

DuPage County, Illinois

Report on Internal Controls

**For the Year Ended
November 30, 2009**

Wolf & Company LLP
Certified Public Accountants

DUPAGE COUNTY, ILLINOIS

TABLE OF CONTENTS

	<u>PAGE</u>
Auditor's Letter	1-2
<u>County Board Comments</u>	
Material Weakness	
Federal Awards	
Grant Documentation – Human Services Department	3
Reimbursement Requests	3-4
Grant Reporting – Community Development	4
Finance Department	
Accounting Software/Financial Reporting	5
Significant Deficiencies	
General Comments for Consideration	
Checking Accounts/Demand Deposit Accounts	6
Cash Disbursement Processing	6
Federal Awards	
Controls Over Cash Management and Reporting	7
Grant Documentation – Human Services Department	8
Control Deficiencies	
General Comments for Consideration	
Federal Fund/Single Audit	9
Employee Life and Health Insurance Fund	10
Social Security Fund	10
Liability Insurance Fund	11
Special Service Areas	11
Ethics Training	11
Convalescent Center	
Segregation of Duties for Cash Receipts	12
Accounts Receivable Aging Reports	12
Accounts Receivable Credit Balances	12
Segregation of Duties for Cash Disbursements	13
Finance Department	
Accounting Procedures Documentation	14
Capital Asset Procedures Documentation	15-16

DUPAGE COUNTY, ILLINOIS

TABLE OF CONTENTS

	<u>PAGE</u>
Federal Awards	
Applicant Files – Community Services Department	17
Grant Reporting – Human Services Department	17
Grant Reporting – Community Services Department	17
Grant Reporting – Probation and Court Services	18
Grant Reporting – Convalescent Center	18
Grant Reporting – Crime Laboratory	19
Sub-recipient Monitoring	19
 Human Resources Department	
Payroll Process	20
Accrued Benefits	20-21
 Probation Services Department	
Community Service Fee	22
 Satisfied Significant Deficiencies	
General Comments for Consideration	
County-wide Risk Assessment	23
 Animal Care and Control	
Separate Cash Account Outside of Treasurer’s Office	24
 No Such Instances Noted in the Current Year	
Human Services Department	
Grant Documentation	25
 General Comments for Consideration	
Deposits to Checking Accounts	26
 <u>Board of Election Commissioners</u>	
 Control Deficiency	
Payroll Procedures	27
 Satisfied Control Deficiencies	
Cash Receipts	28

DUPAGE COUNTY, ILLINOIS

TABLE OF CONTENTS

	<u>PAGE</u>
<u>Clerk of the Circuit Court</u>	
Significant Deficiency Segregation of Cash Activities and Security	29
Control Deficiency Reconciliation of Criminal Traffic Cases	30
<u>County Clerk's Office</u>	
Significant Deficiencies Accounting Software	31
Segregation of Cash Duties	31
Control Deficiencies Accounting Procedures Documentation	32
Security of Check Sites	32
<u>Recorder's Office</u>	
Control Deficiency Accounting Procedure Documentation	33
Satisfied Significant Deficiencies Segregation of Duties	34
<u>Sheriff's Department</u>	
Significant Deficiencies Agency Funds	35
Control Deficiencies Grant Reporting – Sheriff's Department	36
Inventory of Jail Commissary Items	36
No Such Instances Noted in the Current Year Payment of Commissary Items	37
Grant Reporting – Reporting Basis	37

DUPAGE COUNTY, ILLINOIS

TABLE OF CONTENTS

	<u>PAGE</u>
<u>State's Attorney</u>	
Significant Deficiency	
Agency Funds – State's Attorney	38
Control Deficiencies	
Disposition of Welfare Fraud Forfeiture Funds	39
Victim Restitution Funds	39
<u>Treasurer's Department</u>	
Control Deficiency	
Treasurer's Department Internal Control	40
No Such Instances Noted in the Current Year	
Check Processing Procedures	41
<u>Water and Sewer Department</u>	
Material Weaknesses	
Prior Period Adjustment	42
Other Comment	
Review Procedures (Cash Transfers)	43
Satisfied Significant Deficiencies	
Payroll Timekeeping System and Software	44
Security of Accounting Records	44
Review of Connection Process	45
Special Service Area Assets	45-46
Satisfied Control Deficiency	
Workers Compensation Liability Exposure	47



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, 2009. 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. Separate Reports on Internal Controls have 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 four 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 25, 2010, 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
August 25, 2010



MATERIAL WEAKNESSES

FEDERAL AWARDS

Grant Documentation – Human Services Department

Previously Reported Comment

Comment:

During our previous examinations 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.

