

DuPage County, Illinois

Report on Internal Controls

**For the Year Ended
November 30, 2010**

Wolf & Company LLP
Certified Public Accountants

DUPAGE COUNTY, ILLINOIS

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

In planning and performing our audit of the financial statements of DuPage County, Illinois, as of and for the year ended November 30, 2010, 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 separate engagements. The Water and Sewerage System Fund, which is also included in the County's financial statements, was audited by other auditors. 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 24, 2011, on the financial statements of DuPage County, Illinois.

The County prepared corrective action plans that are included after each comment and recommendation. We did not audit the County's corrective action plans 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 County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Wolf & Company LLP

Oakbrook Terrace, Illinois
May 24, 2011



COUNTY BOARD

MATERIAL WEAKNESSES

FEDERAL AWARDS

Reimbursement Requests

Previously Reported Comment

Comments:

The County's agreement with the Illinois Department of Healthcare and Family Services for the Child Support Enforcement Program (Agreement No. 2008/11-55-015-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 2009 and fiscal year 2010 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.

Recommendation:

Timely and more frequent requests for reimbursements 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.

Current Year Status:

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

Corrective Action Plan:

Since May 2011, the Finance Department has developed procedures with Robert F. Lyons and Associates and the Circuit Court Clerk to submit reimbursement requests on a more timely (monthly) basis.

MATERIAL WEAKNESSES

FINANCE DEPARTMENT/WATER AND SEWERAGE SYSTEM

Prior Period Restatement

Comment:

Based upon information from the Water and Sewerage System's Financial Administrator, the following adjustment to beginning equity account balances was needed in 2010, as disclosed in the notes to the financial statements. This adjustment was necessary to record assets that were contributed to the System in prior years, but not recorded.

Net assets, as previously reported	\$ 86,839,241
To record assets contributed from SSAs	<u>1,208,213</u>
Net assets, as restated	<u>\$ 88,047,454</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 ensure that all appropriate parties are involved to insure completeness and accuracy.

Corrective Action Plan:

Unrecorded contributed assets were first discovered and identified in the 2007 audit. During 2010, Public Works booked an adjustment to record assets that were contributed in 1986 and 2002 in the amount of \$1,208,213. The prior period adjustment in the 2010 audit is a continuation of research and investigations by Public Works staff to identify the total unrecorded contributed assets. Contributed assets include assets constructed by Developers or through the Special Service Area (SSA) process.

MATERIAL WEAKNESSES

FINANCE DEPARTMENT

Accounting Software/Financial Reporting

Previously Reported Comment

Comments:

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 integration with records maintained outside the Finance Department, such as the Sheriff, State's Attorney, Public Works, etc.

Recommendation:

We recommend the County proceed with its plans to 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. The County issued General Obligation Bonds in November 2007, which include \$7,100,000 proceeds identified for this technology upgrade. **This material weakness is repeated.**

Corrective Action Plan:

Utilizing funds made available in 2010, in January 2011, the County hired a consultant to evaluate needs and assist in the design and selection of the Enterprise Resource Planning software, which has a new financial accounting system as priority. Although efficiency should be much improved, the integrity of the financial statements and currently generated information for financial management is not negatively affected.

SIGNIFICANT DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION

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. The deficiencies noted are described in detail in the Report on Federal Awards. 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.

Recommendations:

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 although less frequent errors occurred than in prior years, similar deficiencies still exist as reported in prior years. **This comment is repeated, but reported as a significant deficiency rather than a material weakness.**

Corrective Action Plan:

Management has already implemented a file review process and date stamping of documentation. Management has been working diligently to improve the documentation procedures in this program and believes its efforts are demonstrated by the significant cut in documentation errors since the last audit. Management does not believe the reported errors show a pattern of procedural deficiencies, but rather are random clerical errors that arise from the volume of paperwork required by this program. The majority of the reported errors concern the fifteen day final inspection requirement. Management has worked with the State of Illinois over the past year to clarify that the fifteen working day time period does not begin until both the physical work is completed and the contractor has correctly and completely submitted all required paperwork. Management has also directed staff to better document files when lack of client cooperation does not allow the inspection to be completed within the fifteen day window.

SIGNIFICANT DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION (CONT.)

Checking Accounts/Demand Deposit Accounts

Previously Reported Comment

Comments:

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 ensure 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, 2010, we identified a demand deposit account that was not reported in the prior year financial statements. This account is maintained by the Finance Department and should have been included within the Governmental 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:

This significant deficiency is repeated.

Corrective Action Plan:

The County is aware of all bank accounts established and maintained with the County Treasurer and under County Board jurisdiction. For any new bank accounts of this nature, the DuPage County Auditor's Office along with the Finance Department are considering a recommendation that a requirement for any new bank account under County Board jurisdiction be approved by the County Board. This policy recommendation could be included in the Financial and Budget Policies of the County.

