

DuPage County, Illinois

Management Letter

**For the Year Ended
November 30, 2004**

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 basic financial statements of DUPAGE COUNTY, ILLINOIS for the year ended November 30, 2004, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic 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 various 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 22, 2005, 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 22, 2005

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 2005. *

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.

STATE'S ATTORNEY

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:

- Child Advocacy Center Services Victims of Crime Act
- Multi-Jurisdictional Drug Prosecution 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:

- Arts Intervention, Juvenile Probation Care and Holistic Life Skills Program

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.

The County recognizes the need to address IT contingency planning and has included enterprise contingency planning in the current IT Assessment and Strategic Planning Initiative study.

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.

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 for the various operations.

Convalescent Center -

During the fiscal year ended November 30, 2004, the County's Convalescent Center was again unable to reimburse the County for various direct and indirect costs. These direct costs include capital improvements 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

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

Convalescent Center (cont.) -

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 -

Net assets in this fund have decreased from \$5,426,525 at November 30, 1997 to \$(825,996) for the year ended November 30, 2004. Although the fund experienced a gain of \$70,804 in fiscal year 2004, the fund continues to report a cumulative deficit. 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 2005. Management stated that a shift in coverage from PPO to less expensive HMO has helped improve this situation in 2004.

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.

Environmental Related Public Works Project Fund -

The Environmental Related Public Works Projects Fund #39-222 has expended approximately \$170,000 since the fiscal year ended November 30, 2001. This fund was created to account for environment-related special projects. Fund balance at November 30, 2004 was \$2,948,988.

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

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 returned to normal funding rates. The regular member rate for 2004 was 9.23 percent of payroll.

For fiscal 2004, the Fund did not levy a tax, but received a transfer of \$9,800,000 from the General Fund, and ended with a fund balance of \$585,142.

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. A 2004 IMRF tax levy, in the amount of \$3.1 million, was approved by the Board.

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

Welfare Fraud Forfeiture Fund -

The Welfare Fraud Forfeiture Fund #101-421 had no expenditures during the fiscal years ended November 30, 2004, 2003 and 2002. This fund was created to account for the receipt and expenditure of monies recovered by the State and distributed to the County which are to be used solely in enforcement matters relating to the detection, investigation or prosecution of recipient fraud or vendor fraud. The fund balance in this fund at November 30, 2004 was \$61,535.

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

Detention Variance Fee Fund -

The Detention Variance Fee Fund #107-224 had no expenditures during the fiscal years ended November 30, 2004, 2003 and 2002. This fund was created to account for fees assessed due to a variance granted to owners to provide for site water runoff storage. The fund balance in this fund at November 30, 2004 was \$324,671.

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

County Cash Bond Fund -

The County Cash Bond Fund #150-645, which was created to account for performance bonds required by the County for stormwater and building purposes, reports a liability of \$1,338,070 in the Comprehensive Annual Financial Report at November 30, 2004. The bond amounts are held by the County until the required work is completed. The balance of the detail of the bond amounts provided by the County at November 30, 2004 is \$1,255,540.

We recommend that the County maintain documentation supporting the liability and perform monthly reconciliations to the liability account.