

**DuPage County, Illinois**  
**Report on Internal Controls**

**For the Year Ended  
November 30, 2008**

**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

We have audited the financial statements of DuPage County, Illinois as of and for the year ended November 30, 2008. In accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

The funds and operations of the DuPage County Health Department, the DuPage Airport Authority, and the DuPage Emergency Telephone Systems Board, all of which are included within the County's financial statements, were audited by us under a separate engagement. A separate Report on Internal Controls has been furnished to those governing bodies, and thus not included herein.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies, and two deficiencies that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

The comments that accompany this letter summarize the control deficiencies identified during the audit and suggestions regarding those matters. This letter does not affect our report dated May 26, 2009, on the financial statements of DuPage County, Illinois.

The management responses that accompanying this letter have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication and the accompanying comments and recommendations are intended solely for the information and use of the Members of the County Board, management, and others within the organization, and are not intended to be and should not be used by anyone other than these specified parties.

We have already discussed many of these comments and recommendations with various organization 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  
July 27, 2009

## **MATERIAL WEAKNESSES**

**A significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by internal control measures.**

## MATERIAL WEAKNESSES

### FINANCE DEPARTMENT

#### Accounting Software/Financial Reporting

##### **Previously Reported Comment**

###### *Comment:*

The software program used to perform the various accounting functions of the County was acquired over 25 years ago. Since that time, the County has experienced significant changes in accounting requirements. The current system is unable to provide modified accrual basis financial information for governmental activities of the County. As a result, the year-end audit process includes the preparation of numerous accounting entries to prepare financial statements in accordance with generally accepted accounting principles (GAAP). These entries are developed by both the Finance Department staff and auditors.

As a result of the limitations of the system, the Finance Department cannot provide GAAP basis periodic financial reports to management or members of the County Board. The County Board's main sources of financial information include access to the Treasurer's reports, quarterly reports from the County Auditor, quarterly budget performance reports for major funds, and budget to actual access via the intranet. However, the quarterly reports that are prepared by the County Auditor are not timely.

Accounting software trends have produced more sophisticated tools to perform complex accounting functions that would better meet the needs of the County and increase productivity with respect to financial transactions. This includes improved ongoing reconciliation between the Finance Department and the Treasurer's Office, and also integrate with records maintained outside the Finance Department, such as the Sheriff, State's Attorney, Public Works, etc.

###### *Recommendation:*

We recommend the County conduct an evaluation of the existing accounting system and analyze the financial reporting needs of the County Board and all other departments. This evaluation should focus on insuring that the County's financial systems maximize the productivity of its finance staff, provide reliable and timely modified accrual basis financial information, and meet additional financial reporting needs of management and the Board.

###### *Current Year Status:*

No changes were made to the accounting software or financial reporting in the current year. **This material weakness is repeated.**

###### *Management's Response:*

The County is aware of the limitations of the current software system utilized for financial reporting and management. Due to the immense scope of a fully integrated system, providing both management financial information and formal reporting, it will require significant time and resources to define, design, purchase and implement such specialized software. A system needs evaluation is underway and a Request for Qualifications is currently being prepared to facilitate the selection of appropriate experts to design a system to meet the County's needs. Although efficiency should be much improved, the integrity of the financial statements and currently generated information for financial management is not negatively affected.



## MATERIAL WEAKNESSES

### FINANCE DEPARTMENT (CONT.)

#### Prior Period Restatements

*Comment:*

The following adjustments to beginning equity account balances were needed in the 2008 audit, as disclosed in the notes to the financial statements:

Beginning fund balances of the following funds were restated as indicated to reverse compensated absence liabilities at November 30, 2007, in accordance with GASB Interpretation No. 6. These adjustments reduce compensated absence liabilities in the fund financial statements and increase fund balances in the amounts indicated below. The adjustments were identified through a review of the County's compensated absences policies for conformity with GASB Interpretation No. 6, in part due to a comment received from the Government Finance Officers Association's review of the 2007 Comprehensive Annual Financial Report. The County has previously recorded fund liabilities for unused vacation pay, even if payment is not currently anticipated.

Fund	Fund Balance as Previously Reported	Adjustments	Fund Balance as Restated
General	\$ 42,191,901	3,607,465	45,799,366
Local Gasoline Tax	\$ 28,679,863	219,613	28,899,476
Non-major Governmental funds:			
Stormwater Drainage	\$ 6,915,963	57,072	6,973,035
GIS Recorder	1,422,177	443	1,422,620
GIS Data Processing	1,028,210	15,539	1,043,749
Economic Development and Planning	(111,769)	70,439	(41,330)
Neutral Site Custody Exchange	84,252	8,751	93,003
Youth Home	232,319	55,297	287,616
Historical Museum	(3,372)	139	(3,233)
Animal Control Act	923,427	22,706	946,133
Law Library	667,352	4,244	671,596
Recorder Document Storage	568,462	2,694	571,156
Total Nonmajor funds	\$ 11,727,021	237,324	11,964,345

In addition, the following nonmajor governmental funds were restated as indicated to correct the recognition of grant revenues and receivables in accordance with GASB Statement No. 33.

Fund	Fund Balance as Previously Reported	Adjustments	Fund Balance as Restated
Illinois Department of Commerce and Economic Opportunity	\$ 86,076	51,879	137,955
Community Development Act		226,643	226,643

## MATERIAL WEAKNESSES

### FINANCE DEPARTMENT (CONT.)

#### Prior Period Restatements (Cont.)

A reduction of beginning net assets was also made in the Liability Insurance Fund (Internal Service) in the amount of \$2,504,255 to correct the pending claims liability balance. This is based on a report provided by the external claims administrator, which was not previously received. The restated beginning net asset balance is \$(575,026).

A proper system of control over the financial reporting process should include reviews of all account balances to identify and correct material misstatements prior to the issuance of financial statements. Reliance on external auditors is not to be treated as part of an entity's internal control system since the ultimate responsibility for the accuracy of the statements rests with management.

