

DuPage County, Illinois

Report on Internal Controls

**For the Year Ended
November 30, 2013**

Wolf & Company LLP
Certified Public Accountants

DUPAGE COUNTY, ILLINOIS

TABLE OF CONTENTS

	<u>PAGE</u>
Auditor's Letter	1-2
<u>County Board Comments</u>	
Material Weakness	
Finance Department	
Accounting Software/Financial Reporting	3
Significant Deficiencies	
Federal Awards	
Reimbursement Request	4
Convalescent Center	
Capital Asset Management	5
Control Deficiencies	
General Comments for Consideration	
Federal Funding/Single Audit	6
Liability Insurance Fund	7
2001 Stormwater Bond Project Fund Balance	8
Procurement	9
Convalescent Center	
Segregation of Duties for Cash Receipts and Review of Billing Adjustments	10
Accounts Receivable Credit Balances	11
Agency Fund – Special Account Authorized Signers	12
Agency Fund – Residents' Account Trust Bank Reconciliation	12
Bed Tax – Netting of Expenses and Revenues	13
Finance Department	
Accounting Procedures Documentation	14
Capital Asset Procedures Documentation	15-16
<u>Human Resources Department</u>	
Satisfied Significant Deficiency	
Accrued Benefits	17
<u>Circuit Court Administration</u>	
Satisfied Significant Deficiency	
Quarterly Reporting – Domestic Violence Program	18

DUPAGE COUNTY, ILLINOIS

TABLE OF CONTENTS

	<u>PAGE</u>
<u>Clerk of the Circuit Court's Office</u>	
Control Deficiencies	
Reconciliation of Criminal Traffic Cases	19
Cancellation of Paid Invoices	20
Outstanding Checks	21
Timely Processing of Refunds for Overpayments	22
<u>County Clerk's Office</u>	
Significant Deficiencies	
Accounting Software	23
Segregation of Cash Duties	24
Control Deficiency	
Accounting Procedures Documentation	25
<u>Sheriff's Office</u>	
Satisfied Significant Deficiency	
Agency Funds	26
<u>State's Attorney Office</u>	
Control Deficiencies	
Disbursements	27
Employee Fund Account	27
<u>Treasurer's Office</u>	
Significant Deficiency	
Updating of Authorized Bank Signers	28

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of DuPage County, Illinois, (the County) as of and for the year ended November 30, 2013, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Airport Authority and the DuPage Emergency Telephone Systems Board, both of which are included within the County's financial statements, were audited by us under separate engagements. The DuPage County Health Department and the Water and Sewerage System Fund, which are also included within the County's financial statements, were 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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not 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 a 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 28, 2014, on the financial statements of the County.

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 County, 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 28, 2014

MATERIAL WEAKNESS

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 working to fully implement the ERP system.

Current Year Status:

The County has begun working with the selected vendor on the ERP implementation; however, the system has yet to be implemented as of fiscal year end. The County has developed an implementation schedule for the ERP system and is currently on track with that schedule. **This material weakness is repeated.**

Management's Response/Corrective Action Plan:

In 2010, the County hired a consultant to evaluate needs and assist in the design and selection of the Enterprise Resource Planning (ERP) software, which has a new financial accounting system as a priority. In November 2012, the County Board approved a contract for implementation of the ERP system. Since the beginning of 2013, County employees worked to implement the new software system and on May 1, 2014 the County has implemented accounts payable, treasury, procurement, and the general ledger modules.

SIGNIFICANT DEFICIENCIES

FEDERAL AWARDS

Reimbursement Requests – Illinois Department of Healthcare and Family Services for the Child Support Enforcement Program

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 15th day of the month following the month of service.

The County contracts with Robert F. Lyons and Associates to submit reimbursement requests to the Illinois Department of Healthcare and Family Services for the Title IV-D Program. Several expenditure reports did not meet the 15th day of the month deadline. 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:

We recommend that reimbursement requests comply with requirements and be submitted no later than the 15th day of the month following the month of the service.

Current Year Status:

This grant ended June 30, 2013. In the current year, 2 out of the 11 monthly expenditure reports were submitted past the 15th deadline. The March report was submitted April 19, 2013 – 4 days late. The May report was submitted June 20, 2013 – 5 days late. **This significant deficiency is repeated.**

Management's Response/Corrective Action Plan:

For monthly expenditure reporting and reimbursement requests to the State, the Finance Department compiles monthly expenditures that are submitted by other County departments. Due to the short window for grant expenditure reporting to the State, all monthly costs of the program were not always processed by the 15th of the subsequent month. This area of the grant program has been discontinued after the program year ending June 30, 2013. It has been noted by the State program liaison that the County's submission of these reports has been correct and timelier than in previous years.