Current Year Status:

Our examination of a sample of records for the Illinois Home Weatherization Assistance Program concluded that similar deficiencies still exist as reported in prior years. **This comment is repeated.**

Reimbursement Requests

Previously Reported Comment

Comment:

The County's agreement with the Illinois Department of Healthcare and Family Services for the Child Support Enforcement Program (Agreement No. 2008-55-015-K3) requires that the County submit expenditure reports no later than the 15th day of the month following the month of service.

The County contracts with Robert F. Lyons and Associates to submit reimbursement requests to the Illinois Department of Healthcare and Family Services for the Title IV-D Program. Reimbursement requests for a large portion of fiscal year 2008 and fiscal year 2009 were not submitted in accordance with the grant agreement. 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.

MATERIAL WEAKNESSES

FEDERAL AWARDS (CONT.)

Reimbursement Requests (Cont.)

Recommendation:

Timely and more frequent requests for reimbursements would increase the availability of funds for expenditures or investment purposes. We recommend, as we have in the past, 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.

Current Year Status:

In the current year, June through September of 2009 expenses were submitted for reimbursement in December 2009. October 2009 through January 2010 expenses were submitted for reimbursement in March 2010. **This material weakness is repeated.**

Grant Reporting – Community Development

Comment:

The March 2009 Department of Housing and Urban Development A-133 Compliance Supplement requires that the County submit Form HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons (OMB No. 2529-0043).

The County did not submit the HUD 60002 report to the appropriate party during the fiscal year.

Recommendation:

Timely submission of required reports is essential to comply with federal program requirements. We recommend steps are taken to ensure all required reports are submitted to the appropriate party within the specified timeframe.

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.

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.**

SIGNIFICANT DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION

Checking Accounts/Demand Deposit Accounts

Previously Reported Comment

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.

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:

This significant deficiency is repeated.

Cash Disbursement Processing

Previously Reported Comment

Comment:

After checks are signed by the Treasurer, they are returned to the Finance Department. The Accounts Payable Supervisor holds checks that are payable to County employees or County Departments for distribution. All other checks are routed to the County Clerk for mailing.

Recommendation:

Custody of checks after the required signatures are obtained should be limited to people without access to the recording and processing functions. Without proper segregation of duties, there is an opportunity for signed checks to be altered. Consideration should be given to having all signed checks routed to the County Clerk for distribution or identifying another party independent of the recording function that can handle this function.

Current Year Status:

This significant deficiency is repeated.

SIGNIFICANT DEFICIENCIES

FEDERAL AWARDS

Controls Over Cash Management and Reporting

Comment:

The OMB Circular A-102 Common Rule requires that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

While obtaining an understanding of internal controls over compliance for major programs, we noted the following issues in controls over cash management and reporting:

Cash Management

1. Requests for reimbursement or draw down requests (in the case of grants received on an advance basis) are reviewed on an informal basis by someone other than the preparer, but do not always contain evidence of review, such as signature or initials, prior to submission.

Reporting

1. Reports do not always contain evidence of review by someone other than the preparer to insure the accuracy and completeness of data in the reports. Management states that the reviews occur in accordance with requirements and at the proper level, but are not always documented.
2. Reconciliations of federal financial reports with supporting accounting records are prepared, but not always reviewed by a responsible official before filing. This is, in part, due to the limits of the accounting system discussed earlier in this report.

Due to the volume of Federal awards that the County administers, and the fact that it has taken steps to segregate duties by involving Finance Department personnel (in addition to program staff) in the cash management and reporting functions, we feel that the documentation of the controls above is important to help ensure compliance with Federal requirements.

Recommendation:

We recommend that the County enhance controls over the cash management and reporting requirements of its major Federal award programs by implementing and documenting the controls mentioned in the comments above.

SIGNIFICANT DEFICIENCIES

FEDERAL AWARDS (CONT.)

Grant Documentation – Human Services Department

Comment:

The County's agreement with the Illinois Department of Commerce and Economic Opportunity for the Weatherization Program (Grant Nos. 09-491028 and 10-401028) requires that the County submit an Equipment Acquisition Form within 30 days of the purchase of equipment.

We noted two instances in which equipment was purchased and the Equipment Acquisition Form was submitted after 30 days elapsed from the date of purchase. In one instance the report was submitted 202 days after the required 30 day deadline. In another instance, the report was submitted 208 days after the required 30 day deadline.

Recommendation:

The Program Manager who makes the actual purchases of equipment should notify the grant accountant in a timely manner of the purchase and send a copy of the invoice. The grant accountant must ensure that the form is submitted before the 30 days from the date of purchase expire.

CONTROL DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION

Federal Funding/Single Audit

Previously Reported Comment

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, as we have in the past, 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.