#### *Recommendation:*

Statement on Auditing Standards No. 112 dictates that material restatements of prior period amounts should be regarded as material weaknesses in internal control. The review of financial statements must be sufficient to allow for timely identification and correction of material misstatement prior to issuance. We recommend that the County evaluate its financial statement review process to ensure that all appropriate parties are involved to ensure completeness and accuracy.

#### *Management's Response:*

The restatement of prior year financial statements for compensated absences was due to a change in methodology, and not discovery of factual error. The change involved distinguishing between current and long-term liability amounts for compensated absences in accordance with GASB Interpretation No. 6, which necessitated a restatement of prior year.

We believe the restatement of grant revenues and receivables is, by itself, not material in nature. The issue involved when revenue should have been reported, not amounts reported.

We concur with the auditor regarding restatement of net assets in the Liability Insurance Fund.

No future restatements will be required.

## **SIGNIFICANT DEFICIENCIES**

A control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is a more than remote likelihood that a misstatement of the financial statements, which is more than inconsequential, will not be prevented or detected by internal control measures.

## SIGNIFICANT DEFICIENCIES

### GENERAL COMMENTS FOR CONSIDERATION

#### Checking Accounts/Demand Deposit Accounts

##### **Previously Reported Comment (as a Control Deficiency)**

###### *Comment:*

The County Treasurer's Office and Finance Department do not possess a listing of all bank accounts maintained by departments and elected officials outside of the Treasurer's Office. Failure to maintain a complete list of bank accounts may lead to funds being set up in various departments unbeknownst to the Treasurer's Office and Finance Department. Notification and control of all bank accounts would allow the County to insure the accounts are established properly and presented fairly in the Comprehensive Annual Financial Report.

In addition to the above comment, during the fiscal year ending November 30, 2008, we identified a demand deposit account that was not reported in the prior year financial statements. This account is maintained by the State's Attorney's Office and should have been included within the Combined Fiduciary Fund Statements of the County.

###### *Recommendation:*

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

###### *Current Year Status:*

Due to the discovery in the current year of an omitted account, **this control deficiency is repeated and has been classified as a significant internal control deficiency.**

#### Agency Funds

###### *Comment:*

Accounting personnel for the various agency funds held outside of the Treasurer's Office are not adequately trained to produce readily available financial reports. Software is used to produce bank reconciliations, but bank reconciliations are not being reconciled to appropriate dates. Usable financial reports are not being generated to create year-end financial information, and no attempt is made at accrual information. Since these accounts are agency funds, then by definition, account balances should be reconciled to detailed amounts owed to third parties. Year-end reporting information can only be obtained per an accumulation of the individual monthly bank statements for the entire year.

## SIGNIFICANT DEFICIENCIES

### GENERAL COMMENTS FOR CONSIDERATION (CONT.)

#### Agency Funds (Cont.)

##### *Recommendation:*

We recommend that the personnel who maintain these funds have adequate training to provide accrual basis financial statements and reconciliations of balances. Liabilities owed to third parties should be reconciled to the bank balances on a routine basis. If these accounts are not fiduciary in nature, then management should assess the type of fund/account and reclassify accordingly. In addition, we recommend that financial reports be created and reviewed by members of management on a timely basis for errors and reasonableness.

#### County-wide Risk Assessment

##### *Comment:*

During our review of DuPage County policies and procedures, we noted that a formal process for assessing financial and other County risks does not exist. Risk assessments are an integral part of the internal control process. The County's assessment of risk should consider incentives and pressures, attitudes, and rationalizations as well as the opportunity to commit fraud. Currently, various risks are considered by management throughout the County's departments, but only on an informal basis.

##### *Recommendation:*

We recommend that steps be taken towards a plan for conducting comprehensive risk assessments. Such assessments should involve the input of the County Auditor working together with members of the Finance Committee and Administration, since risk is elevated by the possibility for management override of controls. The process should be repeated at least annually or as significant changes in operations or personnel occur.

## SIGNIFICANT DEFICIENCIES

### ANIMAL CARE AND CONTROL

#### Separate Cash Account Outside of Treasurer's Office

##### **Previously Reported Comment**

###### *Comment:*

During our audit of the Animal Control Fund, it came to our attention that funds from credit card receipts were being accumulated in a separate bank account held in the Animal Care and Control Center's name. These funds have been accumulating for several years and no amounts were transferred to the County Treasurer's Office during fiscal 2007 and 2008, as recommended during the previous years. The balance in this separate account at November 30, 2008 was \$369,073. It is our understanding that all funds collected for DuPage County services are to be deposited to the County Treasurer's Office. The Treasurer's function is to collect funds and invest those funds according to the County's established investment policy.

###### *Recommendation:*

We have previously recommended that monthly transfers be made to the Treasurer's Office from the Animal Care and Control account to properly reflect revenues from fees collected for services.

###### *Current Year Status:*

**This significant deficiency is repeated.**

## SIGNIFICANT DEFICIENCIES

### CLERK OF THE CIRCUIT COURT

#### Segregation of Cash Activities and Security

##### **Previously Reported Comment (Partial)**

###### *Comments:*

A good system of internal control provides for a proper segregation of duties. During our inquiries of internal control procedures, we noted that only one clerk at the field court is responsible for collecting, reporting, and delivering the funds to the Clerk of the Circuit Court building. Proper segregation of duties is not always possible in a small office environment, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud.

All members of the accounting office have access to print checks with an authorized signer's stamp on checks under \$5,000. Additional controls should be established to limit employees to complete disbursements for accounts from which they have responsibility. For example, a security password could be utilized for each individual account. This control would mitigate the risk of personnel creating false payees and covering the incident through the bank reconciliation.

###### *Recommendation:*

We have previously recommended that the Clerk of the Circuit Court's Office review the current assignment of accounting functions in the above indicated areas.

###### *Current Year Status:*

The Clerk of the Circuit Court's Office has acknowledged that in an effective environment, there would be two clerks in the field courts who would divide the responsibilities to provide proper segregation of duties. However, due to budget restraints and reduction of workforce, they are unable to provide additional staffing for optimum segregation of duties in this area. **This portion of the significant deficiency is repeated.**

Regarding the printing of checks under \$5,000, the Clerk of the Circuit Court's Office has suggested that they will reassign the refund/return responsibilities to personnel outside of the accounting office and implement internal control procedures as recommended. **This portion of the significant deficiency is repeated.**

The portion of this significant deficiency that was considered satisfied is located on page 34 of this report.

