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April 4, 2014

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Emergency Telephone Systems Board. We conducted our audit in accordance with the Cook County Auditor Ordinance.

Our objectives for this examination were to determine that the internal accounting controls provide a satisfactory basis for safeguarding assets and recording financial transactions. The scope of our work consisted of reviewing and evaluating the internal accounting controls including the accounting records used in recording transactions.

Please refer to the following audit report for the results of the audit. The audit report contains 2 audit findings. The Executive Summary provides an overview of the audit with the main finding areas.

We have discussed our findings with the Emergency Telephone Systems Board staff and would be pleased to discuss our recommendations in greater detail in order to assist the Emergency Telephone Systems Board with their implementation of our recommendations. Since the issuance of the draft audit report in September 2013, finding #1 has been implemented.

We express our appreciation for the cooperation of the Emergency Telephone Systems Board staff extended to Ms. Julie Stack during the course of our examination.

Respectfully Submitted,

Shelly Banks

Shelly A. Banks, C.P.A.
Cook County Auditor

cc: Michael Masters, Chairman Emergency Telephone Systems Board
Thomas Fleming, Executive Director Emergency Telephone Systems Board
Andrea Gibson, Budget Director

COOK COUNTY GOVERNMENT

OFFICE OF THE COUNTY AUDITOR

Emergency Telephone Systems Board

Internal Audit Report

Report Date: April 4, 2014

Issued By:
Shelly Banks, County Auditor

Audit Conducted By:
Julie Stack, Field Auditor V
William Carroll, Audit Supervisor

EXECUTIVE SUMMARY

We have examined the accounting records of the Cook County Emergency Telephone Systems Board for the period ended November 30, 2012.

The Cook County Emergency Telephone Systems Board provides 9-1-1 service for all unincorporated areas of Cook County and Dixmoor, Ford Heights, Golf, Northlake, Phoenix, Robbins, and Stone Park. The Emergency Telephone Systems Board is responsible for planning, implementing, upgrading, and maintaining the E9-1-1 telephone system. The Emergency Telephone Systems Board is a nine member board appointed by the Cook County Commissioners under Cook County Ordinance 93-0-8. There are two sources of revenue for the Emergency Telephone Systems Board, landline revenue governed by (50 ILCS 750/) Emergency Telephone Systems Act and wireless revenue governed by (50 ILCS 751/) Wireless Emergency Telephone Safety Act.

The scope and objectives of the Emergency Telephone Systems Board Audit were designed to assess the internal control procedures of the Emergency Telephone Systems Board.

During the audit period, ETSB staff resolved some identified internal control deficiencies by implementing the following actions:

- Established segregation of duties over cash receipts.
- Implemented procedures over bank reconciliations to ensure that they are prepared, reviewed and approved in a timely manner.
- Eliminated the use of a business credit card that was incurring interest and late fees.

The following findings are noted in the report with our recommendations:

- ETSB does not have written accounting policies and procedures. Since the issuance of the draft audit report in September 2013, this finding has been implemented.
- A written agreement defining the ETSB reimbursement amounts for personnel at the ETSB has not been established between all parties involved, which led to misunderstandings between what is owed to the Comptroller's Office for the remainder of FY2012 and for FY2013.

The findings noted were presented to the Emergency Telephone Systems Board. Please refer to the Findings section for more detail on the findings with the management responses, corrective action plans and estimated completion dates.

BACKGROUND

The Cook County Emergency Telephone Systems Board (ETSB) was established on April 20, 1993, under Cook County Ordinance 93-0-8. The 9 member ETSB was formally appointed by the Cook County Board of Commissioners. The ETSB is responsible for planning, implementing, upgrading, and maintaining the E9-1-1 telephone system. The ETSB is also charged under the Emergency Telephone System Act with the responsibility of collecting the telephone surcharge which funds the operation of the system, and for authorizing all disbursements necessary to: hire staff for the design, implementation, upgrade and maintenance of the E9-1-1 system; the coding and ongoing maintenance of a Master Street Address Guide database; and the design and maintenance of a Computer Aided Dispatch System (CAD) that records, maintains, and integrates information. The ETSB provides 9-1-1 service for all unincorporated areas of Cook County and Dixmoor, Ford Heights, Golf, Northlake, Phoenix, Robbins, and Stone Park. The 911 Center is located in Des Plaines at 9511 W. Harrison.