SIGNIFICANT DEFICIENCIES

CONVALESCENT CENTER

Capital Asset Management

Comment:

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 transferred to the Convalescent Center's books at the end of the fiscal year through an audit entry. Total assets transferred and entered into the books for fiscal year 2013 was \$174,592.

We were also made aware of deficiencies in capital assets by the DuPage County Auditor. In the report it was noted that numerous assets are recorded and tracked that are less than the current capitalization policy of \$2,500. Assets tracked that are less than the capitalization policy totaled \$1,761,075 with accumulated depreciation of \$1,619,133 at year end. The auditor also noted various assets totaling \$232,302 that were not located and discovered to be disposed of. A vehicle was transferred between another County Department and the Convalescent Center and the asset was not recorded on the Center's books. It was also noted that a physical inventory of capital assets has not taken place in 25 years.

Recommendation:

We recommend that procedures be implemented to ensure accurate recording of Convalescent Center's capital asset recording. Assets should not be capitalized if less than the capitalization threshold. Inventories should be performed on an annual basis. Policies and procedures should be established regarding the disposal of assets and identification of those assets to accounting.

Management's Response/Corrective Action Plan:

Issues relating to the reporting capability of the software available during the audit period contributed to the inability to conduct a physical inventory of 2,744 individual records for the past 25 years. Reports provided are in a PDF format, which do not lend themselves to sorting or customization for departmental use. With the implementation of the County's ERP software, the Convalescent Center will be able to conduct physical inventory. Internal auditing has recently been successful in converting a PDF report, generated by the old database, into Excel to be used in the data conversion to the new software, as well as allowing for data sorting prior to new software implementation.

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, 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 direct 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, 2012 and 2013 to accumulate grant information and prepare the Schedule of Expenditures of Federal Awards (SEFA). However, 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 by the Finance Department after the initial submission of the SEFA due to the complexity of the funding sources and grant programs. County personnel have reviewed the changes made in the prior years to ensure a more accurate reporting of Federal expenditures for the SEFA in future years.

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 position in this fund has decreased from \$(3,064,395) at November 30, 2012 to \$(5,561,548) at November 30, 2013. 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 \$(1,621,061) 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 position at November 30, 2013 is \$(5,561,548). **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

GENERAL COMMENTS FOR CONSIDERATION (Cont.)

2001 Stormwater Bond Project Fund Balance

Comment:

The 2001 Stormwater Bond Capital Project fund balance was originally funded with bond proceeds for a specific project. Subsequently, additional grant funds were awarded and assisted with the funding of the project. This resulted in unspent funds and a positive fund balance of \$207,711 for year ended November 30, 2013 and \$351,397 for year ended November 30, 2012.

Recommendation:

We recommend that the County review options and spend the funding on allowable projects in order to meet bond issue requirements.

Management's Response/Corrective Action Plan:

The County has appropriated the remaining fund balance for expenditure in fiscal year 2014.

CONTROL DEFICIENCIES

GENERAL COMMENTS FOR CONSIDERATION (Cont.)

Procurement

Comment:

Procurement procedures are governed by the County Procurement Ordinance. Based on inquiry with procurement department, a checklist form is used to ensure procurement steps have been followed and that appropriate documentation is retained for the file. The checklist is signed by appropriate members of management. The State of Illinois' Secretary of State website is also used to check for issues with vendors and bad standing with the state. 12 purchases were selected for testing and the following issues were noted:

1. 7 did not have documentation in the file showing that the vendor was reviewed using the Illinois Secretary of State website for good standing.
2. 1 project was missing the signature of the procurement manager on the procurement checklist. The checklist was signed but then changes were made and the revised form was not re-signed.
3. 1 project was for fingerprint background check services. The vendor agreements did not have clear terms or clear prices. The purchase order had two changes orders and in the case of the first change order, the agreement was re-signed during the three year period. The new agreement did not specifically list out the term and only stated that it was effective for three years. This was incorrect in that the term was from the original date of the agreement. In addition, the re-signed agreement only listed out one of the prices and should have been revised to include the second rate. This first change order was signed by the Human Resource Director before being approved by the Finance Committee. The agreement was signed July 17, 2013 and the Finance Committee approved August 14, 2013. The agreement was for a change order totaling \$7,560. Change orders over \$5,000 are required to be approved by the appropriate committee and therefore, the agreement should not have been signed before the committee approved.