## SIGNIFICANT DEFICIENCIES

### COUNTY CLERK'S OFFICE

#### Accounting Software

##### *Comment:*

Currently, the County Clerk's Office does not have accounting software to track tax sale redemptions. These transactions account for about ninety percent of the cash received by the County Clerk's Office. The current system is manual and does not provide for timely monthly/annual financial reporting.

##### *Recommendation:*

We recommend that consideration be given to selecting an accounting software package that will reduce the risk of manual error and allow for automated financial information.

#### Segregation of Cash Duties

##### *Comment:*

Currently, cash bank accounts are reconciled by the same individual who prepares the daily deposit and prepares disbursements. Reconciliations for this account are not reviewed by another individual. In addition, bank statements are not opened and reviewed for reasonableness prior to being given to the individual who prepares the bank reconciliations. The current responsibilities given to one individual does not allow for optimum segregation of duties.

##### *Recommendation:*

Under proper segregation of duties, bank reconciliations should be performed by someone other than the preparer of the deposits and the person preparing the checks. At a minimum, the bank reconciliations should be reviewed by a member of management. This reduces the risk that misappropriation of cash assets could be concealed.

In addition, we recommend that someone other than the preparer of the bank reconciliations open the bank statements and review them for unusual transactions prior to giving them to accounting. Review of the bank statements will insure that unusual items are investigated on a timely basis.



## SIGNIFICANT DEFICIENCIES

### FINANCE DEPARTMENT

#### Reimbursement Requests

*Comment:*

The department submits reimbursement requests to the Illinois Department of Health and Human Services for the Title IV-D program, which is contracted with Robert F. Lyons and Associates. Reimbursement requests for a large portion of fiscal year 2008 were not submitted until March 2009. During our discussion with DuPage County personnel, they rely on the submission of required documentation from the contractor before a request for reimbursement can be made.

*Recommendation:*

Timely and more frequent requests for reimbursement would increase the availability of funds for expenditures or investment purposes. We recommend that reimbursements be submitted no less frequently than on a quarterly basis, as with most federal and state reimbursement requests. A request should be made with the contractor to timely submit required documents. As of mid-March 2009, no reimbursement requests have been made for activity during the November 30, 2009 fiscal year.

## SIGNIFICANT DEFICIENCIES

### HUMAN SERVICES DEPARTMENT

#### Grant Documentation

##### **Previously Reported Comment (Partial)**

###### *Comment:*

During our previous examination of grant records for the Illinois Home Weatherization Assistance Program, we discovered several deficiencies in how paper documentation and client files were processed and maintained. It came to our attention that several client applications were not dated appropriately or approved by authorized signors, various other internal documents were not dated or dated ambiguously, and other non-mandatory internal documentation was not completed. A pattern of procedural deficiencies increases the likelihood of mistakes and errors occurring in the processing of applicant files, which could lead to inaccurate program documentation or even providing services for ineligible clients.

###### *Recommendation:*

We have recommended the following related to program files:

- Require program personnel to accurately complete and date all documentation in the file.
- Require program managers to carefully review the application prior to approval.
- Require contractors to note on invoices the date that the work is performed.

Subsequent to our prior year testing and a review of our concerns with program management, contractor bid requirements were amended for the above recommendation and departmental policies were revisited to address the above concerns.

###### *Current Year Status:*

Our examination of a sample of records for the Illinois Home Weatherization Assistance Program concluded that the same deficiencies still exist as reported in prior year. **This significant deficiency is repeated.**

In prior years, this comment also addressed the Low Income Housing Energy Assistance Program, which was satisfied during our current audit examination. See page 35 of this report for a further explanation.

## SIGNIFICANT DEFICIENCIES

### RECORDER'S OFFICE

#### Segregation of Duties and Accounting Procedure Documentation

*Comment:*

We noted that incompatible duties are being performed by one person within the County Recorder's Office. A basic internal control premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. One of the most critical areas of separation is cash, where we noted that one authorized signer on the bank account can post receipts to the accounting system, issue checks, reconcile the bank statement and make deposits at the bank. The result is the danger that intentional or unintentional errors could be made and not detected.

Additionally, the County Recorder's Office does not have complete procedures documenting accounting practices to be followed within the office.

*Recommendation:*

We recommend that the list of authorized signers within the County Recorder's Office be reviewed and consideration be given to eliminating signature authority for anyone with access to cash or checks and responsibility for processing disbursements and reconciling the bank account. An appropriate manager should receive and review the bank statements and cancelled checks before turning them over to the person charged with preparing the bank reconciliation. The manager should also review the reconciliations after they are prepared. This review should be documented with signature or initials of the person performing the review. These simple steps would not require the addition of any new employees or add significant time to existing staff duties.

In addition, we recommend that the County Recorder's Office identify and document significant operating and accounting policies and processes within an accounting manual to reinforce proper procedures, evaluate existing controls, and assist in training of new employees.

## SIGNIFICANT DEFICIENCIES

### WATER AND SEWER DEPARTMENT

#### Review of the Connection Process

##### **Previously Reported Comment**

###### *Comment:*

During our audit, it was brought to our attention by Water and Sewer Department Finance personnel that the connection process does not include a formal field review of open permits on regularly scheduled intervals. The current permit process requires notification from the customer upon connecting to the water and sewer system. Once connected, the Department must physically inspect the connection and if the connection passes inspection, the billing process begins. Most open permits purchased in previous years have not been inspected by Department personnel. Personnel are in the process of establishing a database for the open permits and determining the status with a physical review in the field and/or a review of the current billing records.

###### *Recommendation:*

We recommend that Department personnel review the connection/new account process and establish a policy that includes a regularly scheduled review of the open permits. A thorough review of the permit process, software system, and accounting requirements would detect any weaknesses and address the needs of all functions involved in the water and sewer system connection process.

