

Fiscal Year 2008/2009 Budget Program Description

County Auditor

Department Mission Statement:

It is the mission of the McHenry County Auditor's Office to provide quality, cost-effective financial and auditing services to the citizens of the County through the functions of: 1) financial reporting and recordkeeping, and 2) through internal audits based upon a continuous internal audit program and annual audit plan developed according to a risk assessment of the County departments and operations. These two processes are designed to assist all members of the County Board, Elected Officials and Department Directors in their duties by providing them with accurate and meaningful information concerning the financial condition, policies, procedures, internal controls and operational performance of the County.

Program Description (By OCA Code)	Customers Served	Mandated Service	Funding Source
<p style="text-align: center;"><u>OCA: 110001 County Auditor – State Mandated Duties</u></p> <p>The County Auditor is an elected position with the responsibility of performing the following mandated duties as stated in 55 ILCS 5/3 –1005:</p> <ul style="list-style-type: none"> • Audit all claims against the county, and recommend to the county board the payment or rejection of all claims presented. • Collect, analyze and preserve statistical and financial information, with respect to the operation of the county. • Maintain a file of all county contracts for or on behalf of the county. • Make quarterly reports to the county board of the county's entire financial operations. The report must include anticipated and received revenues, anticipated and paid expenditures, unpaid obligations, the condition of all funds and appropriations and any other pertinent information. • Within 30 days of the report's release date, at least one newspaper notice shall be published announcing the availability of the report. • Audit all receipts of the county that are to be deposited with the treasurer. • Maintain a continuous internal audit of county operations and financial records. • Audit the inventory of all county real and personal property. • Audit county bills. <p>In addition, 55 ILCS 5/3-1006 states the following duties for counties with populations of 275,000 or less:</p> <ul style="list-style-type: none"> • The auditor shall be the general accountant of the county and keep its general accounts. • The auditor shall devise and install a system of financial records in county offices and divisions. 	<p>County Board, all Offices and Departments of the County, and the residents of McHenry County</p>	<p>55 ILCS 5/3-1001</p>	<p>General Fund</p>

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<p>In fiscal year 2007, the implementation of SAS (Statement of Auditing Standard) 103 took place, in which auditors are required to comply with very specific rules related to the form, content and extent of audit documentation, including more thorough documentation of audit procedures and results. Other new guidelines affect the audit evidence that must be obtained before an auditor can consider an audit complete. In addition, SAS 112 requires auditors to more formally communicate matters they observe about their clients' accounting procedures and internal controls. Auditors are now required to inform clients about any "significant deficiency" in accounting procedures or internal controls that come to their attention. Significant deficiency is a term that includes any flow creating more than a remote risk of errors in financial statements that could reasonably matter to a user of the statements. Eight new statements on auditing standards were issued by the American Institute of Certified Public Accountants (AICPA) and effective for the County's FY2008 annual audit. SAS Nos. 104 – 111 are collectively known as the new risk assessment standards and significantly change the procedures auditors must perform in all financial statement audits. These statements concern how our external auditors must perform their audits to comply with the standards. <u>So, how do these affect the Auditor's Office?</u> The Senior Accountant, who prepares the CAFR, has implemented measures to address greater scrutiny of funds in reviewing transactions for possible errors as well as ensuring that proper backup documentation exists. There will be an increased level of interaction with the external auditors as they will be gathering more documentation and evidence along with performing walk throughs of transactions to test policies and procedures for SAS 104-111. Of greater importance, is being proactive and implementing an Assessment Program for these auditing standards along with any previous and future enacted statements.</p> <p><u>OCA: 110001 County Auditor – Generally Accepted Accounting Principles (GAAP)</u></p> <p>GAAP are accounting rules used to prepare, present, and report financial statements for a wide variety of entities. Local and state governments GAAP are determined by the Government Accounting Standards Board (GASB), which operates under a set of assumptions, principles, and constraints different from standard private-sector GAAP entities. The Government Finance Officer's Association (GFOA) also influences financial policies for government. Effective for fiscal year 2006 was <u>GASB 44 – Economic Condition Reporting: The Statistical Section</u>. The Auditor's Office worked with each department to gather historical data on relevant information in five general categories: Financial Trends, Reserve Capacity, Debt Capacity, Demographics and Economic Information, and Operating Information. <u>GASB 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</u> is effective for the fiscal year beginning December 1, 2008. A team from the Auditor's Office and Administration was formed to help the Finance and Audit Committee make a decision on an actuarial firm and to conduct a preliminary study on the liability and possible funding alternatives. <u>GASB 34 - Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments</u>, implemented by the County for fiscal year 2003, was one of the most significant changes in years for financial reporting and infrastructure reporting.</p>	<p>County Board, all Offices and Department of the County, and the residents of McHenry County</p>	<p>55 ILCS 5/6-31003 Conformance with GAAP</p>	<p>General Fund</p>
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