

FINANCE AND AUDIT COMMITTEE
McHenry County Government Center – Administration Building
667 Ware Road
Woodstock IL 60098

MINUTES OF TUESDAY, JUNE 28, 2011

Ms. Hill, Vice Chairman called the meeting to order at 9:31 a.m. The following Committee members were present: Tina Hill; John Hammerand; Jim Heisler; Mary Donner; Mary McCann and Bob Bless. Scott Breeden was absent. Also in attendance: Pete Austin, County Administrator; John Labaj, Deputy County Administrator; Adam Lehmann, Assistant to the County Administrator; Pam Palmer and Shannon Teresi, Auditor; **Heather Acker and John Rader** from Baker Tilly Virchow Krause, LLP; Jeffery Poyner and Julie Courtney, Workforce Network; Maryanne Wanaski, Community Development Administrator; Tom Sullivan, Information Technology; Fran Stanwood, Health Department; Sandy Lewis and Jane Wacker, Mental Health.

Scott Breeden, Chairman	
Bob Bless	Mary L. Donner
John Hammerand	James Heisler
Tina Hill	Mary McCann

MINUTES

Committee members reviewed the committee minutes of June 14, 2011. Mr. Heisler made a motion, seconded by Ms. Donner to recommend approval of the above minutes as presented. The motion carried with all members present voting aye on a voice vote.

PUBLIC COMMENT

None

PRESENTATION

FY2010 Financial Reports by Baker Tilly Virchow Krause, LLP: Ms. **Heather Acker and Mr. John Rader** from Baker Tilly Virchow Krause, LLP joined committee members to provide information on the FY2010 Financial Reports as provided. There were a variety of information provided to the committee members. This information includes internal control recommendations. This process begins with a visit in the Fall to review the internal controls and to do initial test work for the provided to the County. They have a presence in the County for approximately 9 months. The year closes in November with their work to being in February of the following year. The Annual Financial Statement includes a clean unqualified opinion, which tells the readers that they can rely on the numbers. If the committee members review the management discussion and analyst, it evaluates the County's positions. This provides a focus on internal controls, financial processing and compliance with the State. They stated that the report for the Circuit Clerk's office includes a lot of information and the report shows there is a lot of money that flows through this department. There are some single audits completed yearly as well. This is a very lengthy process. They provide some Internal Control reports. These reports are from issues that came up during the internal audit. There are three issues that can be reported. The first is the most serious, which includes material weaknesses or deficiencies. These can include missing information or numbers, incorrect numbers or controls have not been put in place. McHenry County has no internal weaknesses and has not had them for a couple of years. Committee members were informed that this is hard to achieve. The bulk of the County's Bank Accounts are centralized within the Treasurer's office. With decentralized accounts, you lose centralized control over the accounts. These accounts are allowed by Statute and are overseen by various departments. These accounts are located in the Courts, Sheriff's Department or elected officials departments. Some of these accounts are not used much and should be closed. There are no material weaknesses. This is very commendable to achieve. The County has reorganized how payroll is done. Some of the changes made in Human Resources involve the use of a work around tool. The problem with using this tool is that it does not allow for verification of any changes made and why the changes were made. They recommend the department to now use this tool or limit its use or to work with ADP to create a report that would track changes made in the work around tool. This will strengthen these controls. The payroll approval process will be resolved next year with the implementation of the new payroll system. There are issues with the Vendor approval process. This has been addressed by centralizing this in the Auditor's office. They have added a feature that makes sure a Vendor is a legitimate vendor. A manual is being developed to define how this will work. The Vendor list has decreased from 16,000 down to 7,500. The inactive vendors have been removed. Committee members were informed that most top fraud occurs through decentralized bank accounts and vendor fraud. The controls need to be in place up front in order to try to prevent fraud. The reports include recommendations on any issues in the reports. Most of the departments are in compliance with the well written Purchasing Ordinance though some are still not using this purchasing recommendation. A new manual is being created. When the outside Auditors first started working on the outside audit for the County, Valley Hi Nursing Home had over 1.5 pages of recommended changes. They are now down to a half of a page. The only remaining issue is the credit balances in some of the accounts. They are working to clean these accounts up as much as they can. Some of the resident's paying source has overpaid on some of the accounts. They are working with the governments to get this issue cleared up. Next year's fund balance will change on how the funds are classified. This creates more consistency and will enhance how the County looks. McHenry County is in the "favorable" side for debt certificates. This is a big factor in the County receiving its AAA rating. Committee members reviewed the principle obligations. On page 18 it lists the organizations, which shows the debts are not the debt of the County, though they do get reported as part of the County. Some of the entities include the McHenry County Conservation District and the Mental Health Board. Committee members were informed they can create a flow chart to show how to follow the funding sources of those listed within the report. Committee members thanked Mr. Rader and Ms. Acker. They stated that they look forward to receiving the flow chart for the McHenry County Conservation District.

