

**DuPage County, Illinois**

**Report on Internal Controls**

**For the Year Ended  
November 30, 2012**

**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, 2012, 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 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 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 28, 2013, 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  
August 21, 2013



## **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 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:*

The Board approved a contract on November 13, 2012 for the implementation of a new Enterprise Resource Planning (ERP) system. 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:*

Utilizing funds made available in 2010, the County has 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 have been training with the new software system. Although efficiency should be much improved, the integrity of the financial statements and currently generated information for financial management is not negatively affected.

## SIGNIFICANT DEFICIENCY

### 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 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. Several expenditure reports did not meet the 15<sup>th</sup> 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 15<sup>th</sup> day of the month following the month of the service.

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

In the current year, 11 out of 18 expenditure reports were submitted past the 15<sup>th</sup> deadline. However, there has been an improvement in timeliness. Of the 11 submitted past the 15<sup>th</sup> deadline, 5 of the reports were submitted within one week of the 15<sup>th</sup> deadline. **This comment is repeated, but reported as a significant deficiency rather than a material weakness.**

###### *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 15<sup>th</sup> 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 more timely than in previous years.



## 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 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 and 2012 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 due to the complexity of the funding sources and grant programs by the Finance Department after the initial submission of the SEFA. County personnel have reviewed the changes made in the 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 decreased from \$(2,548,945) at November 30, 2011 to \$(3,064,395) at November 30, 2012. 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 \$(884,603) 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, 2012 are \$(3,064,395). **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 continue to review and evaluate the mail opening process.

#### **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.

## **CONTROL DEFICIENCIES**

### **CONVALESCENT CENTER (Cont.)**

#### **Accounts Receivable Credit Balances (Cont.)**

*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.

### **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.

## **CONTROL DEFICIENCIES**

### **FINANCE DEPARTMENT (Cont.)**

#### **Accounting Procedures Documentation (Cont.)**

##### *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 this 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.

#### **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.

## **CONTROL DEFICIENCIES**

### **FINANCE DEPARTMENT** (Cont.)

#### **Capital Asset Procedures Documentation** (Cont.)

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

- 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.
- 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 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:*

The County provided listing of all bank accounts maintained by the departments and elected officials outside of the Treasurer's Office. **This significant deficiency is considered satisfied.**

### **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 prior year testing of the County's obligations, we noted the County incorrectly invoiced ICC for its matching requirement, resulting in three overpayments by ICC during fiscal year 2010 amounting to \$315,603. The error was identified by County personnel 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.

## **SATISFIED SIGNIFICANT DEFICIENCIES**

### **DEPARTMENT OF TRANSPORTATION (Cont.)**

#### **Belmont Road Grade Separation Project (Cont.)**

##### *Current Year Status:*

No similar issues noted in fiscal year 2012 and project was completed at year end. This control deficiency is considered satisfied.



## **SATISFIED CONTROL DEFICIENCY**

### **CONVALESCENT CENTER**

#### **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.

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

A new system was implemented in fiscal year 2012 that enabled reports to be generated based on parameters entered. Accurate historical reports can also be created at a later date. This control deficiency is considered satisfied.

## HUMAN RESOURCES DEPARTMENT

### 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, 2012. This review identified \$252,255 in understated sick and retention leave, and \$134,351 in understated vacation leave as of November 30, 2012, in the original spreadsheets summarized by the Human Resources Department. The corrections of balances were a result of an omission of employees, incorrect hourly rates, and miscalculated accrual balances. 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. **This significant deficiency is repeated.**

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

The Human Resources Payroll Division has met to review the current procedures for the development of the liability report. Various protocols will be revised and/or implemented to help ensure the accuracy and integrity of the data. These will include: the development of guidelines as to how the information is calculated (e.g. rounding for years of service, dates of hire) and a review of these guidelines with the Audit Department to ensure that the criteria is agreeable, a mid-year verification for YTD balances/utilization from all County departments, and a tiered review process within the Payroll Division. Additionally, we anticipate that the ERP implementation will enhance reporting/data tracking capabilities to eliminate the extensive manual work currently required.

## **HUMAN RESOURCES DEPARTMENT**

### **SATISFIED CONTROL DEFICIENCIES**

#### **Payroll Checks**

##### **Previously Reported 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.

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

The Human Resources Department completed the recommendation regarding cross checking terms and the list of those authorized to pick up vouchers/checks was updated as required during the fiscal year. **This control deficiency is considered satisfied.**

#### **Payroll Procedures – Board of Elections**

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

###### *Comment:*

During our review of the payroll process, it was noted that Board of Elections 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.

## **HUMAN RESOURCES DEPARTMENT**

### **SATISFIED CONTROL DEFICIENCIES** (Cont.)

#### **Payroll Procedures – Board of Elections** (Cont.)

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

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:*

No similar issues noted in fiscal year 2012. **This control deficiency is considered satisfied.**

## CIRCUIT COURT ADMINISTRATION

### 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:*

Reports were submitted for all four quarters in fiscal year 2012. However, the reports were submitted late for three of the four quarters – quarter one was due November 1, 2012 and submitted March 19, 2012; quarter two was due by February 1, 2012 and submitted March 19, 2012; and quarter three was due May 1, 2012 and submitted May 31, 2012. The fourth quarter was submitted on time – on August 1, 2012. **This comment is repeated, but reported as a significant deficiency rather than a material weakness.**

###### *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. Accordingly, reports submitted subsequent to July 2012 have been submitted on a timely basis.

