of network and firewall configuration and settings, security software configuration, and actual user practices. We recommend, as we have in the past, that the County retain a qualified independent security professional or firm to conduct regular (at least annual) technical security audits, including internal and external intrusion testing. This audit will provide additional assurance and will allow the County to evolve security practices as technology and related factors change.

CIRCUIT COURT

Expedited Child Support – Reporting -

The Circuit Court did not submit quarterly grant reports in a timely manner and recorded grant revenues incorrectly. Quarterly grant reports should be submitted within seven working days following the end of the quarter.

Failure to properly report grant activity could result in the reduction or cancellation of future grant awards.

We recommend that the Circuit Court submit quarterly reports in a timely manner.

DEPARTMENT OF DEVELOPMENT AND ENVIRONMENTAL CONCERNS

DuPage River Restoration Grant - Grant Expenditures

The Department of Development and Environmental Concerns expended funds to be covered by a grant prior to the approval of the granting agency, which is specified in the grant agreement with the agency.

Failure to receive proper approval could result in these funds not being reimbursed.

We recommend in the future that expenditures are approved by the grantor agency prior to being encumbered.

PUBLIC DEFENDER

Public Defender - Grant Funds -

The Public Defender's Office did not expend the entire amount of state funds awarded to them by the Illinois Criminal Justice Authority under the following grants:

- Improving Operational Effectiveness of Local Public Defense
- Public Defender

Failure to expend the entire amount of funds awarded could result in the reduction of future grant awards.

We recommend that the Public Defender's Office expend the entire amount of funds awarded to them.

Public Defender - Grant Report -

The Public Defender's Office did not submit its final grant report in a timely manner. The final financial status report should be submitted within forty-five days of the expiration date of the agreement.

Failure to report final grant activity could result in the reduction or cancellation of future grant awards.

We recommend that the Public Defender's Office submit final reports in a timely manner.

TREASURER'S DEPARTMENT

Contingency Planning -

The Treasurer's Office has a long-standing relationship with its technology vendor, Comtek, to provide an alternate processing site and associated resources to ensure continued operations during a contingency. Although this plan has been tested in the past, there have been major application upgrades since the last test. In addition, the Treasurer's Office has not produced an updated written document for the contingency plan.

We recommend that the Treasurer's Office develop a formal contingency plan document outlining the policies and procedures for operating under a contingency, including staff roles and responsibilities, technical resource requirements, application program restoration and priorities, and a formal agreement with Comtek for performance during alternate site operation. In addition, we recommend that the Treasurer's Office conduct a comprehensive contingency plan test with the vendor to verify the plan and document the test results. This test should be conducted annually until all major systems undergoing conversion have been included in a test. Thereafter, the plan can be tested when major changes are made to the hardware or software environment.

Technical Security Audit -

The Treasurer's current security practices and policy are sound based on the general controls review in this audit. However, the use of external connections is increasing and many security issues can only be identified through a more detailed review of network and firewall configuration and settings, security software configuration, and actual user practices. We recommend that the Treasurer's network be included in the security audit and intrusion testing recommended for the County's Information Technology network.

GENERAL COMMENTS FOR THE BOARD'S CONSIDERATION

Checking/Demand Deposit Accounts -

The County does not possess a listing of all checking accounts maintained by departments and elected officials outside of the Treasurer's Office.

Failure to maintain a complete list of checking accounts may lead to funds being set up in various departments unbeknownst to the Treasurer's Department and Finance Department. Notification and control of all checking accounts would allow the County to ensure the accounts are established properly and presented fairly in the Comprehensive Annual Financial Report.

We recommend, as we have in the past, that the County Board establish a policy that the Treasurer's Department and Finance Department be notified when a new checking account is opened. We also recommend that each department establish a listing of all checking accounts already maintained by the various operations.

Cash Management and Forecasting -

Cash management and forecasting procedures for the reimbursement-type grant programs in various departments require improvement, as evidenced by negative cash balances occurring during the fiscal year.

Three of twelve months (90 days total) were selected for testing the duration of negative cash balances.

The following Departments had several programs with negative cash balances for consecutive days of the 90 days tested during the year ended November 30, 2003.