SIGNIFICANT DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION (CONT.)

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 at November 30, 2010. Based on the Corrective Action Plan below, the recommendation has been addressed and implemented.

Corrective Action Plan:

Effective March 1, 2011, DuPage County implemented an updated Check Distribution Policy. The Treasurer retains control over the signed checks until a signed pay list, approved by the County Board, is received. Upon receipt of this document, the checks are distributed to the County Clerk for mailing. The County Clerk only interoffice mails checks to department personnel that meet certain criteria. The criteria are as follows:

- Real Estate Closings
- Vehicle Title Applications/Renewals
- Vital Records
- Certification/Licensing
- Taxes/Unemployment
- Insurance Settlements

Checks that are made payable to the DuPage County Treasurer or a specific department are interoffice mailed, by the Treasurer, to the department personnel that submitted the claim. The department personnel then code these and return them to be deposited by the Treasurer.

Reimbursement checks to employees are no longer issued on accounts payable checks. They are included with employee payroll as a separate non-taxable item. This was effective April 26, 2011.

SIGNIFICANT DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION (CONT.)

Accrued Benefits

Previously Reported Comment

Comment:

The Human Resources Department does not calculate 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 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:

The County Auditor's Office completed a review of the compensated absences liability at November 30, 2009 and November 30, 2010. Their report identified \$1,876,897 in understated sick leave and \$70,171 in understated vacation leave as of November 30, 2009. Of these amounts, \$1,755,493 of the underreported sick leave, and \$67,065 of the understated vacation leave pertained to Sheriff's Office employees. The misstatements were caused by a combination of omissions and miscalculated accrual balances. Because the errors in the reported balances at November 30, 2009 were immaterial to the government-wide financial statements, no restatement of beginning net assets was made in the 2010 CAFR. Instead the fiscal year 2010 activity was adjusted to account for the differences. Internal controls in both the Sheriff's Office and the County's Human Resources Department were not designed properly, as noted in prior years, to detect such misstatements.

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. **The classification of this deficiency is modified to significant deficiency from control deficiency in the prior year.**

Corrective Action Plan:

The County is actively engaged in policies and procedures to develop a more uniform accrued benefits program across all departments of the County. Passed in August 2011, the County's Financial and Budget Policies require any compensation for accrued employee benefits which is paid from the County's employee benefit payout expenditure code to be paid in accordance with the Personnel Policies adopted by the County Board for all County departments. Steps to implement this policy anticipate a uniform County-wide system to track and report accrued benefits.

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 the Community Services Block Grant, 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 ensure 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 the Community Services Block Grant by implementing and documenting the controls mentioned in the comments above.

Corrective Action Plan:

Although electronic cash requests require user log-ons for safety reasons, and controls are in place to prevent errors in requesting cash amounts, the County has been including an independent review of the cash request and that is evidenced by a sign-off from appropriate personnel, since January 1, 2011. Periodic Federal financial reporting and related reconciliation with accounting records will require review by an independent person other than the report preparer and will be evidenced by a written sign-off of the reviewer.

SIGNIFICANT DEFICIENCIES

FEDERAL AWARDS (CONT.)

Homelessness Prevention and Rapid Re-Housing – Grant Reporting

Comment:

24 CFR Part 85 Section 41 requires that the County submit quarterly SF 272, Federal Cash Transaction Reports. This report provides the details on all financial information of the program for the specified quarter. Part of this report requires the County to provide the gross disbursements for the quarter. While testing the SF 272 reports submitted by the County during the fiscal year, it was noted that \$52,708 of expenditures were reported twice, originally on the report for the quarter ending December 31, 2009 and again on the report for the quarter ending March 31, 2010.

Recommendation:

We recommend that the County enhance controls over the reporting requirements of its major Federal award programs to ensure effective internal review of reports prior to submission.

Corrective Action Plan:

Management acknowledges that these funds were inadvertently reported twice. Staff identified the error and made corrections in accordance with instructions received from the U.S. Department of Housing and Urban Development. Please note that the SF 272 is a reporting requirement only and is not utilized by Management and financial decision making.

SIGNIFICANT DEFICIENCIES

DEPARTMENT OF TRANSPORTATION

Belmont Road Grade Separation Project

Comment:

The County is to act as a fiscal agent for an agreement between Metra and the Illinois Commerce Commission ("ICC"). During current year testing of the County's obligations, we noted the County incorrectly invoiced ICC for its matching requirement, resulting in three overpayments by ICC during fiscal year 2010 amounting to \$315,603. The error was identified by the County before year end and they began adjusting subsequent invoices to correct the overpayments.

