

**DuPage County, Illinois**

**Report on Internal Controls**

**For the Year Ended  
November 30, 2011**

**Wolf & Company LLP**  
Certified Public Accountants

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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 DuPage County, Illinois, as of and for the year ended November 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

The funds and operations of the DuPage County Health Department, the DuPage Airport Authority, and the DuPage Emergency Telephone Systems Board, all of which are included within the County's financial statements, were audited by us under a separate engagement. 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 25, 2012, on the financial statements of DuPage County, Illinois.

The County prepared responses and corrective action plans that are included after each comment and recommendation. We did not audit the County's responses and 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, elected officials, 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 25, 2012

## **MATERIAL WEAKNESSES**

### **FEDERAL AWARDS**

#### **Reimbursement Requests**

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

###### *Comment:*

The County's agreement with the Illinois Department of Healthcare and Family Services for the Child Support Enforcement Program (Agreement No. 2008/11-55-015-K1/2/3) requires that the County submit expenditure reports no later than the 15<sup>th</sup> 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, fiscal year 2010, and fiscal year 2011 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, as we have in the past, that reimbursements be submitted no less frequently than on a quarterly basis, as with most federal and state reimbursement requests. A request should be made with the contractor to timely submit required documents.

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

In the current year, August 2010 through April of 2011 expenses were submitted for reimbursement in June 2011. **This material weakness is repeated.**

###### *Management's Response/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 basis consistent with the agreement.

## **MATERIAL WEAKNESSES**

### FINANCE DEPARTMENT

#### **Accounting Software/Financial Reporting**

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

###### *Comment:*

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

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

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

###### *Recommendation:*

We recommended 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.

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

No changes were made to the accounting software or financial reporting in the current year. The County has already secured financing for a new ERP system and has responses from an RFP issued in FY11. The County should focus on ensuring that the selected system maximizes the productivity of its finance staff, provides reliable and timely modified accrual basis financial information, and meets additional financial reporting needs of management and the Board. **This material weakness is repeated.**

###### *Management's Response/Corrective Action Plan:*

Utilizing funds made available in 2010, throughout Fiscal Year 2011, the County has 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 a priority. A Request for Proposal was let in FY 2011, and as of July 2012, the County is evaluating firms for recommendation to the County Board. The award selection of a financial software product and implementer is anticipated in October 2012. 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**

#### **Checking Accounts/Demand Deposit Accounts**

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

###### *Comment:*

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

###### *Recommendation:*

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

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

**This significant deficiency is repeated.**

###### *Management's Response/Corrective Action Plan:*

In May 2012, the County's Financial and Budget Policies were revised to reflect that all County departments must obtain County Board approval and notify the Finance Department when a new bank account is opened. Also, all bank accounts in a department's custody should be listed and communicated to the Finance Department. The accepted Financial and Budget Policies state:

Departments under County Board jurisdiction are required to obtain County Board approval for establishment of and setting of minimum requirements for any bank or investment account placed outside of the County Treasurer.

Elected officials who choose to maintain bank or investment accounts outside of the County Treasurer are responsible to notify the Finance Department regarding the existence of said accounts in order to facilitate required financial reporting. The elected official is responsible for maintaining proper internal controls.

## SIGNIFICANT DEFICIENCIES

### DEPARTMENT OF TRANSPORTATION

#### Belmont Road Grade Separation Project

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

###### *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 3 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.

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

During the course of our audit, we did not observe any overbillings to ICC. However, it was noted that timeline requirements were not being followed per the agreement. Page 3 (Section 3.D) of the agreement states that the County is required to wire funds to Metra within 10 days of the County's receipt of the ICC Funds. In one instance, we viewed that a draw request was submitted 5 days past the 10 day requirement. In addition, page 3 (Section 3.C.) of the agreement states that the County must request reimbursement from the ICC through IDOT within 10 business days of receipt of the cancelled check to the contractor. We noted 2 instances where this requirement was not followed. In one instance the invoice to IDOT was 13 days past the 10 day requirement, and the other IDOT was invoiced 3 days past the 10 day requirement. **This significant deficiency is repeated**

###### *Management's Response/Corrective Action Plan:*

Prior to implementing the project, the Division of Transportation (DOT) had a process in place to monitor the timeline requirements. As the project progressed, situations occurred where DOT realized that there was a need to make improvements to the system. On 6 occasions, the Illinois Department of Transportation's reimbursement payments to DOT were up to 30 days past due. On another occasion, the DuPage County Treasurer's office was delayed in processing the wire to Metra. DOT now has a flowchart tracking each event needing to occur to complete each process.