###### *Current Year Status:*

Water and Sewer Department personnel are in the process of going through outstanding permits and determining their status. A formal policy for the connection/new account process, including periodic review or inspection, has not yet been established. **This significant deficiency is repeated.**

#### Security of Accounting Records

##### **Previously Reported Comment**

###### *Comment:*

We understand that computer passwords are not changed or required to be changed on a regular basis. The risk of computer files being accessed by unauthorized personnel increases significantly without the periodic change of personnel passwords.

###### *Recommendation:*

We recommend that the Department implement a policy that requires passwords to be changed on a regular basis. It is also recommended that automatic expiration of passwords is built into software programs utilized by County personnel to ensure that they are changed periodically.

## SIGNIFICANT DEFICIENCIES

### WATER AND SEWER DEPARTMENT (CONT.)

#### Security of Accounting Records (Cont.)

##### *Current Year Status:*

An internal policy has been implemented requiring accounting software passwords to be changed every three months; however, the software does not have the capability of enforcing this policy. Therefore, the timing of password changes are managed manually. Other software that is used by the Water and Sewer Department does not have password change requirements. **This significant deficiency is repeated.**

#### Capital Assets

##### *Comment:*

An analysis of current year capital assets by finance personnel revealed a gap in recognizing capital assets related to Special Service Areas. A significant number of capital assets that were constructed from Special Service Area bond proceeds have not been recorded on the County's capital asset records. Once constructed, these assets are maintained by the County's Water and Sewer Department until the related bond matures. As such, the capital asset should be recorded on the County's books and depreciated according to whether future ownership of the asset remains with the County or is transferred to another municipality.

##### *Recommendation:*

We recommend that the County's Finance Department work with the Water and Sewer Department to develop a policy of recognizing Special Service Area capital assets and properly recording them in their financial systems. Subsequent to year end, the County's Finance Administrator for the Water and Sewer Department and County Finance Department personnel were working together to obtain asset values for these previously constructed items.

#### Payroll Timekeeping System and Software

##### *Comment:*

The Water and Sewer Department purchased a new timekeeping system. During our assessment of the payroll internal controls, it was noted that the timekeeping system has a litany of additional benefits that the Water and Sewer Department will explore in the future. These additional capabilities include efficient approval process by applicable supervisors, upload ability into the County's payroll processing software, and instant access to various accrued employee benefit accounts. As of November 30, 2008, the Department has not yet implemented the software.

##### *Recommendation:*

We recommend that the Water and Sewer Department continue to analyze the benefits available through the newly acquired timekeeping system. The expanded utilization of this software will enhance efficiencies during the accounting and review process. The automation of the timekeeping process will lend well towards reducing the inherent risk apparent within the payroll procurement process and expand on the current efficiencies being achieved by the Water and Sewer Department.

## **CONTROL DEFICIENCIES**

**When the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.**

## CONTROL DEFICIENCIES

### GENERAL COMMENTS FOR CONSIDERATION

#### Federal Funding/Single Audit

##### *Comment:*

Each year, the County is subject to an audit of federal funding in accordance with OMB Circular A-133, known as a "Report on Federal Awards." All federal dollars, whether material or immaterial, must be reported on the Schedule of Expenditures of Federal Awards within this document, and may be subject to additional audit procedures not performed during the normal course of the financial statement audit. Every year, a considerable amount of additional time is spent by the audit staff and County Finance Department personnel determining what amounts are truly federal funds. The County's financial records do not consistently provide, in detail, amounts that are federal or federal amounts that pass-through a state agency. A significant amount of time is spent contacting personnel in other County departments, locating federal or state agreements, contacting federal or state agencies, and gathering other additional information needed for the Report on Federal Awards.

##### *Recommendation:*

We recommend that the County adopt procedures to accumulate federal funds reporting, including how they are identified and reported in the County's financial records, what documents should be maintained in (or available to) the Finance Department, and who is responsible for the financial reporting of the funds to the respective federal or state agency. Ideally, the Schedule of Expenditures of Federal Awards should be prepared by the County prior to audit fieldwork. Proper accumulation of this information will not only improve the efficiency of federal funds financial reporting, but also expedite the identification and required auditing processes at year end.

#### Deposits to Checking Accounts

##### Previously Reported Comment

##### *Comment:*

It was noted during a previous audit that cash collected by departments during certain busy periods may be held in the department/office safe for a lengthy amount of time; one instance was noted to be for a period in excess of two months. As a result, not only is there risk of loss from theft, misplacement, or misappropriation, but the cash is not available for expenditures or investment.

##### *Recommendation:*

We recommend, as we have in the past, that the County Board establish a policy that departments make routine deposits of cash collected on a timely basis, not less than once per week.

##### *Current Year Status:*

**This control deficiency is repeated.**

## CONTROL DEFICIENCIES

### GENERAL COMMENTS FOR CONSIDERATION (CONT.)

#### Employee Life and Health Insurance Fund

##### **Previously Reported Comment**

###### *Comment:*

Net assets in this fund have decreased from \$5,426,525 at November 30, 1997 to \$(415,909) for the year ended November 30, 2007. Though net income was reported for fiscal year 2008 of \$24,920, there has not been a consistent increase in net income in this fund for several years. Revenues are generated by charges to County funds and departments, and withholdings from employees. This was established 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 2009.

###### *Recommendation:*

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

###### *Current Year Status:*

The fund deficit at November 30, 2008 is \$(390,989). **This control deficiency is repeated.**

#### Social Security Fund

##### **Previously Reported Comment**

###### *Comment:*

The Social Security (Special Revenue) Fund provides retirement benefits for County employees. For fiscal year 2008, expenditures (net of reimbursements from other funds) exceeded revenues by \$2,696,392. A subsidy transfer from the General Fund of \$3,208,472 was required to increase the fund balance to \$1,703,992. The 2008 property tax levy for this fund is similar to the 2007 levy, thus the fund will probably require additional resources in fiscal 2009.

###### *Recommendation:*

We recommend, as we have in the past, that the County Board continue to evaluate the funding requirements for the Social Security Fund.