Recommendation:

The County should continue to track the expenditures and matching requirements related to the project based on the requirements set forth in the original agreement. Implementing a formal documented review by a person knowledgeable of the agreement would help mitigate the risk of errors occurring in the future.

Corrective Action Plan:

We established a Draw Request Tracking Schedule to ensure that the processing of revenues received and expenditures are as per the original agreement.

SIGNIFICANT DEFICIENCIES

CONVALESCENT CENTER

Capital Assets

Comments:

During our audit of capital assets, the following issues were noted that resulted in significant audit journal entries.

- All additions to building improvements were improperly classified as building. GASB Statement No. 34, par. 116 requires the major classes of capital assets for business-type activities be disclosed in the notes to the financial statements.
- The County tracks construction in progress items for the Convalescent Center that are paid for using grant funds. When these items are placed into service, they are to be transferred to the Convalescent Center's books and depreciated. It was discovered during the testing of capital assets that an entry to transfer capital assets from the County to the Convalescent Center was needed for items that were placed into service during the fiscal year. The corresponding entry to record depreciation expense and accumulated depreciation was also made.
- It was also noted that items that had been transferred previously had incorrect "placed into service" dates and an adjustment to increase depreciation was required.
- Upon further testing, the auditor discovered that two items reported as construction in progress were actually completed during the fiscal year. This was discovered through a review of invoices for the items noted above that were transferred from the County. These two items were added to the entry for each of the corresponding projects that were transferred from the general government.

Recommendations:

- Project managers should prepare timely reports for appropriate personnel on the status of capital projects. This information should be recorded on a timely basis.
- When a capital project is determined to be finished and placed into service, all schedules (County and Convalescent Center) detailing construction in progress projects should be reviewed. Any items that relate to aforementioned projects should be reclassified to the appropriate asset category (building, building improvements, etc.) and taken out of construction in progress. The recording of all intergovernmental transfers of property should be reviewed to determine whether they are properly recorded by both the County and the Convalescent Center.

Corrective Action Plan:

The following process has been established to capture grant funded fixed asset additions to the Convalescent Center:

Expenditures associated with capital projects that are funded through various grants programs and procedure by the County, are currently tracked by the County's Finance Department. These expenditures are tracked by grant and by project within each grant.

SIGNIFICANT DEFICIENCIES

CONVALESCENT CENTER (CONT.)

Capital Assets (Cont.)

Corrective Action Plan (Cont.):

An accounting of each project will be sent to the County's Facilities Management department, by the County's Finance department, on a quarterly basis for review. Upon review, the County's Facilities Management Department will issue a completion status report on each project to the County's Finance Department. When the County's Finance Department is informed of the completion of any such project, the total cost and month of completion will be communicated to the Convalescent Center's Financial Services Manager for inclusion in the Convalescent Center's detailed fixed asset listing. The Convalescent Center's Financial Services Manager will also review the Center's Construction-In-Progress listing at this time, and add Convalescent Center funded expenditures to the cost of any completed grant funded projects to derive the total capital asset additions to said project.

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. All federal dollars, whether material or immaterial, must be reported on the Schedule of Expenditures of Federal Awards, 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 external auditors and County Finance Department personnel determining what amounts are truly federal funds. The County's financial records do not consistently identify, 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 Schedule of Expenditures of 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:

The Finance Department has taken significant steps in fiscal 2010 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. **This control deficiency is repeated.**

Corrective Action Plan:

Although the majority of the SEFA was prepared and completed by County Finance personnel early during audit fieldwork, there were federal expenditures in a couple of County departments that were not accounted for in individual grant funds, and thus required time to complete the federal expenditure reporting. Finance has ongoing dialogues with these departments for a better understanding of the information needed for federal funds reporting in relation to the SEFA preparation. This should allow for a more complete and accurate SEFA available to external auditors at the beginning of fieldwork in future years.

CONTROL DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION (CONT.)

Liability Insurance Fund

Previously Reported Comment

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 \$(2,288,722) at November 30, 2009 to \$(3,005,519) at November 30, 2010. It should be noted that \$(1,243,911) of the current year deficit is related to non-current claim liabilities.

Recommendation:

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

Current Year Status:

The net assets at November 30, 2010 are \$(3,005,519). **This control deficiency is repeated.**

Corrective Action Plan:

The Finance Department continues to monitor the claim payments and cash inflows of this fund. Cash transfers in from the General Fund have been made as necessary.

Special Service Areas

Previously Reported Comment

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, 2010, the cash balances in these funds were \$62,545; \$75,402; and \$19,437, respectively, totaling \$157,384.

Recommendation:

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

Current Year Status:

Cash balances remained at November 30, 2010. **This control deficiency is repeated.**

Corrective Action Plan:

The County has refunded the remaining amounts in the special service area funds to the respective taxpayers in March 2011.