Current Year Status:

This control deficiency is repeated. The Finance Department has taken significant steps in fiscal 2009 to accumulate grant information and prepare the Schedule of Expenditures of Federal Awards ("SEFA"). However this was still incomplete when the audit fieldwork began, and various changes and additions to the schedule were made during the audit process.

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 \$(390,989) for the year ended November 30, 2008. Though net income was reported for fiscal year 2009 of \$166,703, 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, 2009 is \$(224,286). **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 2009, expenditures (net of reimbursements from other funds) exceeded revenues by \$3,286,315. A subsidy transfer from the General Fund of \$3,194,782 was required to increase the fund balance to \$1,630,459. The 2009 property tax levy for this fund is similar to the 2008 levy, thus the Fund will probably require additional resources in fiscal 2010.

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, 2009 is \$1,630,459. Continued subsidy transfers from the General Fund are budgeted for fiscal 2010. **This control deficiency is repeated.**

CONTROL DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION (CONT.)

Liability Insurance Fund

Comment:

The Liability Insurance Fund accounts for the payment of worker's compensation and liability insurance related items. Net assets in this fund have decreased from \$(1,848,945) at November 30, 2008 to \$(2,288,772) at November 30, 2009. It should be noted that \$(1,173,361) of the current year deficit is related to non-current claim liabilities.

Recommendation:

We recommend that the County assess the current revenue sources and evaluate the funding requirements in this fund.

Special Service Areas

Comment:

We noted that the County had excess cash upon completion of the required debt service for SSA#4 (final payment in fiscal 2008), SSA #10 (final payment in fiscal 2009), and SSA#12 (final payment in fiscal 2009). At November 30, 2009, the cash balances in these funds were \$67,195; \$81,102; and \$23,387, respectively, totaling \$171,684.

Recommendation:

We recommend that the County determine possible uses for the excess cash or reimburse the excess cash to the respective SSA taxpayers.

Ethics Training

Previously Reported Comment

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.

Current Year Status:

This control deficiency is repeated.

CONTROL DEFICIENCIES

CONVALESCENT CENTER

Segregation of Duties for Cash Receipts

Comment:

At present, mail is opened in the accounting department and cash receipts are recorded directly in the general ledger from the checks received.

Recommendation:

To provide proper control over cash receipts, we recommend that all mail be opened by someone outside the accounting department and that a list of receipts be prepared by the person opening the mail. All remittance advices, letters, or envelopes that accompany the receipts should then be given directly to the accounting department. The list of receipts should be compared and agreed with the bank deposit receipt after the deposit is made. Proper segregation of duties over cash receipts requires that access to cash receipts be limited to someone who does not have access to the accounting records.

Accounts Receivable Aging Reports

Comment:

While the accounts receivable aging report is reconciled to the general ledger on a monthly basis, the accounts receivable aging report must be run on the last day of each month for accurate reporting. The system does not allow reports to be re-generated for a prior period at a later date with the same results. If staff neglects to run the report at month end, the data cannot be later created.

Recommendation:

We recommend that the software be evaluated to determine if modifications can be made to provide historical data on receivable balances. If the aging report was not run on a timely basis, the work involved in reconciling to the general ledger would be more time consuming than otherwise necessary.

Accounts Receivable Credit Balances

Comment:

Credit balances in accounts receivable have increased over the past year. These balances represent overpayments and similar credits due to current and former residents. Some of the patient discharge dates listed are over five years ago.

Recommendation:

We recommend that discharged patients' accounts be reconciled and settled within a reasonable period of time.

CONTROL DEFICIENCIES

CONVALESCENT CENTER (CONT.)

Segregation of Duties for Cash Disbursements

Comment:

While reviewing cash disbursement procedures, it was noted that the person recording payments for expenditures was occasionally receiving the prepared and signed checks back to be disbursed to the payee. This employee also has the ability to request an invoice for payment with the approval of the department manager. The bank reconciliations for this cash account are prepared in the Treasurer's Department and are not reviewed for accuracy by someone other than the person who prepares them.

Recommendation:

We recommend that all checks be mailed directly from the DuPage County mailroom after the Information Technology department prints them, and not sent back to the Convalescent Center after preparation. If any disbursements are marked urgent or for immediate delivery, the Treasurer's Department should make arrangements with internal delivery personnel or an outside messenger service to get the check delivered as soon as possible. The employee who makes check requests and records the expenditure should not be the same person delivering the check. Requests of this nature disrupt the disbursement process and create opportunities for fraud.

CONTROL DEFICIENCIES

FINANCE DEPARTMENT

Accounting Procedures Documentation

Previously Reported Comment

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.