There are two sources of revenue for ETSB, landline and wireless. Landline revenue is governed by the (50 ILCS 750/) Emergency Telephone Systems Act. Wireless revenue is governed by the (50 ILCS 751/) Wireless Emergency Telephone Safety Act. Landline revenue is the surcharge to phone company customers for each landline they have in their residence including phone, fax and internet. The phone company then remits the surcharge to ETSB based on customers in the unincorporated area of Cook County. The phone company sends a check to the ETSB with an invoice with the number of lines collected, times the $1.25 surcharge less the 3% Administrative Fee allowed. Wireless revenue is the surcharge to wireless phone company customers for each cell phone service they have on their bill. The wireless phone companies remit the surcharges collected to the Illinois Commerce Commission (ICC). The wireless surcharge to the customer is .73 cents. Of the .73 cents, the ICC allocates .1475 cents to the Wireless Carrier Reimbursement Fund and .5825 cents is allocated to the Wireless Service Emergency Fund. The Wireless carriers include the number of wireless subscribers by zip code, which is the method by which the ICC determines the distributions from the Wireless Service Emergency Fund.

AUDIT SCOPE AND OBJECTIVES

Our audit was designed to assess the internal controls and the operations at the Emergency Telephone Systems Board in order to reach a conclusion on our audit objectives. Our objectives were to analyze and evaluate that:

- Cash receipts are properly accounted for and deposited in a timely manner
- Bank reconciliations are prepared, reviewed and approved in a timely manner
- Cash disbursements are properly recorded, authorized and paid on a timely basis
- Retaining the use of an outside accounting firm to perform accounting functions is cost effective
- Payroll expenses are properly recorded and reimbursed to Cook County

AUDIT RESULTS

Based on our analysis and evaluation of the internal controls and the operations at the ETSB, we have noted two findings as detailed in the Findings Section. Since the issuance of the draft audit report in September 2013, finding #1 has been implemented. In regards to the other audit objectives, our review determined the following conclusions regarding compliance:

- It was noted that prior to June 2012 there was no segregation of duties in place over cash receipts at the ETSB. In June 2012, this problem was rectified. Since the identified internal control weakness was corrected and our review did not reveal any additional areas of concern over the cash receipt process, we have concluded that the cash receipts at the ETSB are properly accounted for and deposited in a timely manner.
- The current procedures at the ETSB over bank reconciliations ensure that they are prepared, reviewed and approved in a timely manner.
- Starting in 2010 thru June 2012, the ETSB had a business credit card that they used to make purchases for conferences, travel and other emergency purchases. During that time, the ETSB incurred and paid both interest and late fees. In June 2012, the credit card was cancelled. Since the credit card was cancelled and our review did not reveal any additional areas of concern over the cash disbursement process, we have concluded that the cash disbursements at the ETSB are properly recorded, authorized and paid on a timely basis.
- In fiscal years 2011 and 2012, the accounting firm of Selden Fox, Ltd. was retained to perform the accounting functions for ETSB at a cost of approximately $9,000.00 and $9,900.00 for each fiscal year respectively. When comparing the cost charged by the accounting firm to perform several key accounting functions which currently cannot be performed in-house verse hiring a staff accountant to handle all the accounting functions, we have concluded that retaining the use of an outside accounting firm is the most cost effective option at this time. It is important to note that in reaching our conclusion we also considered how the use of an outside firm assists with the segregation of duties in the accounting functions given the current personnel structure observed at the ETSB. Should the personnel structure change, the use of an outside accounting firm could be further reviewed at that time.

FINDINGS

Finding #1:
The Emergency Telephone Systems Board (ETSB) does not have a written accounting policies and procedures manual. Written procedures document the internal controls in place and ensure that there is a clear understanding of the duties and responsibilities of both staff and the outside accounting firm.