NEW BUSINESS

Resolution Authorizing Acceptance of the Illinois Department of Commerce and Economic Opportunity Grant #11-681002: Mr. Bless made a motion, seconded by Ms. Donner to recommend approval of the above Resolution as presented. Committee members were informed that this Resolution includes the annual funding for the Workforce Investment Act (WIA) services. These funds have been reduced, though not zeroed out, which was the fear. There will be more fights for funding next year. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, McCann Hill) Breeden)

Resolution Adoption of the HOME Investment Partnerships (HOME) Program Community Housing Development Organization (CHDO) Reserve Funding Recommendation and Amendment of the Action Plan for the 2010 Program Year: Mr. Bless made a motion, seconded by Ms. Donner to recommend approval of the above Resolution as presented. Committee members were informed that this is the funding for the Community Development Funding. These funds will be used by Habitat for Humanity for acquisition of land and construction of a single family residence. Habitat for Humanity is the County's only certified Community Housing Development Organization (CHDO). Committee members questioned if it would be better to purchase homes that are currently on the market. They were informed that it is easier to build new for handicap accessible homes than it is to try to retrofit a house for a handicap person. They also noted that there are a lot of "McMansions" out there that costs too much to be included in this type of program. They look for three bedroom ranches, with much lower costs to meet ADA (Americans with Disability Act) requirements. The motion carried with four ayes (Bless, Donner, McCann, Hill) and two nays (Hammerand, Heisler)

Mr. Hammerand made a motion, seconded by Ms. McCann to take a 5 minute recess at 10:25a.m. The motion carried with all members present voting aye on a voice vote.

Ms. Donner left committee at 10:30a.m.

Committee members returned to committee at 10:35a.m.

Resolution Authorizing an Appropriation for McHenry County Mental Health Board's FY12 Continuation Funding Agreements: Ms. McCann made a motion, seconded by Mr. Heisler to recommend approval of the above Resolution as presented. Committee members were informed that this is the annual continued funding received from the State and pass through funds from the Federal Government. Most of these are long term grants. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, McCann, Hill) Committee members were informed that the building construction is back on track after losing time because of the Spring rains. The basement has been completed and they are in the process of putting up the walls and floor for the first floor. They are expected to move into the new areas at the end of September and will begin providing services in October. This area includes office space and has meeting space available for use by the volunteer organizations.

Resolution Authorizing the Acceptance of a \$6,050 Tobacco Enforcement Program Grant and to Make an Appropriation to the Health Department Budget for Fiscal Year 2012 with an Offset to Utilization of Fund Balance: Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. Committee members were informed that this grant goes along with the tobacco and reality Illinois Grants that are received by the Department. Ms. Stanwood stated that statistics show if you get information to kids before they are 18, they will not smoke. This is a small teaching grant that is geared to having kids join the program, through the McHenry and Woodstock Police Department to do compliance checks to county retailers. These teens attempt to purchase cigarettes at these facilities. Ms. Stanwood stated that most stores card for these purchases and it is a wakeup call for those that are ticketed. They try to teach these teens to not smoke by using peer pressure, costs and teaching tools. Committee members noted that the attached budget was very helpful as it showed exactly where these funds will be going. They stated it is a good model that should be followed by others. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, McCann, Hill)