Current Year Status:

This control deficiency is repeated.

Note:

In addition to the comment above, we have issued a separate comment in the current year (on the following page) regarding the documentation of accounting procedures in relation to capital assets. The purpose of the separate comment is to provide specific recommendations with regard to the recording of capital assets.

CONTROL DEFICIENCIES

FINANCE DEPARTMENT (CONT.)

Capital Asset Procedures Documentation

Comment:

We noted that the County does not currently have formal accounting policies or a procedures manual regarding capital assets. The County has a number of informal policies that are used in the recording of capital assets. However, these policies are not formally documented. A good policies and procedures manual should aid in the training and transition of new employees, insure that transactions are treated consistently, and insure that the treatment of transactions and the records produced are in accordance with generally accepted accounting principles and management's intent.

Recommendation:

We recommend that a capital asset policies and procedures manual be developed. The manual should include all custodial and accounting procedures necessary to insure that the capital asset records are complete and accurate at year end. This should include all procedures which require coordination with other departments. In addition, the manual should document the informal policies that the County uses in determining the treatment of capital asset and potential capital asset transactions. The following is a list of informal policies noted during the audit that should be documented:

- The Finance Department's handling of Board of Elections assets, Convalescent Center assets, ETSB assets, Waterworks and Sewerage assets, and Health Department assets should be formally documented. These assets are generally tracked separately by the other departments and require coordination with Finance in order to insure that all assets are accounted for, that assets are not recorded twice, and that year-end financial reports can be prepared on a timely basis.
- The County's policy of immediately deleting 3% of road related capital assets upon transfer from Construction in Progress to Infrastructure should be formally documented. The rationale and support for this estimate should also be documented in order that it may be reassessed in future years.
- The County's policy of allocating cost between land and infrastructure for a project should be formally documented. The support for any estimates and assumptions made should also be documented.
- The County's policy of determining the treatment of transactions related to road repaving projects should be formally documented.
- The County's treatment of costs associated with Intergovernmental Agreements and instances where the resulting capital assets will not be owned by the County, or where only a portion of the assets will be owned by the County, should be formally documented.
- The County's treatment of Phase I and Phase II engineering costs (generally not capitalized) should be formally documented.

CONTROL DEFICIENCIES

FINANCE DEPARTMENT (CONT.)

Capital Asset Procedures Documentation (Cont.)

Recommendation (Cont.):

- The County's treatment of proceeds from the sale of capital assets should be formally documented. It was noted during the audit that sales proceeds are not being tracked into the capital asset records. We recommend requesting this information from departments as a part of the regular disposal forms already being used and recording the proceeds as part of the capital asset records. This insures that gains or losses on the disposal of capital assets can be calculated correctly.

CONTROL DEFICIENCIES

FEDERAL AWARDS

Applicant Files – Community Services Department

Comment:

During our audit of grants received by the Community Services Department, we noted one file was misplaced by the department and unavailable for our requested review. The County is required to maintain appropriate documentation supporting eligibility determinations related to this federal funding. The specific requirements for eligibility are found in the laws, regulations, and the provisions of contracts and grant agreements pertaining to the program.

Recommendation:

The lack of compliance with Federal requirements could result in loss of Federal awards. We recommend the County take steps to insure proper filing of eligibility determinations.

Grant Reporting – Human Services Department

Comment:

During our audit of grants awarded to the Human Services Department, it was discovered that required reports are not being submitted accurately. In one instance, expenditures were overstated on an expenditure report that was submitted to the federal granting agency. Although no corrective report was submitted, the unspent funds were not reimbursed to the County.

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.

Grant Reporting – Community Services Department

Comment:

During our audit of grants awarded to the Community Services Department, it was discovered that expenditure reports were not being submitted in a timely manner. In this instance, expenditures made in June 2009 had not yet been reported as of April 2010.

Recommendation:

Timely and more frequent submission of expenditure reports would increase the availability of funds for expenditures and investment purposes. We recommend that expenditure reports be submitted no less frequently than on a quarterly basis, as most federal and state reimbursement requests are required by the granting agency.

CONTROL DEFICIENCIES

FEDERAL AWARDS (CONT.)

Grant Reporting – Probation and Court Services

Comment:

During our audit of the grants awarded to the Department of Probation and Court Services, it was noted that an employee was incorrectly overpaid using grant money, which the employee was required to return to the County. The entry to correct the error was posted incorrectly, and an overstatement of expenditures was thus reported to the federal granting agency. Due to these accounting errors, the correct balances in the revenue and expenditure accounts were unknown, causing the award period to expire before the full award amount was spent.