###### *Current Year Status:*

The fund balance at November 30, 2008 is \$1,703,992. Continued subsidy transfers from the General Fund are budgeted for fiscal 2009. **This control deficiency is repeated.**



## CONTROL DEFICIENCIES

### GENERAL COMMENTS FOR CONSIDERATION (CONT.)

#### Ethics Training

##### *Comment:*

The County conducts annual ethics training sessions that all department personnel are required to attend. However, these sessions are not required for employees of the elected officials' offices.

##### *Recommendation:*

These sessions provide updates on important matters such as sexual harassment, diversity, and ethical behavior. Consideration should be given to expand the training to include employees of all elected officials' offices. Attendance should be mandatory and tracked through human resources, as is the practice for personnel under County Board departments.

## CONTROL DEFICIENCIES

### FINANCE DEPARTMENT

#### Accounting Procedures Documentation

##### *Comment:*

We noted that the County does not have a comprehensive accounting procedures manual. Written procedures, instructions, and assignments of duties provide a key element of control to help prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to insure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. Areas that we found to have substantial amounts of written documentation within the Finance Department were for the cash disbursement/accounts payable and revenue functions. In addition, Human Resources Department documentation of payroll reporting procedures is used by Finance Department personnel.

##### *Recommendation:*

Action should be taken by the County to establish priorities and set a timetable for the completion of a comprehensive accounting manual encompassing existing information discussed above, along with all other financial processes. It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for developing a manual, management may discover procedures that can be eliminated or improved to make the system more efficient and effective. The manual should include all key accounting functions performed throughout the County, including those performed outside of the Finance Department and those performed in the elected officials' offices.

## CONTROL DEFICIENCIES

### BOARD OF ELECTION COMMISSIONERS

#### Accounting System/Software

##### *Comment:*

During our review of financial activity in the Board of Election Commissioners office, it was noted that all accounting transactions were tracked on a handwritten general ledger. Maintaining a handwritten general ledger does not provide management with timely information to monitor financial activity and make decisions.

In addition, there is no supporting documentation of the general ledger.

During our limited testing of controls, we also noted minor errors in transaction postings.

##### *Recommendation:*

It would be beneficial to utilize an accounting system that would allow for automated information of cash receipts and cash disbursements to prevent and detect errors, provide timely financial information to management, and provide a backup of financial data.

#### Cash Receipts

##### *Comment:*

During our review of cash receipt procedures, it was noted that checks received are not being endorsed "for deposit only" immediately upon receipt.

In addition, cash receipts are accumulated and held for a period of time prior to being remitted to the Treasurer's office for deposit. During a discussion with office personnel, it was noted that deposits are made at random times, anywhere from once a week to once a month, depending on the frequency of cash collections. As a result, not only is there a risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditure or investment.

Our review of the Board of Election Commissioners office cash receipts procedures indicated that there was a lack of control in the receiving, depositing, and recording of cash receipts. In order to provide effective control, it would be necessary to separate each of these duties, as well as reconciling of the bank accounts. Currently, one or more employees perform multiple duties, or a procedure is not being performed at all.

##### *Recommendation:*

We recommend that an endorsement stamp including the notation "for deposit only" be utilized by employees immediately when checks are received.

Also, we recommend that deposits be taken to the Treasurer's office on a weekly basis, at a minimum, to improve cash flow and reduce the risk of loss.

## CONTROL DEFICIENCIES

### BOARD OF ELECTION COMMISSIONERS (CONT.)

#### Cash Receipts (Cont.)

##### *Recommendation (cont.):*

Ideally, each function of cash receipts custody, authorization, and record keeping should be performed by a separate employee. Due to the small office environment of the Board of Election Commissioners office, it may not be possible to implement all ideal controls over cash receipts. Therefore, we recommend that management review the cash receipts procedures to establish as many mitigating controls as possible. No one employee should be able to complete all processes in a cash receipts transaction.

#### Payroll Procedures

##### *Comment:*

During our review of the payroll process, it was noted that payroll is tracked and recorded by two staff members' visual observation of employees' attendance or absenteeism.

##### *Recommendation:*

Time sheets represent an excellent source document supporting the office's labor cost. We recommend that all employees complete, sign, and submit time sheets to their supervisor for approval. Requiring signatures and reviews can impress on employees the need for accuracy in filling out time sheets, as well as accountability.

The supervisor who is generally knowledgeable about their employees' attendance, hours, and work assignments should sign the time sheet indicating review and approval of hours worked. In addition, the supervisor would be responsible for obtaining time sheets from employees and submitting them for payroll processing. This process would reduce the supervisory time spent under the current method of tracking employees.

## CONTROL DEFICIENCIES

### CLERK OF THE CIRCUIT COURT

#### Reconciliation of Criminal Traffic Cases

##### **Previously Reported Comment**

###### *Comment:*

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.

###### *Recommendation:*

We have recommended that the Clerk of the Circuit Court routinely perform monthly reconciliations of assets in the Criminal Traffic account fund to supporting documentation of the liabilities to be disbursed.

###### *Current Year Status:*

The Clerk of the Circuit Court's Office is currently working on a general ledger system that they anticipate to be fully implemented in 2009. **This control deficiency is repeated.**

## CONTROL DEFICIENCIES

### COUNTY CLERK'S OFFICE

#### Accounting Procedures Documentation

*Comment:*

Currently, there is no documentation of accounting policies or procedures performed in the County Clerk's Office. Documentation of significant accounting and financial reporting process may reveal whether procedures are performed as prescribed, the types of exceptions or errors that may occur, and what actions may be taken to correct errors. In addition, documentation of accounting procedures can be useful in reinforcing established policies, evaluating performance, and training new employees.

*Recommendation:*

We recommend that the County Clerk's Office identify and document its significant operational and accounting policies and processes within an accounting manual.

#### Security of Check Stock

*Comment:*

During our review of internal control procedures, it was documented that blank checks are being stored in an unsecured location within a file drawer that remains unlocked during the day.

*Recommendation:*

It is our recommendation that blank checks be kept in a locked box or cabinet that is only accessible to those with proper authorization. In addition, check sequences should be periodically accounted for to protect against misappropriation.