Resolution Authorizing Acceptance of the Veterans Lottery Grant and an Emergency Appropriation to the Veterans Assistance Commission 2011 Budget: Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. These funds are to be used for the dental voucher program for Veteran's. This program is for the worst dental cases. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, McCann, Hill)

Resolution Authorizing Acceptance of McHenry County Community Foundation Grant and Approval of an Emergency Appropriation to Veterans Assistance Commission FY2011 Budget: Ms. McCann made a motion, seconded by Mr. Bless to recommend approval of the above Resolution as presented. These funds are to be used to convert the VAC High Top Van into a Mobile Office for the Saturday and Extended Hours program. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, McCann, Hill)

Resolution Authorizing Entering Into an Agreement With Symantec for Software Maintenance and Support: Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. This software enables the archiving of County email and file system content and maintenance and support for the program. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, McCann, Hill)

Resolution Authorizing a Five Year Network Server Lease with Cisco Capital Leasing for Cisco Network Servers and an Emergency Appropriation to the Fiscal Year 2011 Non-Departmental Budget: Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. This Resolution is for the lease of 96 Cisco network servers and needed accessories. The lease is for five years instead of the four years that has been used in the past. Some of the servers are placed in satellite locations and are covered under this agreement. Mr. Sullivan reported that they are in talks with the Treasurer's Office to see if it may be feasible to place a DVD player in their office to create off site tapes. They are reviewing the electrical to see if this is possible. They are also in discussions with MCC (McHenry County College) to talk about an exchange program for an offsite business continuity plan. They are also attempting to enlarge the discussion for exchange of physical space as well in case of emergency. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, McCann, Hill)

Resolution Accepting the Comprehensive Annual Financial Report for Fiscal Year Ending November 30, 2010: Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, McCann, Hill)

Resolution Appointing Jeffery J. Poynter Director of the Workforce Investment Board and Authorizing Budget Line Item Transfers in the Workforce Network/Workforce Investment Board Fiscal Year 2011 Budgets: Ms. McCann made a motion, seconded by Mr. Bless to recommend approval of the above Resolution, as presented. This Resolution is for the reclassification of the Director of the Workforce Investment Board and establishes a budget for the position. The level for the position has been lowered as well to be more in line with the position. Committee members were informed that this Resolution has went out of order in order to get the Resolution to the County Board for approval. This will be reviewed by the Public Health and Human Services Committee at their next meeting. Mr. Hammerand recommended the motion/second be amended to show this was subject to the approval by the Public Health and Human Services Committee. Ms. McCann and Mr. Bless amended their motion and second. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, McCann, Hill)

Resolution Authorizing Entering into a Contract with Gavers Excavating for the Demolition of the Old Valley Hi Nursing Home Facility: Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. Committee members were informed that this Resolution went through the bidding process and 10 vendors responded. Gavers was the lowest responsible bidder at \$356,335. There is an additional \$50,000 in the Resolution to replace the road leading to Well House #3 and the new garage, along with minor landscaping around the new road. Committee members questioned if the Division of Transportation could put a road in at Valley Hi cheaper than is requested in the Resolution? Mr. Hammerand made a motion, seconded by Mr. Heisler to amend the Resolution to remove the \$50,000 and create a separate Resolution for remedial work after the demolition of the old Nursing Home. The motion failed with three nays (Bless, McCann, Hill) and two ayes (Hammerand, Heisler) The original motion carried with all members present voting aye on a roll call vote. (Bless, Hammerand, Heisler, McCann, Hill) Committee members requested that the details of the bids and information on the \$50,000 site work to be included for consideration of the Resolution.

Discussion of request from Kiddie Campus for a limited suspension of McHenry County Loan payments due to emergency construction: Mr. Labaj informed committee members that he received a telephone call for a request to suspend payments for three months on the loan for Kiddie Campus due to a collapsed roof at their location. They are waiting for an insurance settlement and in the meantime their cash flow has been crimped because of this situation. They have not been in arrears in their payments. The operations at the facility have been suspended until the repairs are completed. The consensus of the committee was to okay the suspension of the payments for three months.