DOT feels confident that the improvements made to the system will better manage any future projects of this magnitude and complexity.

## **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 2011 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.**

###### *Management's Response/Corrective Action Plan:*

Although the SEFA was prepared and completed by County Finance personnel early during audit fieldwork, federal expenditure amounts were revised in several grant programs due to the complexity of the funding sources and grant programs. County personnel have reviewed the changes made in prior years and will implement steps to ensure a more accurate reporting of federal expenditures for the SEFA.



## **CONTROL DEFICIENCIES**

### **GENERAL COMMENTS FOR CONSIDERATION (CONT.)**

#### **Liability Insurance Fund**

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

###### *Comment:*

The Liability Insurance Internal Service Fund accounts for the payment of worker's compensation and liability insurance related items. Net assets in this fund have increased from \$(3,005,519) at November 30, 2010 to \$(2,548,945) at November 30, 2011. Therefore, costs incurred in the Internal Service Fund are not being charged/allocated to other funds or activities until a later date. It should be noted that \$(993,396) 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, 2011 are \$(2,548,948). **This control deficiency is repeated.**

###### *Management's Response/Corrective Action Plan:*

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

## **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.**

###### *Management's Response/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 regenerated 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.)**

##### **Previously Reported Comment (Cont.)**

*Current Year Status:*

**This control deficiency is repeated.**

*Management's Response/Corrective Action Plan:*

New software has been investigated and subsequently acquired. The software selected ("Carevoyant") allows accounts receivable aging reports to be regenerated at any time for prior period reporting. Reports generated for a prior period yield identical results regardless of when the report is run.

#### **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 and are, in part, the result of delays by the Medicaid system in their reconciliation of the information. 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. This will require coordination with the state's Medicaid systems in providing information in a timely manner.

*Current Year Status:*

**This control deficiency is repeated.**

*Management's Response/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 six months of HFS processing completion occurring at both the state and local level.

## 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.

###### *Management's Response/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 to be completed with the advent of the ERP system 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, ensure 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 insure that all assets are accounted for, that assets are not recorded twice, and that year-end financial reports can be prepared on a timely basis.
- The County's policy of immediately deducting 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.**

##### *Management's Response/Corrective Action Plan:*

A Capital Asset Policy guideline has been developed 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. It is anticipated that a formal policy and procedures will be implemented with a comprehensive accounting procedures manual in conjunction with the implementation of the ERP system.

## SATISFIED MATERIAL WEAKNESS

### FINANCE DEPARTMENT/WATER AND SEWERAGE SYSTEM

#### Prior Period Restatement

##### **Previous Reported Comment**

###### *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 reports	\$ 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.

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

No such adjustments were necessary during fiscal year 2011. **This material weakness is considered satisfied.**

## **SATISFIED 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.

###### *Recommendation:*

We have recommended the following related to program files:

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

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

Our examination of a sample of records for the Illinois Home Weatherization Assistance Program concluded that the issues identified in prior years have been addressed. **This significant deficiency is considered satisfied.**

#### **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.



## **SATISFIED SIGNIFICANT DEFICIENCIES**

### **GENERAL COMMENTS FOR CONSIDERATION (CONT.)**

#### **Cash Disbursement Processing (Cont.)**

#### **Previously Reported Comment (Cont.)**

##### *Current Year Status:*

A new policy was implemented on during fiscal year 2011. As of March 31, 2011 checks are no longer returned to any departments and are mailed out by the County Clerk. **This significant deficiency is considered satisfied.**

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

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

##### *Recommendation:*

We recommend that the County enhance controls over the cash management and reporting requirements of the Community Services Block Grant by implementing and documenting the controls mentioned in the comments above.

##### *Current Year Status:*

Our testing in the current year concluded that the issues identified in prior years have been addressed. **This significant deficiency is considered satisfied.**

## **SATISFIED SIGNIFICANT DEFICIENCIES**

### **FEDERAL AWARDS (CONT.)**

#### **Homeless 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 2010 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.

*Current Year Status:*

Our testing in the current year concluded that the County implemented controls to help mitigate the risk of inaccurate financial reporting. In addition, all reports submitted during the fiscal year did not appear to have any errors. **This significant deficiency is considered satisfied.**

## SATISFIED SIGNIFICANT DEFICIENCIES

### CONVALESCENT CENTER

#### Capital Assets

#### Prior Year Comment

##### *Comment:*

During our 2010 audit of capital assets at the Convalescent Center, 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 recorded by auditors.
- 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.