Recommendation:

We recommend that the County ensure that all projects include the Secretary of State verification to ensure vendors used are in good standing with the State. All final procurement checklists should be appropriately signed by members of management. All agreements and contracts should not be signed until after the appropriate committee and/or Board has approved. In addition, all agreements and contracts should include clear terms – specifically term dates and rates.

Management's Response/Corrective Action Plan:

On June 30, 2014, a Buyers meeting was held to address the three deficiencies noted. Commitments from staff that all vendors will include the Secretary of State verification of good standing along with management review will be followed. Final procurement checklists will be appropriately signed by members of the management team. Agreements and contracts will be reviewed for clear terms and will not be signed until after the proper committee and/or Board approval.

CONTROL DEFICIENCIES

CONVALESCENT CENTER

Segregation of Duties for Cash Receipts and Review of Billing Adjustments

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:

The mail is still opened by the accounting department. In addition, it was noted that the accounting department bills and re-bills without supervisory review. The trial balance summary by post date printed in the month end binder reports do not agree with the newly printed trial balance patient summary by post date. It appears that items that were considered charge adjustments are now included in the charge column. Therefore, it is difficult to track what accounts were adjusted or totals adjusted. In addition, numerous individual patient accounts are not reconciled and closed timely. Corrected billings may not take place for months or years. This is partly due to waiting for information to be provided by federal agencies. However, it was also noted that for accounts totaling approximately \$425,000, the patient has been discharged from the facility over one year. In prior years, the accounting department tracked what accounts were submitted to the States Attorney Office (SAO) for collection. However, this is no longer performed. Items are written off once the SAO notifies the Convalescent Center that there are no further collections available. The actual write-off may take place up to four months later. The total amount of potential bad debt is not readily available to assess the adequacy of the allowance for doubtful accounts. **Therefore, 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 continue to review and evaluate the mail opening process.

To properly reconcile and close patient accounts, information is often required from governmental agencies. Once received, the Financial Services Department then must further analyze the account to ensure proper closure to the account. The Department goal is to close accounts within 120 days.

Accounts submitted to the State's Attorney's Office (SAO) are being tracked via a collection log. Once the SAO's notifies the Convalescent Center's Billing Supervisor of an uncollectable account, the write-off is done within 30 days.

CONTROL DEFICIENCIES

CONVALESCENT CENTER (Cont.)

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:

Credit balances in accounts receivable have increased approximately \$200,000 over the past year. These balances represent overpayments and similar credits due to current and former residents. Some of the patient discharge dates listed are over five years ago. **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

CONVALESCENT CENTER (Cont.)

Agency Fund – Special Account Authorized Signers

Comment:

The Special Account is used as a clearing account for pharmacy credit card receipts and transfers from U.S. Funds for credit card receipts from dietary and gift shop. The previous Administrator and Financial Services Supervisor who were no longer employed by the County as of March 2013 and December 2012, respectively, were listed as authorized signers for the Special Account. Therefore, authorized signers have not been appropriately updated.

Recommendation:

We recommend that additional procedures are implemented to ensure that authorized signers for all accounts are updated in a timely manner.

Management's Response/Corrective Action Plan:

Check signer updates have been completed.

Agency Fund – Residents' Trust Account Bank Reconciliation

Comment:

The Residents' Trust Account's book balance is reconciled to the bank balance on a monthly basis. The November 2013 reconciliation noted approximately \$63,000 of deposits in the bank, but not recorded in the books, resulting in an understatement of this amount in both cash and agency funds payable.

Recommendation:

We recommend that additional procedures are implemented to ensure all activity is properly identified and recorded in the correct fiscal year.