## CONTROL DEFICIENCIES

### HUMAN RESOURCES DEPARTMENT

#### Accrued Benefits

##### **Previously Reported Comment**

###### *Comment:*

The Human Resources Department does not possess control over the calculation of accrued benefits of employees in the elected officials' departments. Failure to maintain a complete and accurate account of all County employees and their accrued benefits may lead to incorrect payouts or inaccurate reporting of the year-end liability. Oversight by the Human Resources Department would insure that accrued benefits are accurately recorded and presented fairly in the Comprehensive Annual Financial Report.

###### *Recommendation:*

We have recommend that the County Board establish a policy for the Human Resources Department to maintain control over the calculation of accrued benefits for all departments by employee.

###### *Current Year Status:*

Several of the elected officials' offices (State's Attorney Office, Clerk of the Circuit Court's Office, County Coroner's Office, and County Clerk's Office) have acknowledged that they communicate with the Human Resources Department regarding their staffs' accrued benefits on an annual, monthly, or even daily basis. However, control over the calculation of these benefits, and of other offices that did not respond, is still maintained outside of the County's Human Resources Department. As of year end, no policy has been established to address the above recommendation. **This control deficiency is repeated.**

## CONTROL DEFICIENCIES

### HUMAN SERVICES DEPARTMENT

#### Grant Documentation

##### *Comment:*

During our examination of grant records for the Area Agency on Aging Case Coordination Unit Program, we discovered several deficiencies in how paper documentation and client files were processed and maintained. It came to our attention that some required forms were missing from client files or that annual redeterminations were not being performed within the required timeframes. A pattern of procedural deficiencies increases the likelihood of mistakes and errors occurring in the processing of applicant files.

##### *Recommendation:*

We recommend that staff be advised that copies of required documentation must be placed in client files, without exceptions. A checklist form may be utilized to assist in determining whether all required documentation is included in a file. In addition, we recommend that management review the redetermination process and develop a method to timely identify clients in need of a redetermination.



## CONTROL DEFICIENCIES

### PROBATION SERVICES DEPARTMENT

#### Community Service Fee

##### **Previously Reported Comment**

###### *Comment:*

When a defendant is sentenced by the court to perform community service, a monthly fee is assessed until the community service hours are completed and verified. This fee is collected by clerks in the Circuit Court office, remitted to the Probation Services Department, and recorded in a miscellaneous revenue account in the Probation Services Fund. However, the Clerk of the Circuit Court office and the Probation Services department have not been able to reconcile these funds for fiscal years ending November 30, 2008 and 2007.

###### *Recommendation:*

Separate accounts should be added to the general ledger to record and track fees related to this activity. In addition, we have recommended that the Probation Services Department reconcile these fees in a timely manner with the Clerk of the Circuit Court and any discrepancies be investigated.

###### *Current Year Status:*

**This control deficiency is repeated.**

## CONTROL DEFICIENCIES

### SHERIFF'S DEPARTMENT

#### Inventory of Jail Commissary Items

##### **Previously reported comment**

###### *Comment:*

Currently, there is no usage or perpetual inventory records available for the jail commissary. This could lead to losses through improper usage of the inventory. Determining quantities on hand is time consuming because all contract receipts must be accumulated and the amounts used must be computed.

###### *Recommendation:*

We recommend that a perpetual inventory system be implemented for the commissary function of the Sheriff's Department. Maintenance of a perpetual inventory system would serve as a control on the commissary clerk, provide information essential to adequate purchasing control, and be particularly useful in taking physical inventories and implementation of a cycle inventory program.

###### *Current Year Status:*

Currently, the Sheriff's Office is investigating the option of outsourcing this service. **This control deficiency is repeated.**

#### Payment of Commissary Items

###### *Comment:*

During our review of commissary account transactions, it was noted that several supporting receipts were not attached to a payment for a credit card invoice.

###### *Recommendation:*

We recommend that all receipts should be accounted for and attached to the credit card invoice prior to being paid. The receipts should be included as part of a review/approval for payment procedure. Attaching receipts would insure that all items being paid using the commissary funds are for official commissary use and that the items were, in fact, received into the commissary inventory.

## CONTROL DEFICIENCIES

### SHERIFF'S DEPARTMENT (CONT.)

#### Grant Reporting

##### *Comment:*

During our audit of certain grants received by the County Sheriff's Department, it was discovered that expenditures were being reported to the federal agency in the incorrect period. In one particular instance, the expenditures were being reported when incurred, and not when actually paid, as requested by the federal awarding agency.

##### *Recommendation:*

We recommend that expenditure reports are reviewed by someone other than the preparer before submission to the federal awarding agency. Reports should be initialed by the reviewer prior to submission in order to assign responsibility to the appropriate individuals. Implementing this procedure would help to insure proper recording of grant expenditures and reliable documentation.

## CONTROL DEFICIENCIES

### STATE'S ATTORNEY OFFICE

#### Disposition of Welfare Fraud Forfeiture Funds

##### **Previously Report Comment**

###### *Comment:*

The Welfare Fraud Forfeiture Fund (#101-421) had no expenditures during the six previous fiscal years. 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, 2007 was \$69,499.

###### *Recommendation:*

We recommend, as we have in the past, that the State's Attorney Office assess the status of this fund and determine how these funds may be expended in future years.

###### *Current Year Status:*

State's Attorney Office personnel have investigated and identified uses for these funds within the current year. As such, a small amount of expenditures were charged to the fund. We encourage the State's Attorney Office to continue identifying expenditures that could be spent from these funds. This fund reports a balance of \$69,197 at November 30, 2008, net of investment income of \$1,731 and personnel costs of \$2,033. **This control deficiency is repeated.**

#### Forfeited Funds

###### *Comment:*

Data related to forfeited funds is maintained in two separate spreadsheets. One person keeps a log of forfeiture cases and related amounts, and another person maintains a list of money to be received. This process appears to be inefficient.

###### *Recommendation:*

Forfeited funds data should be kept in one database and to be accessible by anyone involved with the case or funds. This would reduce the potential for lost data, improve accuracy of information for tracking purposes, and decrease the amount of time and resources spent on redundant data entry by County personnel. Procedures to verify data input and reconcile/approve this database will need to be developed.