##### *Recommendation:*

- 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.

##### *Current Year Status:*

Our testing in the current year concluded that the County implemented controls to help mitigate the risk of inaccurate financial reporting. In addition, all reports submitted during the fiscal year did not appear to have any errors. **This significant deficiency is considered satisfied.**

## **SATISFIED SIGNIFICANT 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:*

A new policy was implemented on during fiscal year 2011. As of March 31, 2011, checks are no longer returned to any departments and are mailed out by the County Clerk. **This significant deficiency is considered satisfied.**

## **SATISFIED CONTROL DEFICIENCIES**

### **FEDERAL AWARDS**

#### **Grant Reporting – Crime Laboratory**

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

###### *Comment:*

During our prior 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 considered satisfied.**

## **SATISFIED CONTROL DEFICIENCIES**

### **GENERAL COMMENTS FOR CONSIDERATION**

#### **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 were disbursed during the fiscal year. **This control deficiency is considered satisfied.**

**NO SUCH INSTANCES NOTED IN THE CURRENT YEAR**

**FEDERAL AWARDS**

**Interest Earnings – Energy Efficiency and Conservation Block Grant**

**Previously Reported Comment**

*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.

*Current Year Status:*

No such instances were noted in the current year. **This control deficiency is considered satisfied.**



## **HUMAN RESOURCES DEPARTMENT**

### **CONTROL DEFICIENCY**

#### **Payroll Checks**

##### **Current Year Comment**

###### *Comment:*

Payroll checks and direct deposit vouchers are processed by the Human Resources Department. They are delivered to the County Clerk and Treasurer's Offices for pick up by a delegated individual (see separate comment regarding internal controls over check pick-up procedures at the Treasurer's Office). The County's policy requires that only authorized department representatives can pick up checks and direct deposit vouchers from the County Clerk. The County Clerk's Office maintains a list of individuals who are authorized to pick up checks and vouchers for their departments. The list shows their names and signatures so that one can verify their identity. During our audit, we discovered that there is no process for updating the list for employees who were terminated or whose authorization to pick up checks was revoked. Consequently, there is a risk that payroll checks and direct deposit vouchers could be picked up by a person who is no longer authorized or employed at the County.

###### *Recommendation:*

We recommend that the Human Resources Department obtain a list of the employees who are authorized to pick up checks and direct deposit vouchers at the County Clerk and Treasurer's Offices. We also recommend that Human Resources Department add a step to their termination procedures, which will require cross checking the names of terminated employees against these lists. If a terminated employee was to be found on either of these lists, the Human Resources Department is to communicate this information to the respective department immediately to allow for each list to be current.

###### *Management's Response/Corrective Action Plan:*

HR has completed the recommendation regarding cross checking terms and the list of those authorized to pick-up vouchers/checks is updated as required.

## HUMAN RESOURCES DEPARTMENT

### SIGNIFICANT DEFICIENCIES

#### Accrued Benefits

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

###### *Comment:*

The Human Resources Department does not possess control over the calculation of accrued benefits of employees in the elected officials' departments. Failure to maintain a complete and accurate account of all County employees and their accrued benefits may lead to incorrect payouts or inaccurate reporting of the year-end liability. Oversight by the Human Resources Department would ensure 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 continuously, consistently, and accurately track 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, 2011. This review identified \$707,090 in understated sick and retention leave, and \$13,074 in understated vacation leave as of November 30, 2011, in the original spreadsheets summarized by Human Resources. The correction of balances were a result of an omission of the Circuit Court Clerk's Office in addition to correction of balances in the Sheriff's Office, County Coroner's Office, and State's Attorney's Office. The Internal controls in the Departments above and the County's Human Resources Department were not designed properly, as noted in prior years, to detect such misstatements. Without such a review done by the County Auditor's Office, these misstatements would have been unnoticed by the County and provided to the external auditors as final balances.

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

###### *Management's Response/Corrective Action Plan:*

Calculation of accrued benefits for each County department by employee should be accurately prepared by the department and follow the County Employee Policy Manual for guidelines as to accrual amounts. Human Resources will compile the departments' detailed calculations and review for compliance with the Policy. Any discrepancies will be brought to the attention of the department in question before submission to Finance for calculation of year-end compensated absence liabilities.