Recommendation:

We recommend that employee pay calculations, postings to the general ledger, and expenditure reports be reviewed by someone other than the preparer. Expenditure reports should be initialed by the reviewer prior to submission to the federal granting agency. Implementing these procedures will help to insure proper recording and reporting of grant expenditures.

Grant Reporting – Convalescent Center

Comment:

During our audit of the grants awarded to the DuPage County Convalescent Center, it was discovered that expenditures were being reported on the Financial Status Report on the wrong basis. The Report was checked as reported on the accrual basis, and expenditures were shown on cash basis causing expenditures to be reported in the incorrect period. Expenditures were excluded from a particular period ending Report that were in fact incurred during fiscal year 2009. These expenditures were not submitted to the granting agency until the subsequent Report in an effort to match revenues with expenditures.

Recommendation:

We recommend that the Financial Status Report be filled out completely, accurately, and on the proper basis. Reports should be reviewed by someone other than the preparer before submission to the 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

FEDERAL AWARDS (CONT.)

Grant Reporting – Crime Laboratory

Comment:

During our audit of the grants awarded to the DuPage County Crime Laboratory, it was noted that expenditures were coded to the incorrect grant fund, and unused funds had to be returned to the awarding agency.

Recommendation:

We recommend that care be taken to insure that expenditures are coded to the proper fund. Documentation displaying coded expenditures should be reviewed and approved by someone other than the preparer. To make the financial statements a meaningful analysis tool, care should be taken to properly and consistently classify expenditures. The correct coding of all expenditures is essential for accurate and useful financial statements. Care should be taken to accurately budget for anticipated expenditures for the grant program so that the full amount of the grant awarded to the County can be utilized.

Sub-recipient Monitoring

Comment:

While testing compliance requirements for sub-recipient monitoring for grants received by the Economic Development and Planning Department, we noted that necessary documentation was not included in the sub-recipient's file. In two instances, the file did not contain the most recent single audit report for the sub-recipient.

Recommendation:

We recommend that the County take steps to insure appropriate documentation is maintained in all sub-recipient files. Lack of compliance with federal requirements can result in loss of federal awards.

CONTROL DEFICIENCIES

HUMAN RESOURCES DEPARTMENT

Payroll Process

Comment:

All payroll changes outside of regular cycle merit raises are documented on the DuPage County Personnel Payroll Change form. This form is requested by a department head or elected official and approved by the Director of Human Resources. For employees who work within the Human Resources Department, one individual signs for both the request and approval.

In addition, during our audit of the Evidence Based Practices Projects grant received by the Department of Probation and Court Services, it was discovered that a DuPage County employee was overpaid. The County properly received a reimbursement check from this employee for the amount of overpayment, and the Grant reporting was done appropriately.

Recommendation:

Approval of payroll changes for Human Resources Department personnel should be approved by someone other than the person requesting payroll changes.

We recommend that a periodic detailed review of payroll be performed. This detailed review could include procedures such as:

- Trace pay rates to authorization forms.
- Trace hours worked to time records.
- Check the clerical accuracy of the payroll.

All of these procedures would assist in assuring that payroll is being processed accurately.

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.

CONTROL DEFICIENCIES

HUMAN RESOURCES DEPARTMENT (CONT.)

Accrued Benefits (Cont.)

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

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, 2009, 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 previously 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:

As of March 2010, the Probation Services Department is assessing the fees for community services instead of the Circuit Clerk office. The Probation Services Department will now have the ability to determine if everything that should be assessed has been assessed correctly. Any billings will be able to be reconciled to what is being recorded in the Probation Services Department's Peachtree billing system. The Probation Services Department has requested that it receive notification from the Circuit Clerk office of all community services payments received as well. The Circuit Clerk's office is currently working on compiling that information. **This control deficiency is repeated.**

SATISFIED SIGNIFICANT DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION

County-wide Risk Assessment

Previously Reported Comment

Comment:

During our prior review of DuPage County policies and procedures, we noted that a formal process for assessing financial and other County risks did 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. Various risks were considered by management throughout the County's departments, but only on an informal basis.

Recommendation:

We had recommended 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.

Current Year Status:

Steps have been taken by the office of the County Auditor to begin the process of conducting and documenting comprehensive risk assessments. **This significant deficiency is considered satisfied.**

SATISFIED SIGNIFICANT DEFICIENCIES

ANIMAL CARE AND CONTROL

Separate Cash Account Outside of Treasurer's Office

Previously Reported Comment

Comment:

During the audit of the Animal Control Fund in prior years, 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 had been accumulating for several years and no amounts were transferred to the County Treasurer's Office during fiscal 2007 and 2008, as was recommended. 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 had 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:

During fiscal 2009, accumulated funds were deposited with the County Treasurer's Office. Deposits are now being made on a monthly basis. **This significant deficiency is considered satisfied.**

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

HUMAN SERVICES DEPARTMENT

Grant Documentation

Previously Reported Comment

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.