REPORTS TO COMMITTEE, AS APPLICABLE

Auditor's Report: Ms. Palmer thanked the committee for their questions on the outside audit. She stated this helps to see what the board members are looking for in the audits. She stated that when the flow charts are created as requested by the committee she will provide how the flow chart currently works and how it will look after GASB 61 takes effect.

Ms. Palmer noted that in the Internal Controls Report on page 1, they noted issues with the payroll change history that could cause problems. She stated she would work with Human Resources and ADP to see what changes could be made to the system to address this issue. She stated that there needs to be an audit trail when making changes in the payroll system. If there isn't a history, it could throw the numbers off. Committee members questioned if an audit report could be created on the Assessments. They stated they are looking into this issue. They are looking into ways on how Assessments on property may change the assessed value. Ms. Palmer reported that her office assisted Purchasing with Vendor maintenance. They are writing a policy that would check the validity of the vendor. Ms. Palmer stated this is important. One of the vendors that ended up on our vendor list was indicted by the IRS for filing false tax returns. It was stated that there are ways to include vendors until they are "accepted" as a vendor for the County. They could be coded as a "non" county vendor until the paperwork has been processed and they have been improved as a County Vendor. The Auditor does follow-ups on this process as well.

Contingency Report: None.

Economic Development Corporation: None.

Convention and Visitors Bureau: Committee members were informed that the CVB held their annual executive meeting last week. They have received their funding for the year from the State. They are in the process of considering giving the Director a raise. Mr. Carlson showed the committee what he has accomplished since he started to earn this rais.

FUTURE TOPICS

It was noted that the committee needs a breakdown of the budget in order to talk about the possibility of retiring some of the County's debt. Since the County's reserve is not earning any interest, and there is currently over a 7 month reserve, they can either pay down the debt or put asides some funds for some of the future construction projects that will be needed. Some of the debt cannot be retired at this time. They potentially have three debts that can be retired. It was stated that the reserve needs to be reviewed in order to talk about the options. It was noted that the County's Bond Council will be attending a future meeting of the committee.

EXECUTIVE SESSION

None.

ADJOURNMENT: Noting no further business, Mr. Hammerand made a motion, seconded by Mr. Bless to adjourn the meeting 11:35 a.m. The motion carried with all ayes on a voice vote.

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RECOMMENDED FOR BOARD/COMMITTEE ACTION:

- Resolution Authorizing Acceptance of the Illinois Department of Commerce and Economic Opportunity Grant #11-681002
- Resolution Adoption of the HOME Investment Partnerships (HOME) Program Community Housing Development Organization (CHDO) Reserve Funding Recommendation and Amendment of the Action Plan for the 2010 Program Year
- Resolution Authorizing an Appropriation for McHenry County Mental Health Board's FY12 Continuation Funding Agreements
- Resolution Authorizing the Acceptance of a \$6,050 Tobacco Enforcement Program Grant and to Make an Appropriation to the Health Department Budget for Fiscal Year 2012 with an Offset to Utilization of Fund Balance
- Resolution Authorizing Acceptance of the Veterans Lottery Grant and an Emergency Appropriation to the Veterans Assistance Commission 2011 Budget
- Resolution Authorizing Acceptance of McHenry County Community Foundation Grant and Approval of an Emergency Appropriation to Veterans Assistance Commission FY2011 Budget
- Resolution Authorizing Entering Into an Agreement With Symantec for Software Maintenance and Support
- Resolution Authorizing a Five Year Network Server Lease with Cisco Capital Leasing for Cisco Network Servers and an Emergency Appropriation to the Fiscal Year 2011 Non-Departmental Budget
- Resolution Accepting the Comprehensive Annual Financial Report for Fiscal Year Ending November 30, 2010
- Resolution Appointing Jeffery J. Poynter Director of the Workforce Investment Board and Authorizing Budget Line Item Transfers in the Workforce Network/Workforce Investment Board Fiscal Year 2011 Budgets
- Resolution Authorizing Entering into a Contract with Gavers Excavating for the Demolition of the Old Valley Hi Nursing Home Facility

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