## **HUMAN RESOURCES DEPARTMENT**

### **SATISFIED CONTROL DEFICIENCIES**

#### **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.

###### *Recommendation:*

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:*

The department implemented the prior year corrective action plan and the Chief of Staff signs all Human Resources Department payroll changes. **This control deficiency is considered satisfied.**

## **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.**

###### *Management's Response/Corrective Action Plan:*

Employees are currently being provided with a time sheet to complete, sign and submit to their immediate Supervisor for verification and approval. The Supervisor then signs the timesheets and submits them for payroll processing.

## **CIRCUIT COURT ADMINISTRATION**

### **MATERIAL WEAKNESS**

#### **Quarterly Reporting – Domestic Violence Program**

##### **Current Year Comment**

###### *Comment:*

During the course of the audit, it was discovered that quarterly financial reports were not being completed or submitted for grant No. 11GQ01967. The award period of this grant is July 1, 2011 - October 31, 2011. Per review of the grant agreement, reports are to be submitted within 30 days of the end of each quarter. Failure to comply can cause a delay in funding or funding to cease altogether.

###### *Recommendation:*

We recommend that quarterly financial reports for the Domestic Violence Program be completed by a knowledgeable employee and submitted in a timely manner.

###### *Management's Response/Corrective Action Plan:*

In the past, the Probation Department has had only one designated liaison with the granting agency. This resulted in late reporting when that employee terminated employment. In an effort to correct this problem, the Probation Department has now designated two employees to be responsible for all grant activities. This should eliminate any late reporting in the future, after July 2012.

## **CIRCUIT COURT ADMINISTRATION**

### **SIGNIFICANT DEFICIENCY**

#### **Recording of Unexpended Grant Funds – Domestic Violence Program**

##### **Current Year Comment**

###### *Comment:*

During the course of the audit, it was discovered that \$10,850 in unused grant funds was received and returned but never recorded on the books as revenue and return of unexpended grant funds. The check was never deposited in the bank, but a copy of it was made and provided during our testing. The funds should have been recorded as revenue in the prior fiscal year and return of unexpended funds in fiscal year 2011. These entries were not made leaving an insufficient audit trail.

###### *Recommendation:*

We recommend that all checks received and returned be entered into the accounting system in a timely manner by the appropriate County employee.

###### *Management's Response/Corrective Action Plan:*

Unexpended funds had been returned to the granting agency in the previous month following the procedures outlined above. These additional funds had not been requested from the granting agency. A memo was put in the grant packet documenting that the funds were received and sent back to the funding agency. No checks were held by employees. In the future, the Probation Department will follow the recommendation and deposit all funds, regardless of overpayment, in order to create an audit trail.

## CIRCUIT COURT ADMINISTRATION

### CONTROL DEFICIENCY

#### PROBATION SERVICES DEPARTMENT

##### Grant Reporting – Probation and Court Services

**Previously Reported Comment** (Reported under County Board Comments in prior year.)

*Comment:*

During our 2010 audit of Juvenile Justice Council Care Program grants, the following issues were noted: Per review of a federal grant agreement (No. 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 affected 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.

*Current Year Status:*

Matching funds in the amount of \$3,536 were not transferred into the funds of award Nos. 507805 and 506315 until after the end date of the award period. In addition, we noted cash receipts were misclassified in the internal deposit form given to the Treasurer. Audit entries were required to correctly classify the matching funds of \$8,205 from the federal funding category. **This control deficiency is repeated.**

*Management's Response/Corrective Action Plan:*

In the future, all match funds will be processed within 60 days after the grant has been awarded. This will eliminate any match funds being processed after the end of the award period.

## CLERK OF THE CIRCUIT COURT'S OFFICE

### SIGNIFICANT DEFICIENCIES

#### Segregation of Cash Activities and Security

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

###### *Comment:*

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.**

###### *Management's Response/Corrective Action Plan:*

Field Courts – The Circuit Clerk has rearranged duties and installed hardware in both the Addison and Wheaton traffic courts. Two Clerks are assigned to each of these courts on a daily bases. The presence of these two clerks, daily in each of these courts, provides proper segregation of duties for a good system of internal control. Provided that the Clerk is able to adjust to a larger rearrangement of duties, the goal is to have two clerks in both the Downers Grove and Wheaton traffic courts by the end of 2012.