<u>Department</u>	<u>Grant</u>	<u>Number of Days</u>
Human Resources	Community Development Block Grant	1-3
	Community Services Block Grant	17-20
	Case Coordination	14-22
	Access and Visitation	19-22
	Workforce Investment Act	1-20
State's Attorney	Title IV-D	19-22

Negative cash balances result from grant funds not being requested from the federal agency on a timely basis. Accordingly, other sources provide funds to pay costs until the grant monies are received, however, this process is difficult to avoid due to the reimbursement nature of the grants.

We recommend, as we have in the past, that the Departments make every effort to improve the cash forecasting so as to eliminate negative cash balances.

GENERAL COMMENTS FOR THE BOARD'S CONSIDERATION (CONT.)

Convalescent Center -

During the fiscal year ended November 30, 2003, the County's Convalescent Center was again unable to reimburse the County for various direct and indirect costs. These direct costs include capital improvements; retirement benefits (FICA/Medicare and IMRF) and insurance charges. Indirect costs are allocated to the Center under the County's cost allocation plan. Capital improvements in excess of grants and other sources have also been funded by the County. The Convalescent Center receives its revenues from patient fees, which should be sufficient to pay the expenses of operating the Center. However, these revenues were less than the operating costs, and County Management practice has been to support the operations by absorbing various costs in the General and other funds. The actual costs billed to the Center have been reported within their financial statements, while contributions have been credited with the forgiven balances.

As an Enterprise operation, the Convalescent Center should receive revenues which are sufficient to pay for its operations, including both current and capital costs. We recommend that Management continue to evaluate the future options to increase revenues or decrease costs, so that the Center becomes self-sustaining and does not require a subsidy from other sources.

Employee Life/Health Insurance Fund -

Retained earnings in this fund have decreased from \$5,426,525 at November 30, 1997 to \$(896,800) for the year ended November 30, 2003. The fund had operated at an average loss of \$565,000 for the prior three years and reported a loss of \$648,506 in fiscal 2003. Revenues are generated by charges to County funds and departments, and withholdings from employees. This was done as a County decision to keep charges to employees and departments consistent, while using reserves built up in previous years. However, the reserves have now been reduced to a level where this strategy should be reassessed in 2004. Management stated that a shift in coverage from PPO to less expensive HMO has affected this situation.

We recommend, as we have in the past, that the County continue to assess the current rate each fund and department is paying for insurance costs, along with the costs paid by the County employees.

Capital Projects Fund - Courthouse Construction Fund -

The Courthouse Capital Projects Fund #44-358 has had no expenditures for the two fiscal years ended November 30, 2003 and 2002. This fund was created to account for all resources received and used for the construction of the County Courthouse and related facilities. The fund balance in this fund at November 30, 2003 was \$1,043,196.

We recommend that the County Board assess the status of this fund and determine where these funds may be expended in future years.

Environmental Related Public Works Fund -

The Environmental Related Public Works Projects Fund #39-222 had no expenditures during the fiscal year ended November 30, 2003, and under \$20,000 in expenditures during the fiscal year ended November 30, 2002. This fund was created to account for environment-related special projects. The fund balance in this fund at November 30, 2003 was \$3,061,799.

We recommend that the County Board assess the status of this fund and determine where these funds may be expended in future years.

GENERAL COMMENTS FOR THE BOARD'S CONSIDERATION (CONT.)

Illinois Municipal Retirement Fund -

The Illinois Municipal Retirement Fund (IMRF) provides retirement benefits for County employees. In previous years, a separate real estate tax levy had provided sufficient monies to pay contributions. Because of an overfunded position in the County's accounts in 1999, the contributions were reduced to the minimum, and the tax levy reduced accordingly. However, in 2002, the required contributions were increased to a normalized level and the Special Revenue Fund reported a deficit fund balance of \$640,463 at November 30, 2002.

For fiscal 2003, the Fund received a transfer of \$6,800,000 from the General Fund, and ended with a fund balance of \$262,475.

We recommend that the County continue to evaluate funding requirements for the IMRF, including levying of a property tax sufficient to pay the future rising cost related to this fund.