CONTROL DEFICIENCIES

CONVALESCENT CENTER

Segregation of Duties for Cash Receipts

Previously Reported Comment

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.

Current Year Status:

This control deficiency is repeated.

Corrective Action Plan:

Within the constraints of the department make-up and considering the cost benefit relationship of possibly hiring a new position, the Convalescent Center will strive to develop procedures to ensure that mail is opened by someone outside of the accounting department and that access to cash receipts will be the responsibility of someone who does not have access to the accounting records.

Accounts Receivable Aging Reports

Previously Reported Comment

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 created at a later date.

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.

CONTROL DEFICIENCIES

CONVALESCENT CENTER (CONT.)

Accounts Receivable Aging Reports (Cont.)

Current Year Status:

This control deficiency is repeated.

Corrective Action Plan:

Limitations of the current software system do not allow for the historical running of the accounts receivable aging report. The ability to run the report for prior periods would be beneficial; however the current software does not allow for the retroactive running of this report. At the end of each month the reports are run religiously, by the Convalescent Center's Financial Services Department staff, with the last 8 years of usage of the software not resulting in an issue. This issue has been investigated with the current software vendor Supports Service, unfortunately without resolution. IT is assisting in the determination of the replacement of the billing software and funds are currently allocated in the FY2011 budget request to support this purchase.

Accounts Receivable Credit Balances

Previously Reported Comment

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.

Current Year Status:

This control deficiency is repeated.

Corrective Action Plan:

Reconciliation of all resident accounts receivable balances are monitored on a regular basis. Due to the nature of the State of Illinois' Medicaid reimbursement, reconciliation of accounts for residents funded by Medicaid creates a dynamic and often changing receivable balance. The overall goal of the department is to have all discharged resident accounts reconciled within 6 months of HFS processing completion occurring at both the state and local level.

CONTROL DEFICIENCIES

CONVALESCENT CENTER (CONT.)

Segregation of Duties for Cash Disbursements

Previously Reported Comment

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 Office 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 Office 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.

Current Year Status:

This control deficiency is repeated.

Corrective Action Plan:

Effective March 1, 2011, DuPage County implemented an updated Check Distribution Policy. The Treasurer retains control over the signed checks until a signed pay list, approved by the County Board, is received. Upon receipt of this document, the checks are distributed to the County Clerk for mailing. The County Clerk only interoffice mails checks to department personnel that meet certain criteria. The criteria are as follows:

- Real Estate Closings
- Vehicle Title Applications/Renewals
- Vital Records
- Certification/Licensing
- Taxes/Unemployment
- Insurance Settlements

Checks that are made payable to the DuPage County Treasurer or a specific department are interoffice mailed, by the Treasurer, to the department personnel that submitted the claim. The department personnel then code these and return them to be deposited by the Treasurer.

Reimbursement checks to employees are no longer issued on accounts payable checks. They are included with employee payroll as a separate non-taxable item. This was effective April 26, 2011.

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:

It has been noted that the County has begun the process of implementing a County-wide ERP system, which will involve new procedures and documentation upon implementation. **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.

Corrective Action Plan:

There are substantial amounts of written documentation regarding procedures for significant accounting functions such as cash disbursement/accounts payable, revenue, and payroll. A comprehensive accounting procedures manual will be anticipated with the advent of the ERP systems in future years.

CONTROL DEFICIENCIES

FINANCE DEPARTMENT (CONT.)

Capital Asset Procedures Documentation

Previously Reported Comment

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, Water and Sewerage Special Service Area assets, and Convalescent Center assets should be formally documented. These assets are generally tracked separately by the other departments and require coordination with Finance in order to ensure 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.

Current Year Status:

This control deficiency is repeated.

Corrective Action Plan:

A Capital Asset Policy in draft form has been in development in the previous year by the County's Finance Department to consider the items above that are recommended to be documented. The policy and accompanying procedures are being followed for Capital Asset accounting beginning in Fiscal Year 2010.

CONTROL DEFICIENCIES

FEDERAL AWARDS

Grant Reporting – Crime Laboratory

Previously Reported Comment

Comment:

During our current audit of grants awarded to the DuPage County Sheriff's Office Crime Laboratory, it was discovered that expenditures were not being tracked sufficiently and, therefore, were not being reported in a timely manner to the federal grantor. As of March 2011, expenditure reports for the grants had not yet been submitted to the grantor with the award period ending September 30, 2010. Similar accounting and reporting issues were noted in the previous years for the grant.

Recommendation:

We recommend that the County take steps to ensure that the reporting requirements of grant agreements are followed accurately and timely. Proper submission of reports will increase availability of funds for future expenditure purposes.