## **CLERK OF THE CIRCUIT COURT'S OFFICE**

### **SIGNIFICANT DEFICIENCIES (CONT.)**

#### **Segregation of Cash Activities and Security (Cont.)**

##### **Previously Reported Comment (Cont.)**

##### *Management's Response/Corrective Action Plan (Cont.):*

Printing of checks under \$5,000 – The Clerk has two distinct systems involved in the preparation and generation of printing checks for accounts (i.e. cases, invoices, etc.) The largest volumes of disbursements are generated through an interface with our case management system where only case parties existing as part of the official record of the court can receive any check. There are security ids, passwords and complete audit trails in addition to automatic electronic interfaces between the case management system and the Clerk's general ledger system which reduce the risk of error or fraud. In an effort to respond to increase the internal controls, the Clerk shall within thirty days implement a case management check register and a general ledger check register for purposes of comparison and sign off prior to any check being released from the Clerk's Office. This will provide for additional controls to secure and mitigate the risk of personnel creating false payees or attempting to cover any incident of disbursement to other than the correct recipient of funds. This procedure shall be implemented by September 1, 2012.

#### **Accrued Benefits**

##### **Previously Reported Comment** (Reported under County Board Comments in prior year.)

##### *Comment:*

The Clerk of the Circuit Court's Office maintains control over the calculation of accrued benefits of employees in the Office. The inability for one centralized department 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 Clerk of the Circuit Court establish a policy for the Human Resources Department to continuously, consistently, and accurately track the calculation of accrued benefits by employee.

##### *Current Year Status:*

The County Auditor's Office completed a review of the compensated absences liability at November 30, 2011. This review identified \$707,090 in understated sick and retention leave and \$13,074 in understated vacation leave as of November 30, 2011 in the original spreadsheets summarized by Human Resources. A portion of the difference of the balance was a result of an omission of employees in the Clerk of the Circuit Court's Office. The internal controls in the Clerk of the Circuit Court were not designed properly, as noted in prior years, to detect such misstatements. Without such a review done by the County Auditor's Office, these misstatements would have been unnoticed by the County and provided to the external auditors as final balances.

## CLERK OF THE CIRCUIT COURT'S OFFICE

### SIGNIFICANT DEFICIENCIES (CONT.)

#### Accrued Benefits (Cont.)

**Previously Reported Comment** (Reported under County Board Comments in prior year.) (Cont.)

*Current Year Status (Cont.)*

Control over the calculation of these benefits is still maintained outside of the County's Human Resources Department. As of year-end, no policy has been established to address the above recommendation. **This significant deficiency is repeated.**

*Management's Response/Corrective Action Plan:*

The Circuit Clerk is the 'sole employer' of his employees and maintains a complete and accurate accounting of accrued benefits within his own Human Resource Departmental System. The Clerk adopts policies for his office and shares this information with the County Human Resources Department in an effort to cooperate and establish consistent benefits that the County has in place. Employee benefits balances are reported to the County annually per request. Control over Circuit Court Clerk employees shall remain with the Clerk of the Court.

## 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. 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 2011-2012. **This control deficiency is repeated.**

###### *Management's Response/Corrective Action Plan:*

Since August 2010 the Clerk has addressed thousands of individual cases which make up the reconciliation of the Criminal Traffic Account. The Clerk has made enormous progress during 2011 and 2012 to-date auditing the pre-GL individual cases. There is no expectation of insufficient funds upon the completion; however, in order to perform monthly recommendation of pre-GL funds, this task must continue to be performed to completion. In an effort to reduce the magnitude of work related to the reconciliation of the criminal traffic account, the Clerk has segregated post-GL funds from pre-GL funds. This provides the opportunity to perform monthly reconciliations of criminal traffic funds parallel to the auditing of pre-GL cases. Reconciliation the criminal traffic account for monthly post-GL funds are expected to be completed during 2012.

## CORONER

### SIGNIFICANT DEFICIENCY

#### Accrued Benefits

**Previously Reported Comment** (Reported under County Board Comments in prior year.)

*Comment:*

The Coroner's Office maintains control over the calculation of accrued benefits of employees in the Office. As a result, the calculations may not be consistent with other departments and elected officials within the County. The inability for one centralized department 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 Coroner's Office establish a policy for the Human Resources Department to continuously, consistently, and accurately track the calculation of accrued benefits by employee.

*Current Year Status:*

The County Auditor's Office completed a review of the compensated absences liability at November 30, 2011. This review identified \$707,090 in understated sick and retention leave and \$13,074 in understated vacation leave as of November 30, 2011 in the original spreadsheets summarized by Human Resources. A portion of the difference of the balance was a result of errors by the Coroner's Office. The internal controls in the Coroner's Office were not designed properly, as noted in prior years, to detect such misstatements. Without such a review done by the County Auditor's Office, these misstatements would have been unnoticed by the County and provided to the external auditors as final balances.