## CONTROL DEFICIENCIES

### STATE'S ATTORNEY OFFICE (CONT.)

#### Victim Restitution Funds

##### *Comment:*

The responsibility for the administration of current and future Victim Restitution funds has been transferred from the State's Attorney Office to the Clerk of the Circuit Court. However, there still exists a Victim Restitution account in the State's Attorney Office. These funds are the result of older cases, some going back three to four years. A large number of stale dated outstanding checks were also noted in this account.

##### *Recommendation:*

We recommend that the State's Attorney Office disburse and eliminate all funds in this account as soon as possible. Case investigations should be conducted to determine the status of funds available for disbursement and every effort should be made to close this fund.

## CONTROL DEFICIENCIES

### TREASURER'S OFFICE

#### Check Processing Procedures

*Comment:*

In performing a testing of cash disbursements, we noted a sequence of checks that were transferred to the print shop but were not utilized. This sequence of checks was not listed on the log sheets that account for unused or voided checks. We noted that no checks within this group had cleared the bank.

*Recommendation:*

It is our recommendation that procedures be revised to include a periodic reconciliation of check numbers between the check register, the print shop log, and the bank statements to verify proper use of the check sequence. This reconciliation would recognize any gaps in check numbers, and if an explanation cannot be provided, the bank could then be notified to prevent any check fraud.

## CONTROL DEFICIENCIES

### WATER AND SEWER DEPARTMENT

#### Workers Compensation Liability Exposure

##### *Comment:*

The Water and Sewer Department has and is in the process of settling large workers compensation claims filed by employees. An accrual has been recorded for the claims in which a reasonable estimate has been provided by legal counsel. The current workers compensation insurance policy covers claims in excess of \$550,000 per occurrence; however, claims that have been accrued for during the current year have fallen below this threshold.

Currently, the Water and Sewer Department maintains a liability insurance account established for general liability claims. The Water and Sewer Department's exposure for general liability claims is \$2,000,000 per occurrence. Existing policy requires a transfer to the liability insurance account of \$125,000 per year. The balance in this account at November 30, 2008 was \$527,422. Upon review of this account, no substantial claims have been made since it began during fiscal year 2005. No account exists to accumulate funds for pending or potential workers compensation claims.

##### *Recommendation:*

Based upon prior workers compensation insurance claims, it is fair to conclude that the Water and Sewer Department is at a far greater risk for workers compensation claims than general liability claims. It would be to the benefit of the Water and Sewer Department to establish a similar insurance fund/account for large workers compensation claims up to the Department's exposure, \$550,000 per occurrence. Funding for this account could occur over a period of time, similar to that of the general liability account; however, may be more aggressive considering the repetitive nature of workers compensation claims. If a workers' compensation account is established and properly funded for the Water and Sewer Department, it would eliminate the need to draw on funds for other planned uses, such as general liability insurance, operations, and capital planning purposes.

#### **SATISFIED SIGNIFICANT AND CONTROL DEFICIENCIES**

**Deficiencies that were first reported in prior years; which during our review of the current status, we have determined to be corrected.**



## SATISFIED SIGNIFICANT DEFICIENCIES

### GENERAL COMMENTS FOR CONSIDERATION

#### Establish a Fraud Hotline

##### **Previously Reported Comment**

###### *Comment:*

County management encourages employees to report any suspicion of fraud or misconduct, but it did not provide an effective, practical mechanism for doing so. We believe employees may be hesitant to report knowledge or suspicions that could prevent or detect fraud or other misconduct that could be detrimental to the County. Studies show that most frauds are known to someone in the defrauded organization and are revealed after a tip is received from someone with knowledge about the fraud. However, an employee may not report suspicions or knowledge of fraud if he or she does not know to whom to report, especially if the perpetrator is someone to whom the employee reports.

###### *Recommendation:*

We had previously recommended that the County consider establishing a fraud hotline. The existence of a fraud hotline would serve as a deterrent to misconduct by creating among employees a perception that fraud would not be tolerated at any level. Also, the fraud hotline would provide an alternative method to report such suspicions if the perpetrator is the employee's supervisor. This deficiency could be addressed by allowing the County Auditor's Office to organize the development and implementation of a fraud hotline.

###### *Current Year Status:*

The County Auditor's Office has designated a phone line to collect calls related to suspicion of fraud among County employees and officials. In addition, the Auditor's Office is trying to increase the awareness of this "hotline" among County personnel. **This prior significant deficiency is considered satisfied.**

## SATISFIED SIGNIFICANT DEFICIENCIES

### CLERK OF THE CIRCUIT COURT

#### Segregation of Cash Activities and Security

##### **Previously Reported Comment (Partial)**

###### *Comment:*

We have previously examined the disbursement procedures for the civil bond account. We noted that one member of the staff handles disbursements and the bank reconciliation, of which there is limited review. This was not an effective segregation of duties. Internal control of cash is most effective when bank reconciliations are prepared by personnel who are not responsible for cash receipts or cash disbursement functions.

###### *Recommendation:*

We have previously recommended that the Clerk of the Circuit Court's office review the current assignment of accounting functions in the above indicated area.

###### *Current Year Status:*

During the current audit period, job responsibilities within the civil bond account have been reassigned to separate cash reconciliation and cash disbursement functions. **This portion of the significant deficiency is considered satisfied.** The repeated portions of the significant deficiency are located on page 9 of this report.

## SATISFIED SIGNIFICANT DEFICIENCIES

### HUMAN SERVICES DEPARTMENT

#### Grant Documentation

##### **Previously Reported Comment (Partial)**

###### *Comment:*

During our previous examination of grant records for the Low-Income Housing Energy Assistance Program, we discovered several deficiencies in how paper documentation and client files were processed and maintained. It came to our attention that several client applications were not dated appropriately or approved by authorized signors, various other internal documents were not dated or dated ambiguously, and other non-mandatory internal documentation was not completed. A pattern of procedural deficiencies increases the likelihood of mistakes and errors occurring in the processing of applicant files, which could lead to inaccurate program documentation or even providing services for ineligible clients.