Current Year Status:

This control deficiency is repeated.

Corrective Action Plan:

Due to a change in the Crime Lab Director position during the year and a change in reporting requirements by the granting agency, the final quarterly report and closeout documents were not submitted in a timely manner. Said documents for the FY2009 award that ended September 30, 2010 were submitted to the granting agency on March 29, 2011. The official closeout letter was issued on May 10, 2011. Since April 2011, the Finance Department is now submitting monthly fiscal reports to the granting agency.

Interest Earnings – Energy Efficiency and Conservation Block Grant

Comment:

The County is required to track any excess cash balance comprised of federal funding separately from any excess attributed to state and local funding. This ensures that funding is properly accounted for and that any potential earning of interest income on excess cash balances is handled within Federal requirements. We noted that the County did not have any controls established during the fiscal year to ensure interest income earned on any excess federal cash balances is tracked.

Recommendation:

We recommend that internal controls be established to ensure the cash management requirements of grant awards are followed. Grant related personnel should be aware of these requirements and ensure any interest earnings on Federal funding is reported to the grantor.

CONTROL DEFICIENCIES

FEDERAL AWARDS (CONT.)

Interest Earnings – Energy Efficiency and Conservation Block Grant (Cont.)

Corrective Action Plan:

It is the usual practice of the County to not draw down grant funds in advance of grant expenditures. Excess cash balances, if any, are accounted for in individual special revenue funds. Interest earnings, if allowable per the grant guidelines, can be tracked within said fund.

CONTROL DEFICIENCIES

HUMAN RESOURCES DEPARTMENT

Payroll Process

Previously Reported Comment

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.

Recommendations:

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

Additionally, 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.

Current Year Status:

This control deficiency is repeated.

Corrective Action Plan:

The Payroll division began forwarding all internal HR Department changes to the Chief of Staff for approval following the 2010 audit reporting recommendations. For any change within the HR Department, the Chief of Staff approves in addition to the HR Director.

Trace pay rates to authorization forms - For employees who are awarded pay rate changes such as promotion, demotion, and/or a reclass, the Personnel Change form is used to obtain approval of the rate change and requires County Board approval (Placing Names) before change is finalized.

Trace hours worked to time records - Time entry is completed at the department levels. Supervisors sign/approve paper timesheets and/or an automated time system is utilized by some departments. Once the payroll is entered, the payroll designee receives a "pay claims " report from HR to verify the hours entered. Hours are entered directly into the Payroll system at the department level. Once the department completes their entry and verification, HR will also "spot" review for pay requests such as overtime (ensure 40 hours worked), verification of accrual balances for vacation/sick days taken - if employee does not have time available, department is notified that County cannot pay, and ensure payment according to department policies (e.g. employees under the elected departments), and/or spot check taxes at random.

Check the clerical accuracy of the payroll - See response in previous paragraph.

CONTROL DEFICIENCIES

PROBATION SERVICES DEPARTMENT

Grant Reporting – Probation and Court Services

Comment:

During our audit of Juvenile Justice Council Care Program grants, the following issues were noted: Per review of a federal grant agreement (number 508015), “matching funds need not be applied at the exact time or in proportion to the obligation of federal funds, but must be provided and obligated before the end date of this agreement.” Matching funds in the amount of \$3,092 were not transferred into this grant fund until more than two months after the end date of the amended agreement. A match in excess of the intended amount (by \$496) was made into a fund that closed out during the fiscal year. The transfer out (and into another grant towards that match) was made during fiscal year 2011. An audit entry was required to correctly reflect the status of the closed grant at year end. This also resulted in an over and understatement of matching funds for each effected grant. In addition, we noted that cash receipts were misclassified in documentation given to the Treasurer. An audit entry was required to correctly classify the matching funds of \$8,705 from the federal funding category. Per the federal grant agreement “the maximum amount of federal funds payable under this agreement...is dependent on the expenditure of matching funds as described in this agreement” and, therefore, correct classification of both revenues and expenditures is essential for guaranteeing federal funding.

Recommendation:

The County should implement controls to ensure matching requirements are addressed within required timeframes and reported accurately. Implementing a formal documented review of grant reports and cash receipts submitted to the Treasurer by a person knowledgeable of the agreement would help mitigate the risk of errors occurring in the future.

Corrective Action Plan:

The Probation Department is reviewing the federal expense % vs. the match % at the end of each reporting quarter to ensure that matching funds are contributed in compliance with grant guidelines.

The final match amount will be accounted for after all expenditures for the grant have been paid out. This should be reflected in the grant funding source final report.

SATISFIED MATERIAL WEAKNESS

FEDERAL AWARDS

Grant Reporting – Community Development

Previously Reported Comment

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 2009 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.