## **CIRCUIT COURT ADMINISTRATION**

### **SATISFIED SIGNIFICANT DEFICIENCY**

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

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

###### *Comment:*

During the course of the 2011 audit, it was discovered that \$10,850 in unused grant funds was received and returned, but was 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.

###### *Current Status:*

No similar situations were found in fiscal year 2012. **This significant deficiency is considered satisfied.**

## CIRCUIT COURT ADMINISTRATION

### SATISFIED CONTROL DEFICIENCY

#### PROBATION SERVICES DEPARTMENT

#### Grant Reporting – Probation and Court Services

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

###### *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:*

No similar instances were noted in fiscal year 2012. **This control deficiency is considered satisfied.**

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

### **SIGNIFICANT DEFICIENCY**

#### **Accrued Benefits**

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

###### *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:*

**This significant deficiency is not repeated. See page 14 for relevant comment in the current fiscal year.**



## 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. In fiscal year 2012, the Clerk's office began reconciling and monitoring account activity. 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:*

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 in the near future.

## CLERK OF THE CIRCUIT COURT'S OFFICE

### SATISFIED SIGNIFICANT DEFICIENCY

#### 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:*

All of the disbursement checks are created by the Clerk's system. In order to create a check, there needs to be an open case in the system showing there is money on hold by the Clerk pending court ordered disposition. When a check is created, the individual employee is noted on the case file record so there is accountability for who processed the disbursement. Employees are not able to create new case files and therefore unable to create false payees. In addition, the bank reconciliation function has been separated from those employees who are processing disbursements. **This significant deficiency is considered satisfied.**

## **CORONER**

### **SIGNIFICANT DEFICIENCY**

#### **Accrued Benefits**

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

###### *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:*

**This significant deficiency is not repeated. See page 14 for relevant comment in the current fiscal year.**

## **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 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.

## **SHERIFF'S OFFICE**

### **SIGNIFICANT DEFICIENCIES**

#### **Agency Funds**

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

###### *Comment:*

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

###### *Recommendation:*

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

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

**This significant deficiency is repeated.**

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

Personnel responsible for the maintenance of the accounts keep timely financial reports and reconcile on a monthly basis.

#### **Accrued Benefits**

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

###### *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.

## **SHERIFF'S OFFICE**

### **SIGNIFICANT DEFICIENCIES** (Cont.)

#### **Accrued Benefits** (Cont.)

##### *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:*

**This significant deficiency is not repeated. See page 14 for relevant comment in the current fiscal year.**



## SHERIFF'S OFFICE

### SATISFIED CONTROL DEFICIENCY

#### Deposits in Transit – Sheriff Inmate Account

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

###### *Comment:*

During prior 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.

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

Personnel responsible for keeping internal records have been sent to Excel training courses to assist in this matter. No similar issues noted in fiscal year 2012. **This control deficiency is considered satisfied.**

## **STATE'S ATTORNEY OFFICE**

### **SIGNIFICANT DEFICIENCY**

#### **Accrued Benefits**

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

###### *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:*

**This significant deficiency is not repeated. See page 14 for relevant comment in the current fiscal year.**

## STATE'S ATTORNEY OFFICE

### SATISFIED CONTROL DEFICIENCIES

#### Agency Funds – State's Attorney

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

###### *Comment:*

During prior 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 Attorney 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 log in 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:*

Review procedures have been implemented. No similar issues noted in in fiscal year 2012. **This control deficiency is considered satisfied.**

#### Victim Restitution Funds

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

###### *Comment:*

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

## STATE'S ATTORNEY OFFICE

### SATISFIED CONTROL DEFICIENCIES (Cont.)

#### Victim Restitution Funds (Cont.)

##### *Recommendation:*

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

##### *Current Year Status:*

All payouts from this fund are made in accordance with a court order. Once the payout has been verified, a check is issued to the victim with the case number and defendants name on the memo line. All checks over \$2,000 must be endorsed by two authorized signatures. All non-negotiated checks were voided in October 2012. All funds were transferred to the investigation account to be distributed under the Illinois Uniform Disposition of Unclaimed Property Act (765 ILCS 1025/1-30). **This control deficiency is considered satisfied.**

## **TREASURER'S OFFICE**

### **SIGNIFICANT DEFICIENCY**

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

##### **Previously Reported 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.

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

During the current year, we noted that an employee who retired prior to fiscal year end was still an authorized signor at one bank as of November 30, 2012. **This significant deficiency is repeated.**

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

The Treasurer's office requested MB Financial Bank to send new signature cards to remove the retired employee's name from the accounts after the deficiency was discovered with the Fiscal Year 2011 audit. In error, only one account was changed instead of three accounts that needed to be changed.

## TREASURER'S OFFICE

### SATISFIED CONTROL DEFICIENCY

#### Payroll Checks

##### **Previously Reported 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).

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

The Treasurer's office implemented the above recommendation in the current fiscal year. **This control deficiency is considered satisfied.**