###### *Recommendation:*

We have recommended the following related to program files:

- Require program personnel to accurately complete and date all documentation in the file.
- Require program managers to carefully review the application prior to approval.
- Require contractors to note on invoices the date that the work is performed.

Subsequent to our prior year testing and a review of our concerns with program management, contractor bid requirements were amended for the above recommendation and departmental policies were revisited to address the above concerns.

###### *Current Year Status:*

Our examination of a sample of records for the Low-Income Housing Energy Assistance Program showed an improvement over prior year file documentation and maintenance. **This significant deficiency is considered satisfied.**

In prior years, this comment also addressed the Illinois Home Weatherization Assistance Program, which was not satisfied during our current audit examination. The repeated portion of the original comment can be found on page 12 of this report.

## SATISFIED SIGNIFICANT DEFICIENCIES

### SHERIFF'S DEPARTMENT

#### Accounting Software

##### **Previously Reported Comment**

###### *Comment:*

Previously, the Chancery and Office Refund accounts were maintained on a hand written general ledger. Obtaining monthly and annual general ledger balances required a significant amount of manual calculations, causing a risk for error and a delay in the processing of information. The Sheriff's Department has recognized this shortcoming and was in the process of selecting an accounting software program.

###### *Recommendation:*

We had recommended that consideration be given to selecting a software system that allowed for a double-entry accounting system and resulted in automated fund information.

###### *Current Year Status:*

A basic accounting software package has been purchased and implemented in the County Sheriff's Office Civil Division to comply with this recommendation. **This significant deficiency is considered satisfied.**

#### Segregation of Duties

##### **Previously Reported Comment**

###### *Comment:*

During our prior examination of the Inmate and Commissary Accounts, we noted that the bookkeeper and her assistant had more responsibility than what was optimal. Both of these positions received cash receipts, processed cash disbursements, and reconciled unopened bank statements to the accounting ledger. These conditions provided an opportunity for misappropriation of funds and concealment of such activity.

###### *Recommendation:*

In order to mitigate the risk of misappropriation, we had recommended that someone other than the bookkeeper or the assistant receive and review unopened bank statements and cancelled checks. This control process usually takes less than an hour each month and provides a supervisory control that can help prevent or detect improper or unauthorized disbursements.

###### *Current Year Status:*

Personnel other than the bookkeeper and the bookkeeper's assistant have been assigned to review bank statements and cancelled checks on a monthly basis. **This significant deficiency is considered satisfied.**

## SATISFIED CONTROL DEFICIENCIES

### TREASURER'S OFFICE

#### Technical Security Audit

##### **Previously Reported Comment**

###### *Comment:*

The Treasurer's Office's current security practices and policy are sound based on the general controls review in the 2005 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.

###### *Recommendation:*

We recommend, as we have in the past, that the Treasurer's Office network be included in the security audit and intrusion testing be performed for the entire County's information technology network. The previous recommendation was derived from our procedures performed during the November 30, 2005 audit.

###### *Current Year Status:*

The Treasurer's Office has been included in security and intrusion tests of the County's Information Technology Department. In addition, the Treasurer's Office server has been relocated to the County's Information Technology Department for convenience and monitoring. **This control deficiency is considered satisfied.**

#### Contingency Planning

##### **Previously Reported Comment**

###### *Comment:*

The Treasurer's Office had a long-standing relationship with its technology vendor, Comtek, to provide an alternative processing site and associated resources to ensure continued operations during a contingency. Comtek conducted a test at the alternate site during 2005, but the Treasurer's Office did not participate. In addition, the Treasurer's Office has not produced an updated written document for the contingency plan.

###### *Recommendation:*

We recommended in the past, 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 verify the operation of all critical functions and document the results in writing. The 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. The previous recommendation was derived from our procedures performed during the November 30, 2005 audit.

## SATISFIED CONTROL DEFICIENCIES

### TREASURER'S OFFICE (CONT.)

#### Contingency Planning (Cont.)

##### *Current Year Status:*

The County has terminated its agreement with Comtek and has internally developed contingency planning at November 30, 2009. This control deficiency is considered satisfied.

#### Voided Check Procedures

##### **Previously Reported Comment**

##### *Comment:*

While performing our audit of the payroll process in the prior year, we discovered a significant number of blank payroll checks attached to payroll documentation in a lockable cabinet in the Treasurer's Office. All checks in the sequence were in sequential order and, upon inquiry of department personnel, were considered void by the payroll system. However, failure to properly store and physically void unused blank checks could lead to unauthorized use of County funds.

##### *Recommendation:*

To reduce the risk of unauthorized use, we have recommended that all unused blank checks be properly voided and defaced immediately by authorized personnel to insure that they could not be improperly completed and cashed. Subsequent to our discovery, the blank payroll checks were properly defaced in our presence.

##### *Current Year Status:*

Positive pay controls are in place to prevent the misuse of voided or blank checks at the Treasurer's Office; that is, prior authorization must be given to the bank before payroll checks can be negotiated. Personnel who process payroll checks for the Treasurer's Office may not institute the positive pay information to the bank. **This control deficiency is considered satisfied.**

## SATISFIED CONTROL DEFICIENCIES

### WATER AND SEWER DEPARTMENT

#### Establish a Purchasing Policy for Purchases under \$5,000

##### **Previously Reported Comment**

###### *Comment:*

As part of our prior audit procedures, we conducted a review of the purchasing function. We understand that purchases above \$5,000 follow the procurement policy established by the County Board. The DuPage County Finance Department also follows established internal procedures for items that fall under the \$5,000 threshold. Purchases for items under \$5,000 on behalf of the Water and Sewer Department are outside the scope of the Finance Department's established internal policy and, therefore, do not have a formal written policy or procedure to follow.

###### *Recommendation:*

We have recommended that a written departmental policy be developed to address purchasing procedures for items under the \$5,000 threshold. Additional items that may be added to the formal policy that are currently not practiced include: use of pre-numbered forms and documents, and a periodic review of purchasing prices by someone who is outside of the purchasing function.

###### *Current Year Status:*

During fiscal year 2007-2008, the Water and Sewer Department's Administration developed and implemented a purchasing policy for all items under \$5,000. **This control deficiency is considered satisfied.**