Current Year Status:

During fiscal year 2010, the report was appropriately submitted. **This material weakness is considered satisfied.**

SATISFIED CONTROL WEAKNESS

GENERAL COMMENTS FOR CONSIDERATION

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 the Human Resources Department, as is the practice for personnel under County Board departments.

Current Year Status:

Elected officials are allowed to identify the appropriate training for their staff.

Employee Life and Health Insurance Fund

Previously Reported Comment

Comment:

Net assets in this fund had 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:

Revenues exceeded expenditures in fiscal year 2010 by \$1,932,565, resulting in ending net assets of \$1,708,279. **This control weakness is considered satisfied.**

SATISFIED CONTROL WEAKNESS

GENERAL COMMENTS FOR CONSIDERATION (CONT.)

Social Security Fund

Previously Reported Comment

Comment:

The Social Security (Special Revenue) Fund provides retirement benefits for County employees. For fiscal year 2010, expenditures (net of reimbursements from other funds) exceeded revenues by \$3,479,118. A subsidy transfer from the General Fund of \$3,813,325 was required to increase the fund balance to \$1,964,666. The 2010 property tax levy for this fund is similar to the 2009 levy, thus the Fund will probably require additional resources in fiscal 2011.

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, 2010 is \$1,964,666. Continued subsidy transfers from the General Fund are budgeted for fiscal 2011. **This control deficiency is considered satisfied.**

SATISFIED 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, 2010, 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:

The Probation Services Department now has the ability to determine if everything that should be assessed has been assessed correctly. Any billings are reconciled to what is being recorded in the Probation Services Department's Peachtree billing system. The Probation Services Department receives notification from the Clerk of the Circuit Court Office of all community services payments received as well. The Probation Services Department now separately identifies all Community Service Fee revenue in a separate general ledger account. **This control weakness is considered satisfied.**

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

FEDERAL AWARDS

Grant Documentation – Human Services Department

Previously Reported Comment

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.

In fiscal 2009, 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 elapse.

Current Year Status:

No such instances were noted in the current year.

Applicant Files – Community Services Department

Previously Reported Comment

Comment:

During our 2009 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.

Current Year Status:

No such instances were noted in the current year.

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

FEDERAL AWARDS (CONT.)

Grant Reporting – Human Services Department

Previously Reported Comment

Comment:

During our 2009 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.

Current Year Status:

No such instances were noted in the current year.

Grant Reporting – Probation and Court Services

Previously Reported Comment

Comment:

During our 2009 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.

Current Year Status:

No such instances were noted in the current year.

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

FEDERAL AWARDS (CONT.)

Grant Reporting – Convalescent Center

Previously Reported Comment

Comment:

During our 2009 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.

Current Year Status:

No such instances were noted in the current year.

Grant Reporting – Crime Laboratory

Previously Reported Comment

Comment:

During our 2009 audit of the grants awarded to the DuPage County Sheriff's Office 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.

Current Year Status:

No such instances were noted in the current year. See page 23 for current comments regarding this grant.

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

FEDERAL AWARDS (CONT.)

Sub-recipient Monitoring

Previously Reported Comment

Comment:

While testing compliance requirements for sub-recipient monitoring for grants received by the Economic Development and Planning Department in 2009, 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.

Current Year Status:

No such instances were 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.

Corrective Action Plan:

The Commission has purchased an upgraded attendance/payroll tracking system. Changes will be implemented in the near future. The system will allow regular employees to review and sign off on their hours worked as well as a supervisor.

CLERK OF THE CIRCUIT COURT'S OFFICE

CLERK OF THE CIRCUIT COURT'S OFFICE

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.**

Corrective Action Plan:

Field Courts – When possible, we have two clerks in the field courts. Currently, due to budget restraints and reduced staff, we are unable to provide additional staffing for complete segregation of duties.

Printing of Checks under \$5,000 – There are multiple audit trails within DUCs for each process needed to create a check. The accounting department reconciliation is done by check number and dollar amount only. No False payee would be discovered during bank reconciliation. The Clerk's Office is implementing an additional authorization process that will record a release authorization for any check issued under \$5,000.

CLERK OF THE CIRCUIT COURT'S OFFICE

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 from 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 implemented a general ledger system in August of 2010. It is currently being used and will be available in 2011 for reconciliations of accounts. However, at November 30, 2010, this reconciliation is not yet achieved. **This control deficiency is repeated.**

Corrective Action Plan:

The Circuit Clerk's Office implemented a general ledger system in August of 2010. This ledger application provides the Clerk the necessary tracking ability to reconcile criminal traffic cases at a workgroup level. The Clerk's intent is to reconcile the criminal traffic available funds account during 2011.

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.