Current Year Status:

No such instances were noted in the current year.

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

GENERAL COMMENTS FOR CONSIDERATION

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:

No such instances noted in the current year.

BOARD OF ELECTION COMMISSIONERS

BOARD OF ELECTION COMMISSIONERS

CONTROL DEFICIENCY

Payroll Procedures

Previously Reported Comment

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.

Current Year Status:

This control deficiency is repeated.

BOARD OF ELECTION COMMISSIONERS

SATISFIED CONTROL DEFICIENCIES

Cash Receipts

Previously Reported Comment

Comment:

During our prior review of cash receipt procedures, it was noted that checks received were not being endorsed “for deposit only” immediately upon receipt.

In addition, cash receipts were 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 were 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 was there a risk of loss from burglary, misplacement, or misappropriation, but the cash was 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 had recommended that an endorsement stamp including the notation “for deposit only” be utilized by employees immediately when checks are received.

Also, we had recommended 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.

Current Year Status:

During the current audit period, a restrictive endorsement stamp has been implemented for use and deposits are being made on a timely basis. **This control deficiency is considered satisfied.**

CLERK OF THE CIRCUIT COURT

CLERK OF THE CIRCUIT COURT

SIGNIFICANT DEFICIENCY

Segregation of Cash Activities and Security

Previously Reported Comment

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 also repeated.**

CLERK OF THE CIRCUIT COURT

CONTROL DEFICIENCY

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 is anticipated to be fully implemented in 2010. **This control deficiency is repeated.**

COUNTY CLERK'S OFFICE

COUNTY CLERK'S OFFICE

SIGNIFICANT DEFICIENCIES

Accounting Software

Previously Reported Comment

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

Current Year Status:

This significant deficiency is repeated.

Segregation of Cash Duties

Previously Reported Comment

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, we have recommended, that bank reconciliations be reviewed by a member of management. This reduces the risk that misappropriation of cash assets could be concealed.

In addition, we recommend, as we have in the past, 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.

Current Year Status:

This significant deficiency is repeated.

COUNTY CLERK'S OFFICE

CONTROL DEFICIENCIES

Accounting Procedures Documentation

Previously Reported Comment

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, as we have in the past, that the County Clerk's Office identify and document its significant operational and accounting policies and processes within an accounting manual.

Current Year Status:

This control deficiency is repeated.

Security of Check Stock

Previously Reported Comment

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.

Current Year Status:

This control deficiency is repeated.

RECORDER'S OFFICE

RECORDER'S OFFICE

CONTROL DEFICIENCY

Accounting Procedure Documentation

Previously Reported Comment (Partial)

Comment:

During our audit, it was noted that the County Recorder's Office does not have complete procedures documenting accounting practices to be followed within the office.

Recommendation:

We recommend, as we have in the past, 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.

Current Year Status:

This significant deficiency is repeated.

Note:

In the prior year, this comment also addressed the segregation of duties within the County Recorder's Office and was considered a significant deficiency. The comment addressing segregation of duties was satisfied during our current audit examination. See page 34 of this report for further explanation. As a result, the remaining portion of the comment regarding accounting procedure documentation is considered a control deficiency.

RECORDER'S OFFICE

SATISFIED SIGNIFICANT DEFICIENCIES

Segregation of Duties

Previously Reported Comment (Partial)

Comment:

In a prior audit, we noted that incompatible duties were 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.

Recommendation:

We had recommended 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.

Current Year Status:

The recommendations were implemented in fiscal 2009. **This significant deficiency is considered satisfied.**

Note:

In prior years, this comment also addressed accounting procedure documentation which was not satisfied during our current audit. The repeated portion of the original comment can be found on page 33 of this report.

SHERIFF'S DEPARTMENT

SHERIFF'S DEPARTMENT

SIGNIFICANT DEFICIENCIES

Agency Funds

Previously Reported Comment

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 journals and monthly bank statements for the entire year.

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.

Current Year Status:

This significant deficiency is repeated.

SHERIFF'S DEPARTMENT

CONTROL DEFICIENCIES

Grant Reporting – Sheriff's Department

Comment:

During our audit of grants received by the County Sheriff's Department, it was discovered that expenditures were not being reported to the federal funding agency in a timely manner. In one instance, the grantor required funds that were advanced to the County to be returned. This was in accordance with the agreement that states "Failure to meet the reporting dates established for the particular reports shall result in the 'freezing' of all funds." In addition, a portion of the funds received was not used and had to be returned to the grantor.