Management's Response/Corrective Action Plan:

The Resident Trust checking account is a single checking account where residents of the Convalescent Center may deposit money for their personal use. Separate balances are maintained for each resident, with quarterly activity/balance statements sent to each resident. Individual balances are provided at any time upon request. Many residents receive ACH credits into the account for retirement or social security benefits. Due to the volume of ACH credits received, aggregated posting is done once each month, at which time the amount for patient care is determined and sent over to the Treasurer's office. The balance then becomes available for resident use. Fund availability is allowed once received and posted to each residents account. The majority of these credits are received during the first three days of the month. To allow the majority of residents quicker access to their benefits, the monthly aggregated benefits posting is made around the 10th of the month. Any ACH credits received after the cutoff are posted the following month. The Convalescent Center established this practice to allow the majority of the residents' quicker access to their funds, rather than waiting until the following month.

CONTROL DEFICIENCIES

CONVALESCENT CENTER (Cont.)

Bed Tax – Netting of Revenues and Expenses

Comment:

During the current year testing, it was identified that the bed tax expense assessed by the State is netted against the State's Medicare payment for licensed and occupied beds. While these revenues and expenses are related, these items should not be netted. Fiscal year 2013 bed tax expense approximated \$200,000.

Recommendation:

We recommend that bed tax expense be recorded in an expense account and not be netted with the State's Medicare payment, in order to properly present revenues and expenses.

Management's Response/Corrective Action Plan:

For purposes of cost report preparation and filing, the Convalescent Center has historically offset the associated revenue. In Fiscal Year 2015, the Convalescent Center has budgeted the Bed Tax as an expense appropriation, due to a change in reimbursement methodology. Therefore the expense payment will now be made by the County's Finance Department, rather than satisfied as a reduction in the Convalescents Center's monthly Medicaid receipt.

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 (following on the next 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 developed as procedures change with the new ERP system and after the system roll-out is fully operational.

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 formal policy and procedures will be implemented with a comprehensive accounting procedures manual in conjunction with the implementation of the ERP system.

HUMAN RESOURCES DEPARTMENT

SATISFIED SIGNIFICANT DEFICIENCY

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, 2013. This review identified minor amounts in which balances were under-reported by certain departments and consequently summarized incorrectly by the Human Resources Department; however, these amounts were deemed immaterial by the County and considered trivial from an external audit perspective. Based on the significant reduction in variances identified in the current year, this significant deficiency is considered satisfied.

CIRCUIT COURT ADMINISTRATION

SATISFIED SIGNIFICANT DEFICIENCY

Quarterly Reporting – Domestic Violence Program

Previously Reported Comment

Comment:

During the course of the 2011 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.

Current Status:

This grant ended June 30, 2012 and, therefore, no similar issues were found for fiscal year 2013. This significant deficiency is considered satisfied.

CLERK OF THE CIRCUIT COURT'S OFFICE

CONTROL DEFICIENCIES

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. All but 2 of the cash accounts noted above are being reconciled using the system information. In fiscal year 2012, the Clerk's office began reconciling and monitoring account activity. For fiscal year 2013, the reconciliation for Criminal Traffic and Bond fund accounts is still in process and has made good progress. However, there is a backlog of old items that still require research and reconciliation. **This control deficiency is repeated.**

Management's Response/Corrective Action Plan:

The Clerk's office acknowledges the need to complete the Criminal Traffic and Bond fund accounts. It is anticipated that during 2014 the Clerk's office will reach a near complete status.

CLERK OF THE CIRCUIT COURT'S OFFICE

CONTROL DEFICIENCIES (Cont.)

Cancellation of Paid Invoices

Comment:

The Clerk of the Circuit Court issues cash disbursement checks from two accounts – Child Support Maintenance and Clerk Administration. During our audit, we noted that the supporting documents for the disbursements did not contain any evidence of approval or cancellation (for example – not stamped “paid”).

Recommendation:

We recommend that the documents supporting disbursements be cancelled at the time the checks issued and signed in such a manner as to render them ineffective as a support for further payment processing. The signed checks should then be forwarded for mailing to someone independent of employees preparing the checks.

Management's Response/Corrective Action Plan:

The Clerk's office agrees with the recommendation that the documents supporting disbursements be cancelled at the time the checks issued and signed in such a manner as to render them ineffective as a support for further payment processing. The signed checks are forwarded to a different staff member for mailing that is not the persons preparing the checks.

CLERK OF THE CIRCUIT COURT'S OFFICE

CONTROL DEFICIENCIES (Cont.)

Outstanding Checks

Comment:

The Criminal Traffic account reconciliation includes 14,391 outstanding checks in the amount of \$2,178,682 that are over six months old with some checks dating back to June 2011. The Clerk's office does not have a formal, clearly defined policy for disposition of uncashed checks. Because no policy exists, long-outstanding checks are not being handled on a consistent, regular basis.