Recommendation
We recommend the staff develop a written accounting policies and procedures manual. A manual provides quick references, instructions for employees and documentation of the control systems in the office. The manual should include descriptions of the types of records maintained and the assignments and duties of personnel. The manual should also identify individuals who have the authority to approve different types of recurring and non-recurring transactions. These written procedures ensure that in the event of employee turnover or employee absence, there is a clear understanding of the records and responsibilities.

Management Response
In response to the above, the staff developed a written Accounting Policies and Procedures Manual that was presented to the ETSB at the March 25, 2014 meeting. The ETSB voted to accept and release the final document to the Office of the Cook County Auditor on March 25, 2014.

Estimated Completion Date
March 25, 2014

Finding #2
The staff at the ETSB consists of approximately 49 budgeted employees. The 49 employees are comprised of 6 administrative and clerical employees and 43 dispatchers. The 6 administrative and clerical employees and 40 of the dispatchers are Sheriff Office employees and the remaining 3 dispatchers are Forest Preserve employees. We were informed that the salaries of the 6 administrative and clerical employees are paid by the County and ETSB reimburses the County for the cost of those salaries and benefits. In addition, we were informed that ETSB verbally agreed to reimburse the County for the cost of the salaries and benefits for 7 dispatchers.

In FY2012, there was an agreement between ETSB and the Sheriff's Office that ETSB would reimburse the County for the salaries of the additional 33 dispatchers that are Sheriff Office employees. This was a one-time agreement and it was suggested that the reimbursement could be issued as a grant payable to the Cook County Sheriff's Office. The amount of the reimbursement/grant was designated at $1,982,537.00. In FY2012, the Comptroller billed the ETSB quarterly for all the dispatcher salaries which was actually greater than the designated reimbursement amount of $1,982,537.00. This resulted in a difference for FY2012 between the amount billed by the Comptroller to ETSB and the amount that ETSB will reimburse the County.

We also reviewed the FY2013 billings to date and found that the Comptroller's Office continues to bill the ETSB for all the dispatchers. Per our discussions with the ETSB staff, the ETSB will only reimburse the County for the 6 administrative and clerical employees and the 7 dispatchers in accordance with the agreement prior to FY2012.

Based on our review and discussions, there does not appear to be a clear understanding of what the reimbursement amounts should be from ETSB to the County for the personnel at the ETSB. This has increased the risk of the accounts receivable being overstated on the Comptroller's records and has also delayed the reimbursement payments from the ETSB to the County. As of September 2013, the ETSB

has not reimbursed the County for the last quarter of FY2012 and has not made any payments for FY2013.

Recommendation

We recommend that an agreement be reached and coordinated between all parties involved to determine the amount ETSB still owes the County for FY2012 and the amount the ETSB will reimburse the County in FY2013.

We also recommend for subsequent fiscal years that the ETSB establish a written signed agreement approved by all parties involved to clearly define which personnel at the ETSB will be reimbursed by the ETSB to the County. A written agreement will reduce the risk of misunderstandings as to which salaries will be reimbursed by the ETSB and will ensure that the Comptroller's office bills the ETSB appropriately. The implementation of this recommendation should reduce the risk of the accounts receivable being overstated on the Comptroller's records and should result in the County being reimbursed in a timely manner in the future.

Management Response

In response to the above, Selden Fox, the accounting firm for the ETSB, completed a two (2) salary reconciliation and determined that the County was due $2,172,580.80 in salaries for FY 2012 and 2013. At a special meeting held by the ETSB on January 27, 2014, the ETSB voted to authorize the release of these funds and a check was delivered to the Cook County Comptroller's Office on the same day.

The Cook County State's Attorney's Office, representing the ETSB, the Cook County Sheriff's Office and the Cook County Budget Office are working collaboratively on a MOU which will clarify the agreement between all the parties for number of positions the ETSB has agreed to fund.

Estimated Completion Date

The Cook County State's Attorney's Office has estimated that there will be a draft available for presentation to the ETSB at the April 22, 2014 meeting.