Control over the calculation of these benefits is still maintained outside of the County's Human Resources Department. As of year-end, no policy has been established to address the above recommendation. **This significant deficiency is repeated.**

*Management's Response/Corrective Action Plan:*

The Coroner's Office has statutory requirements that he or she shall control the internal operations of the office. Currently, we communicate with the Human Resources Department regarding benefits on an annual basis. However, once the planned ERP program is implemented we can re-evaluate at that time.

## **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.**

###### *Management's Response/Corrective Action Plan:*

The Wolf & Company report indicates three areas of concern as it pertains to the County Clerk's Office. The first is an accounting software program for tax sale redemptions. Wolf & Company has not shown a deficiency in our current tracking system, only that they would like us to use a different method for tracking redemptions. I don't believe the purchase of an accounting software package, which would cost money, would change the fact that an employee would still be manually entering the data of 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.

###### *Recommendation:*

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

## **COUNTY CLERK'S OFFICE**

### **SIGNIFICANT DEFICIENCIES (CONT.)**

#### **Segregation of Cash Duties (Cont.)**

##### **Previously Reported Comment (Cont.)**

###### *Recommendation (Cont.)*

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.**

###### *Management's Response/Corrective Action Plan:*

Wolf & Company commented on the segregation of cash duties. The audit did not show a deficiency, only that they would like to see a change in procedure. Currently, the Chief Deputy County Clerk reviews the bank statements and credit card deposits. I don't believe Wolf & Company has shown the need for the hiring of additional personnel for bookkeeping.

## 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.**

###### *Management's Response/Corrective Action Plan:*

Wolf & Company cites a control deficiency in accounting procedure documentation. I will look into creating an accounting manual.

## **RECORDER'S OFFICE**

### **SATISFIED CONTROL DEFICIENCY**

#### **Accounting Procedure 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:*

We observed various documents prepared by the Recorder's Office to document accounting procedures. **This control deficiency is considered satisfied.**



## **SHERIFF'S OFFICE**

### **SIGNIFICANT DEFICIENCIES**

#### **Deposits in Transit – Sheriff Inmate Account**

##### **Current Year Comment**

###### *Comment:*

During current year testing of the Sheriff Inmate bank reconciliation, it was noted that there were several deposits in transit, some dating back to April 2011. Upon further review of these reconciling items, it was noted that many were related to prior month's deposits in transit and were not being appropriately adjusted when they did clear the bank in the following month. As a result, the reconciled bank balance was overstated at November 30, 2011. It was noted that new accounting software was implemented in April 2011 and a lack of training on the new software contributed to the improper reconciling.

###### *Recommendation:*

We recommend that the personnel who reconcile this account obtain the appropriate training to ensure they are able to correctly reconcile the bank statements on a monthly basis.

###### *Management's Response/Corrective Action Plan:*

Personnel responsible for keeping internal records have been sent to Excel training courses to assist in this matter.

#### **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.

## **SHERIFF'S OFFICE**

### **SIGNIFICANT DEFICIENCIES (CONT.)**

#### **Agency Funds (Cont.)**

##### **Previously Reported Comment (Cont.)**

*Current Year Status:*

**This significant deficiency is repeated.**

*Management's Response/Corrective Action Plan:*

Training will be provided to establish accrual basis financial statements and reconciliations.

#### **Accrued Benefits**

##### **Previously Reported Comment (Reported under County Board Comments in prior year.)**

*Comment:*

The Sheriff's Office maintains control over the calculation of accrued benefits of employees in the Office. As a result, the calculations may not be consistent with other departments and elected officials within the County. The inability for one centralized department 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 Sheriff's Office establish a policy for the Human Resources Department to continuously, consistently, and accurately track the calculation of accrued benefits by employee.

*Current Year Status:*

The County Auditor's Office completed a review of the compensated absences liability at November 30, 2011. This review identified \$707,090 in understated sick and retention leave and \$13,074 in understated vacation leave as of November 30, 2011, in the original spreadsheets summarized by Human Resources. A portion of the difference of the balance was a result of errors in the Sheriff's Office. The internal controls in the Sheriff's Office were not designed properly, as noted in prior years, to detect such misstatements. Without such a review performed by the County Auditor's Office, these misstatements would have been unnoticed by the County and provided to the external auditors as final balances.