Recommendation:

We recommend that the reporting requirements of grant agreements are followed accurately and timely. Proper submission of reports will increase availability of funds for expenditure purposes, and the County will not unnecessarily need to find other sources of funding for expenditures that will inevitably need to be made.

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.**

SHERIFF'S DEPARTMENT

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

Payment of Commissary Items

Previously Reported Comment

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.

Current Year Status:

No such instances were noted in the current year.

Grant Reporting – Reporting Basis

Previously Reported Comment

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.

Current Year Status:

No such instances were noted in the current year.

STATE'S ATTORNEY

STATE'S ATTORNEY

SIGNIFICANT DEFICIENCY

Agency Funds – State's Attorney

Previously Reported Comment

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 journals and monthly bank statements for the entire year.

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.

Current Year Status:

This significant deficiency is repeated.

STATE'S ATTORNEY

CONTROL DEFICIENCIES

Disposition of Welfare Fraud Forfeiture Funds

Previously Report Comment

Comment:

The Welfare Fraud Forfeiture Fund (#101-421) has had little to no expenditures during the seven 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, 2008 was \$69,197.

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 \$69,134 at November 30, 2008, net of investment income of \$235 and personnel costs of \$3,529. **This control deficiency is repeated.**

Victim Restitution Funds

Previously Reported Comment

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.

Current Year Status:

The State's Attorney's Office recognizes the need to eliminate this fund and intends to utilize a summer intern to determine the treatment of the stale dated outstanding checks. \$175,752 remains in this account at November 30, 2009. **This control deficiency is repeated.**

TREASURER'S DEPARTMENT

TREASURER'S DEPARTMENT

CONTROL DEFICIENCY

Treasurer's Department Internal Control

Comment:

Currently, cash bank accounts are reconciled and are reviewed by a person independent of the reconciliation process. We noted that the approval process is done on an informal basis. There was not always evidence to document that the review took place. In addition, we noted the following approval processes were not being formally documented in the Treasurer's department:

- Review of bank deposit receipts
- Review of general ledger coding of internal cash receipts
- Review of the payroll journal entry

In addition, it was noted that a Deputy Treasurer has sole access to generate wire transfers at anytime. Wire transfers are approved prior to being completed; however, there is no documentation of review of confirmation after the wire has been sent. Formal comprehensive documentation of processes and controls in place for the Treasurer's Office does not currently exist.

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 and this review should be formally documented. This reduces the risk that misappropriation of cash assets could be concealed.

In order to better control mail and over the counter receipts, we recommend that a list be prepared of receipts by an employee not otherwise handling cash, which would include the general ledger coding. Entries on the receipt listing should be subsequently traced, on a test basis, to the receipted deposit slips, and general ledger coding should be reviewed. The tracing should be performed by the person preparing the listing or by someone not otherwise handling or recording cash transactions. This review should be formally documented through the use of a sign off by an appropriate member of management.

The procedures to complete wire transfers should be changed with the bank so that the authorization for the transfer is approved by another approved signer on the bank account. By insuring that cash transactions are authorized by the appropriate level of County personnel, the County will reduce the risk of unauthorized disbursements.

There should be a review of the payroll journal entry that is posted by the Deputy Treasurer. Such a review should include a comparison of the coding to the general ledger to source documents. This review should be formally documented through the use of a sign off by an appropriate member of management.

In the course of reviewing and modifying its existing processes, the Treasurer's Office should formalize them in a comprehensive procedural manual. This can aid in training of new employees, assist in cross-training existing staff, and insure that processes and controls are executed as designed.

TREASURER'S DEPARTMENT

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

Check Processing Procedures

Previously Reported Comment

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.

Current Year Status:

No such instances were noted in the current year.

WATER AND SEWER DEPARTMENT

WATER AND SEWER DEPARTMENT

MATERIAL WEAKNESS

Prior Period Adjustment

Comment:

Based upon conversation with the System's Financial Administrator, the following adjustments to beginning equity account balances were needed in the 2009 audit, as disclosed in the notes to the financial statement. These adjustments were necessary to record assets that were contributed to the system in prior years but not recorded, and to record accrued employee retention not recognized in prior years.

Net assets as previously reports	\$ 87,015,976
To record accrued employee retention not recognized in prior years	(884,015)
To record assets contributed from SSAs	3,488,320
To record assets contributed from York Center System	<u>638,747</u>
Net assets as restated	<u>\$ 90,259,028</u>

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 System continue to evaluate its financial statement review process to insure that all appropriate parties are involved to insure completeness and accuracy.