Recommendation:

We recommend that management establish a formal, written policy concerning uncashed checks based on current State escheat laws. Such a policy should specify aging milestones with required actions. For example, this policy might specify that when checks are past 90 days old, the payee should be contacted.

Management's Response/Corrective Action Plan:

The Clerk's office acknowledges the need for Criminal Traffic account outstanding checks over 6 months old to be addressed by a new written policy. During 2014, the Clerk's office shall create a formal uncashed check policy and process the uncashed checks in waiting.

CLERK OF THE CIRCUIT COURT'S OFFICE

CONTROL DEFICIENCIES (Cont.)

Timely Processing of Refunds for Overpayments

Comment:

During our testing of cash receipts, we noted that a refund of overpayment of fees received in November 2013 had not yet been issued as of March 2014.

Recommendation:

We recommend that the amounts received that constitute overpayments be reviewed and refunded on a timely basis.

Management's Response/Corrective Action Plan:

The process of addressing a refund of overpayment is normally handled within the Clerk's case management system through an alert process placing each case into a refund workbasket. A review shall be done in 2014 of all overpayment cases to assure the fact that all overpayment cases are addressed appropriately and refunded on a timely basis.

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 90 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 County is in the midst of implementing a new ERP system. As the ERP project progresses, the County Clerk's office will explore the possibility of implementing part of the ERP system for tracking tax sale redemptions. If it is not feasible, then the County Clerk will ask the County Board for additional funding to purchase a stand-alone system.

COUNTY CLERK'S OFFICE

SIGNIFICANT DEFICIENCIES (Cont.)

Segregation of Cash Duties

Previously Reported Comment

Comment:

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

Recommendation:

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

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

Current Year Status:

This significant deficiency is repeated.

Management's Response/Corrective Action Plan:

The County Clerk or Designee has always reviewed the bank statements, reconciliation and the final summary report. However, that person didn't initial or date when they reviewed the documents listed above. Starting with fiscal year 2014, the County Clerk or Designee have been initialing and dating the bank statements when they are reviewed.

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:

In fiscal year 2014, the County Clerk's accounting procedures were documented and reviewed with the County Auditor. These procedures will now be maintained in an accounting manual and will be updated periodically.

SHERIFF'S OFFICE

SATISFIED SIGNIFICANT DEFICIENCY

Agency Funds

Previously Reported Comment

Comment:

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

Recommendation:

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

Current Year Status:

No similar issues found in fiscal year 2013. This significant deficiency is considered satisfied.

STATE'S ATTORNEY OFFICE

CONTROL DEFICIENCIES

Disbursements

Comment:

1 out of 10 disbursements selected for testing for the investigative account was approved by the same employee that the funding was being paid to. The disbursement was for a training reimbursement and is considered to be allowable and a proper business expense.

Recommendation:

We recommend that the County ensure procedures are in place requiring an independent review and approval for all disbursements.

Management's Response/Corrective Action Plan:

We feel our procedures were followed and take exception to this comment. The employee claim was reviewed by two different staff members prior to payment. We will review and update our procedures taking in account this comment.

Employee Fund Account

Comment:

During the current year audit, it was noted that the County's Quicken program was being used to track financial activity not relating to the County. The financial account relates to funds collected from employees to be used for holiday parties, retirement parties, and memorial collections for employee family members. The account is not part of the County and should not be tracked using the system.

Recommendation:

We recommend that the County ensure that only allowable, applicable accounts are tracked using the County's Quicken program.

Management's Response/Corrective Action Plan:

This account has been removed from the program.

TREASURER'S OFFICE

SIGNIFICANT DEFICIENCY

Updating of Authorized Bank Signers

Previously Reported Comment

Comment:

As a required procedure for the audit of cash, we confirmed authorized bank signers for fiscal year 2011. We received notice that a retired employee (as of March 2011) was included on the list of authorized signers 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 signer documentation.

Current Year Status:

During the current year, we noted that an employee who retired prior to fiscal year end was still an authorized signer at DuPage National Bank as of November 30, 2013. **This significant deficiency is repeated.**

Management's Response/Corrective Action Plan:

The account with DuPage National Bank was closed in February 2014 because it was taken over by another bank.