Control over the calculation of these benefits is still maintained outside of the County's Human Resources Department. As of year-end, no policy has been established to address the above recommendation. **This significant deficiency is repeated.**

*Management's Response/Corrective Action Plan:*

The personnel program that tracks personnel accrued benefits has been corrected and functioning properly. To date, there has not been disparity in the reporting of benefits.

## SHERIFF'S OFFICE

### SATISFIED 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:*

The commissary inventory maintenance is outsourced to an external third party. **This control deficiency is considered satisfied.**

## STATE'S ATTORNEY OFFICE

### SIGNIFICANT DEFICIENCY

#### Accrued Benefits

**Previously Reported Comment** (Reported under County Board Comments in prior year.)

*Comment:*

The State's Attorney's Office maintains control over the calculation of accrued benefits of employees in the Office. As a result, the calculations may not be consistent with other departments and elected officials within the County. The inability for one centralized department 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 ensure that accrued benefits are accurately recorded and presented fairly in the Comprehensive Annual Financial Report.

*Recommendation:*

We recommend that the State's Attorney's Office establish a policy for the Human Resources Department to continuously, consistently, and accurately track the calculation of accrued benefits by employee.

*Current Year Status:*

The County Auditor's Office completed a review of the compensated absences liability at November 30, 2011. This review identified \$707,090, in understated sick and retention leave and \$13,074 in understated vacation leave as of November 30, 2011 in the original spreadsheets summarized by Human Resources. A portion of the difference of the balance was a result of errors by the State's Attorney's Office. The internal controls in the State's Attorney's Office were not designed properly, as noted in prior years, to detect such misstatements. Without such a review done by the County Auditor's Office, these misstatements would have been unnoticed by the County and provided to the external auditors as final balances.

Control over the calculation of these benefits is still maintained outside of the County's Human Resources Department. As of year-end, no policy has been established to address the above recommendation. **This significant deficiency is repeated.**

*Management's Response/Corrective Action Plan:*

Currently, the DuPage County Time Accounting System reports employee accrual in days not hours. Several numbers were transposed when the hours were being manually calculated. The State's Attorney Office will request that I.T. write a program to automatically calculate the annual accrual in hours not days. In addition, the reports will be reviewed by additional State's Attorney staff prior to submission to Human Resources.

## STATE'S ATTORNEY OFFICE

### CONTROL DEFICIENCIES

#### Agency Funds – State's Attorney

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

###### *Comment:*

During current year testing, we noted review process of the revenue coding to the general ledger for cash receipts that are deposited into the Treasurer's Office is not formally documented.

In addition, it was noted that the State's Attorneys Office has one license to the software programs that is 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.

###### *Recommendation:*

We recommend that cash receipts to be deposited with the Treasurer be reviewed by members of management prior to deposit to ensure accurate and appropriate revenue coding. 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:*

Year-end reporting information was compiled in the current year by the State's Attorney. There also was a formal documented review of the bank reconciliations. **This comment is repeated, but reported as a control deficiency rather than a significant deficiency.**

###### *Management's Response/Corrective Action Plan:*

The review of cash receipts deposited with the Treasurer has been implemented for the past year based on a recommendation from Wolf & Company. During this year, a written procedure will be developed detailing the process for depositing checks.

All General Fund Accounts Payable checks are processed in accordance with the DuPage County Finance Department Accounts Payable Forms Completion Manual. If a check is requested to be returned to the State's Attorney Office, it is in accordance with Request for Direct Payment procedures established by the County.

Effective December 1, 2012, the Quicken program containing restitution transactions will be only used for historical data. All restitution checking accounts will be closed.

## **STATE'S ATTORNEY OFFICE**

### **CONTROL DEFICIENCIES (CONT.)**

#### **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.

###### *Recommendation:*

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

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

The total number of outstanding checks decreased from 67 in 2010 to 40 in 2011. There are still outstanding items dating back to 2004. **This control deficiency is repeated.**

###### *Management's Response/Corrective Action Plan:*

On January 19, 2012, the final payment was processed from this (134312) account. This checking account will be closed during the 4<sup>th</sup> quarter of 2012. Any checks that were not negotiated at that time, the funds will be transferred to the State's Attorney Investigation checking account until they can be distributed under the Illinois Uniform Disposition of Unclaimed Property Act (765 ILCS 1025/1-30).