WATER AND SEWER DEPARTMENT

OTHER COMMENT

Review Procedures (Cash Transfers)

Comment:

Currently, there is no formal, on-going review by the Public Works Committee of the System's compliance with the 2008 Bond Ordinance. The Committee does not review cash transfers made between the accounts established by the 2008 Bond Ordinance. The Committee does not review the adequacy of cash balances in the accounts established by the 2008 Bond Ordinance.

Recommendation:

We recommend that on a quarterly basis, System personnel prepare, and include in the Committee Agenda packet, a summary of cash balances by account and any cash transfers made between accounts. This information is already being prepared by the System's Finance Administrator and reviewed with the System's Superintendent. Including the aforementioned information with the Committee Agenda packet would enhance the Committee's ability to review the financial position of the system and insure full compliance with bond indenture.

WATER AND SEWER DEPARTMENT

SATISFIED SIGNIFICANT DEFICIENCIES

Payroll Timekeeping System and Software

Previously Reported Comment

Comment:

The System purchased a new timekeeping system – “Kronos.” During the assessment of the payroll internal controls, it was noted that the timekeeping system has a litany of additional benefits that the System could 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.

Recommendation:

We recommended that the System continue to analyze the number of benefits available through the 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 System.

Current Year Status:

The System operated a parallel timekeeping system with Kronos and the original manual time reporting process for most of the audit period. During March 2010, the System migrated away from the manual process and is using Kronos as the sole time reporting process. **This significant deficiency is considered satisfied based on the action taken after the fiscal year end.**

Security of Accounting Records

Previously Reported Comment

Comment:

We understand that all 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. 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 System does not have password change requirements.

Recommendation:

We recommend that the System implement a policy that requires all 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.

Current Year Status:

The recommendation has been implemented. **This significant deficiency is considered satisfied.**

WATER AND SEWER DEPARTMENT

SATISFIED SIGNIFICANT DEFICIENCIES (CONT.)

Review of the Connection Process

Previously Reported Comment

Comment:

During our audit, it was brought to our attention by System finance personnel that the water and sewer system connection process does not include a formal field review of open permits at regularly scheduled intervals. The current permit process requires notification from the customer upon connecting to the System. Once connected, System personnel 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 System personnel. System 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 System 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:

System personnel are in the process of going through outstanding permits and determining their status. A database has been established for tracking open permits. A formal policy has been established that deals with the periodic review and inspection of open permits; therefore, this deficiency has been resolved subsequent to discussion with management. **This significant deficiency is considered satisfied based on the action taken after the fiscal year end.**

Special Service Area Assets

Previously Reported Comment

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 either the System's capital asset records or the DuPage County Finance Department's capital asset records. Once constructed, these assets are maintained by the System until the related bond matures. As such, the capital asset should be recorded on the System's books and depreciated according to whether future ownership of the asset remains with the System or is transferred to another municipality.

WATER AND SEWER DEPARTMENT

SATISFIED SIGNIFICANT DEFICIENCIES (CONT.)

Special Service Area Assets (Cont.)

Recommendation:

We recommend that the System work with the DuPage County Finance Department to develop a policy of recognizing Special Service Area assets and properly and consistently recording them on their financial systems. Subsequent to year end, the System's Finance Administrator and the DuPage County Finance Department were working together to obtain asset values for these items.

Current Year Status:

In the current year, the System determined proper accounting treatment for some of the capital assets related to Special Service Areas. These assets are recognized on the Statement of Net Assets as a prior period adjustment. However, the System has yet to determine proper accounting treatment for all prior Special Service Area projects. The Department has adopted a formal procedure related to the administration of special service areas. This procedure appears to address the deficiencies identified. **This significant deficiency is considered satisfied.**

WATER AND SEWER DEPARTMENT

SATISFIED CONTROL DEFICIENCIES

Workers Compensation Liability Exposure

Previously Reported Comment

Comment:

The System has and is in the process of settling significant 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 \$600,000 per occurrence; however, claims that have been accrued for during the current year have fallen below this threshold.

Currently, the System maintains a liability insurance account established for general liability claims. The System'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, 2009 was \$654,549. 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 potential workers compensation claims.

Recommendation:

Based upon prior workers compensation insurance claims, it is fair to conclude that the System is at a far greater risk for workers compensation claims than general liability claims. It would be to the benefit of the System to establish a similar insurance fund/account for large workers compensation claims up to the System'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 System, it would eliminate the need to draw on funds for other planned uses, such as general liability insurance, operations, and capital planning purposes.

Current Year Status:

The System had set up a workers compensation account with the County Treasurer's Department during 2009. Subsequent to year end, funding of the account had begun. **This control deficiency is considered satisfied based on the action taken after the fiscal year end.**