Corrective Action Plan:

Tax Sale Redemptions are recorded in a ledger, daily, under the tax buyer's code. Every Friday when checks are mailed to the tax buyers for their redeemed properties, an entry is recorded in the ledger with the check number and date.

The ledger has a running balance per tax buyer that is kept current daily.

Without additional money placed in the County Clerk's budget, the purchase of a software program is not feasible.

We will contact our IT department to see if a mainframe program can be developed for tax sale redemptions.

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.

COUNTY CLERK'S OFFICE

SIGNIFICANT DEFICIENCIES (CONT.)

Segregation of Cash Duties (Cont.)

Recommendations:

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 identified and investigated on a timely basis.

Current Year Status:

This significant deficiency is repeated.

Corrective Action Plan:

The Chief Deputy County Clerk is able to view all credits and debits through our on-line banking connection. He is the only one who has access to the County Clerk's account through the on-line process. Any misappropriation would be viewed through this process.

COUNTY CLERK'S OFFICE

CONTROL DEFICIENCY

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 processes 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.

Corrective Action Plan:

The County Clerk would like to see examples of such accounting policies and/or procedures.

COUNTY CLERK'S OFFICE

SATISFIED CONTROL DEFICIENCY

Security of Check Stock

Previously Reported Comment

Comment:

During our review of internal control procedures, it was determined 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 considered satisfied.

RECORDER'S OFFICE

RECORDER'S OFFICE

CONTROL DEFICIENCY

Accounting Procedures Documentation

Previously Reported Comment

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 control deficiency is repeated.

Corrective Action Plan:

The Recorder's Office is pleased with the results of the internal audit that showed no findings with any accounting issues either this year or last year. In regards to the Accounting Policies and Procedures manual, that will be completed by next year's annual audit.

SHERIFF'S OFFICE

SHERIFF'S OFFICE

SIGNIFICANT DEFICIENCY

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.

Corrective Action Plan:

Statements of account are reviewed quarterly for accuracy and compared to the monthly bank summaries provided to the Office. The Office will seek appropriate training courses for those that manage the accounts.

SHERIFF'S DEPARTMENT

CONTROL DEFICIENCY

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 Office. Maintenance of a perpetual inventory system would serve as a control on the commissary clerk, provide information essential for 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.**

Corrective Action Plan:

This service is still being researched for outsourcing by the Office.

SHERIFF'S OFFICE

NO SUCH INSTANCES NOTED IN THE CURRENT YEAR

Grant Reporting

Previously Reported Comment

Comment:

During our 2009 audit of grants received by the County Sheriff's Office, 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 recommended that the reporting requirements of grant agreements be 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.

Current Year Status:

No such instances were noted in the current year.

STATE'S ATTORNEY OFFICE

STATE'S ATTORNEY OFFICE

SIGNIFICANT DEFICIENCY

Agency Funds – State's Attorney

Previously Reported Comment (Partial)

Comments:

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. We also noted the following approval processes were not being formally documented:

- Review of the revenue coding to the general ledger for cash receipts that are deposited into the Treasurer's Office.
- Review of the investigative account bank reconciliation.

In addition, it was noted that the State's Attorneys Office has one license to the software programs that are used to process agency fund cash disbursements, receipts, and bank reconciliations. As a result, various personnel share the same PC to complete tasks related to these accounts and must rely on a single employee to login to the computer.

We also noted that in some instances, after payment requests are submitted to the Finance Department, the completed checks are requested to be returned to the State's Attorney Office.

Recommendations:

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. We also recommend the State's Attorney Office consider improved controls or processes to help mitigate the risk associated with sharing login information for a single PC with multiple employees. Also, custody and mailing of completed checks should be segregated from the originating department.

Current Year Status:

This significant deficiency is repeated.

STATE'S ATTORNEY OFFICE

SIGNIFICANT DEFICIENCY (CONT.)

Agency Funds – State's Attorney (Cont.)

Corrective Action Plan:

The State 's Attorney has implemented the suggested approval process for bank statements and deposits after our January meeting. The deposits with the Treasurer's Office are prepared by the Financial Analyst, then reviewed by the Chief of Administration. The State's Attorney investigation account reconciled bank statements are reviewed by the First Assistant State's Attorney. With this new procedure, we are compliant with Wolf's recommendation.

With the implementation of the new Treasurer's check processing plan, we no longer receive accounts payable checks from the Finance Department unless it is one of the approved reasons to request the check to be returned to the department.

Regarding the other comments, I would like to thank Wolf & Company for clarifying these issues with my staff. With this communication, we were able to prepare an appropriate response. Although we submitted all the reconciled bank statements, a summary spreadsheet for each account was not available for review. Wolf & Company has submitted examples and templates for our review and consideration. Prior to next year's audit, a summary sheet will be developed and implemented for each account which will make us compliant with Wolf's recommendation.