#### **Disposition of Welfare Fraud Forfeiture Funds**

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

###### *Comment:*

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

**STATE'S ATTORNEY OFFICE**

**CONTROL DEFICIENCIES (CONT.)**

**Disposition of Welfare Fraud Forfeiture Funds (Cont.)**

**Previously Report Comment (Cont.)**

*Current Year Status:*

Expenditures in the current year were \$25,738, resulting in ending fund balance of \$37,932. **This control deficiency is considered satisfied.**

## **TREASURER'S OFFICE**

### **CONTROL DEFICIENCY**

#### **Payroll Checks**

##### **Current Year Comment**

###### *Comment:*

Payroll checks and direct deposit vouchers processed by the Human Resources Department are delivered to the Treasurer's Office for pick up by authorized department representatives. Authorized representatives of the Health Department, Elections Commission and Public Works pick up their checks at the Treasurer's Office. All other departments pick up their checks at the County Clerk's Office after the Clerk's Office has picked them up from the Treasurer or the Treasurer has delivered them to the Clerk. During our audit we noted that the Treasurer's Office does not maintain a list of employees who are authorized to pick up payroll checks for the three departments. As a result, there is a risk that an unauthorized individual could pick up payroll checks from the Treasurer's Office.

###### *Recommendation:*

We recommend that the Treasurer's Office establish and maintain a pick-up log and a list of authorized individuals, similar to that used by the County Clerk's Office. Individuals picking up payroll checks for their respective departments should be required to confirm the receipt of payroll checks by signing the pick-up log, and their identity should be verified. This procedure will improve recordkeeping, accountability of employees, and security of payroll checks.

We also recommend that the Treasurer's Office provide the Human Resources Department with a list of employees who are authorized to pick up checks and direct deposit vouchers (once available).

###### *Client Response:*

After discussion with the auditor, who examined the distribution procedures for payroll checks and direct deposit vouchers, the Treasurer's office implemented his suggestion to maintain a "log book" to record the signature of those employees who pick up the checks and vouchers from the Treasurer each payroll. The log book began in April 2012 and is kept up at the front of the Treasurer's office. When staff from the County Clerk, Public Works, Election Commission and Health departments pick up checks and vouchers, they sign and date the log to prove that the items were picked up, by the authorized personnel. A copy of each authorized person's signature is also in the log book, so that the Treasurer's staff that obtain the signature can be sure it is the authorized person before handing over the checks and vouchers. The HR department is also aware of who can sign for the checks and vouchers and will notify us when an authorized person terminates. This deficiency has been corrected and should so be noted.



## **TREASURER'S OFFICE**

### **SIGNIFICANT DEFICIENCY**

#### **Updating of Authorized Bank Signors**

##### **Current Year Comment**

###### *Comment:*

As a required procedure for the audit of cash, we confirmed authorized bank signors for fiscal year 2011. We received notice that a retired employee (as of March 2011) was included on the list of authorized signors at both the Illinois Funds US Bank and MB Financial Bank as of November 30, 2011. It did not appear that the retired employee authorized, initiated or approved any cash transactions.

###### *Recommendation:*

We recommend that all banks be notified in a timely manner to remove terminated and retired employees from authorized signor documentation.

###### *Client Response:*

In error, two banks were not notified of the retirement of an employee who was listed as an authorized signer. The employee in question would not have been able to transfer funds or issue checks at either bank. The Illinois Funds US Bank does not allow checks to be issued on the account and the Treasurer doesn't have check stock for the account. Additionally, funds can't be transferred without having a "code" that must be entered when making a transfer. It is like a PIN number that is assigned to the person. The former employee was never assigned a code, therefore, would have been prevented from making any transfer of funds. The account with MB Financial does use checks; however, checks that are not on the positive pay file will not be paid. In order to send a positive pay file or item, one has to do so via the bank's website. To use the bank's website for submitting positive pay information or to make transfers, the person must have a pre-assigned Token (key). The former employee was never assigned a Token; therefore, she would not have been able to transfer funds or submit positive pay information to allow a check to be paid by the bank. The Treasurer and DuPage County were not at risk for an unauthorized reduction in funds by this former employee.

## TREASURER'S OFFICE

### SATISFIED 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:*

The department implemented the prior year corrective action plan, and **this control deficiency is considered satisfied.**

## TREASURER'S OFFICE

### SATISFIED CONTROL DEFICIENCIES (CONT.)

#### Investment Reconciliation

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

###### *Comment:*

During our 2010 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 November 30, 2010 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.

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

The department implemented the prior year corrective action plan. **This control deficiency is considered satisfied.**