STATE'S ATTORNEY OFFICE

CONTROL DEFICIENCIES

Disposition of Welfare Fraud Forfeiture Funds

Previously Reported 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, 2010 was \$63,597.

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 reported a balance of \$63,597 at November 30, 2010, net of investment income of \$228 and personnel costs of \$2,554. **This control deficiency is repeated.**

Corrective Action Plan:

The cost associated with welfare investigations are identified by various individuals. It is the opinion of the Administration Bureau, that all costs are not being identified because of the lack of a time management system. They are in the process of developing a plan to allocate a percentage of individual's time that are assigned to this type of case.

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's Office. 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.

STATE'S ATTORNEY OFFICE

CONTROL DEFICIENCIES

Victim Restitution Funds (Cont.)

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:

On October 25, 2010, a check was issued to the State for unclaimed property for period ending May 2003. This check eliminated a total of seven outstanding checks from the December 2010 reconciliation report as either unclaimed property or services determined not received. Next year, all 2003 and part of 2004 checks should be eliminated and funds sent to the State for unclaimed property. **This control deficiency is repeated.**

Corrective Action Plan:

Regarding the insurance fund, we have notified the 8 victims regarding existing non-negotiated checks. The victims have 20 days from the date on the letter to respond to our request. Once the new affidavit is completed and returned, a new check will be issued. If the checks are not negotiated within the 60 days indicated on the check, the check will be voided. The account will be closed and any remaining funds will be returned to the insurance company as per settlement agreement. This account should be closed by the end of the 2011 fiscal year.

The remaining funds in the victim restitution account will be reviewed for distribution. If the victim cannot be located, the remaining funds in the account will be sent to the State of Illinois as unclaimed property. This account should be closed in 2012.

TREASURER'S OFFICE

TREASURER'S OFFICE

CONTROL DEFICIENCIES

Treasurer's Office Internal Control

Previously Reported Comment

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 Office:

- Review of bank deposit receipts
- Review of general ledger coding of internal cash receipts

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 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.

Current Year Status:

Certain portions of the previously reported comments have been addressed and are not included above. **This control deficiency is repeated.**

Corrective Action Plan:

Treasurer's supervisory personnel formally documented a review of bank statements since June of 2010 but was in disagreement as to the need to make notations on the bank reconciliations, since a report is run monthly which lists all reconciling items and is reviewed by supervising personnel. However, the Treasurer's Office began formally documenting approval of the bank reconciliations in May 2011 to follow the auditor's requirement.

The Treasurer's Office has five people who prepare bank reconciliations to insure that the preparer of the deposits and the person preparing the checks is not the same person that reconciles the bank account.

The recommended procedures have been implemented, and were begun in the second half of the audit year being report.

TREASURER'S OFFICE

CONTROL DEFICIENCIES (CONT.)

Investment Reconciliation

Comment:

During our audit of investments and cash we discovered the following items related to new accounts of the 2010 G.O. Bond Project Funds that resulted in significant audit adjustments:

- Per review of the bank reconciliation, it was noted that \$257,561 was improperly included as an outstanding item. A reclassification entry was necessary to include this amount in the investment account of the G.O. Alternate Series Bond Project Fund. Prior to the adjustment, the investments per the Daily Bank Report were understated, and the cash per the Daily Fund Status Report (both reports obtained from Treasurer's Office) was overstated by the same amount.
- Per review of the bank statement, auditor noted that \$146,250 of cash was improperly classified as investments in the G.O. Alternate Series Bond Project Fund. A reclassification entry was necessary to properly reflect the categorization of the assets within this fund.
- After the above two items were noted, an unreconciled amount remained in the investment account. The balance per the Daily Bank Report was overstated by this amount when compared to the confirmation we received back directly from Fifth Third Securities.

Recommendation:

Investment statements should be reconciled on a monthly basis. The reconciliation process should include procedures to ensure proper recognition on any return on principal payments. Investments should also be reconciled to the market values. The Treasurer should consider utilizing an offline application to track the market values if the County's software is not capable of recording transactions appropriately.

Corrective Action Plan:

The Treasurer's Office was aware of adjustments that needed to be made and, in fact, advised the auditors of the need to make them. Adjustments could not be made at the end of the current period on the November 30, 2010 bank reports, etc. because the books are kept on the cash basis, closed the day after the end of the period, and the values were not known on that day. Accrual entries are added to the cash basis reports in the audited statements.

Additionally, the Treasurer's Office has implemented reconciliation of the investment accounts as of fiscal year 2011.

The Treasurer will research a method to obtain the market values, so the accounts can be properly reflected at the end of each current period.