To: Chris Kachiropouas, Clerk of the Circuit Court

From: Bob Grogan, CPA, CFE
County Auditor

Subject: Limited Scope Internal Audit of Logicalis Invoice #16-73

Date: August 15, 2016

The Office of the County Auditor has completed a limited scope internal audit of the transaction processing of invoices submitted for payment. The audit identified an invoice totaling $151,583.53 payable to Logicalis for various hardware maintenance and other support services. The invoice does not comply with the DuPage County Procurement Policy requiring County Board approval for the purchases of goods or services in an amount equal to or greater than $25,000. This is a repeat exception of similar findings reported by the County Auditor on two previous occasions this year. The results of the audit are presented below.

Results

During the voucher pre-audit process, the County Auditor identified Logicalis invoice [redacted] for hardware maintenance and other support services in the amount of $151,583.53 to be paid from the Court Automation Fund administered by the Circuit Court Clerk (copy attached). The amount of the invoice exceeds the $25,000 level requiring County Board review and approval as required by the DuPage County Procurement Policy.

Guidance issued by the State’s Attorney’s Office to the Finance Department and the Clerk of the Circuit Court in 2004 cited an Illinois Supreme Court decision which advised that purchases made from the Court Automation Fund require the application of County purchasing procedures (attached).

The invoice has not been released for payment in the ERP system by the County Auditor’s Office and has been returned to the Finance Department pending approval by the appropriate County Board Parent Committee and County Board.

Objective

The County Auditor will perform a series of procedures designed to evaluate the internal controls involved in the processing of transactions in the Enterprise Resource Planning (ERP) System. The actual procedures performed will depend upon the County Auditor’s assessment of risks associated with the transactions.
Background/Audit Scope

Invoices and the related supporting documentation are initially prepared and submitted for payment processing by County departments to the centralized accounts payable function administered by the Finance Department. The implementation of the ERP system has resulted in significant changes to the processing and reporting of transactions compared to the accounting systems formerly used by the County.

The County Auditor performs audit procedures on the payment documentation after the information has been entered into the ERP system by the Finance Department accounts payable staff. These procedures include reviewing the submitted documentation and comparing it to the information entered into the ERP system. Significant discrepancies noted between the supporting documentation and the information recorded in the ERP system is identified by County Auditor staff as exceptions. In these situations, the invoice recorded in the ERP system is transferred by the County Auditor to a non-processing batch until the exception is resolved. The hard-copy invoice and supporting documentation are returned to the Finance Department with an exception notice.

During the voucher pre-audit process, the County Auditor identified invoice dated June 24, 2016 payable to Logicalis for hardware maintenance and software services. The invoice was properly approved for payment by an authorized signatory of the Court Automation Fund and was submitted as an expense voucher, rather than as a service agreement which is customary for invoices of this amount. The existence of a service agreement indicates that the Procurement Division has evaluated the procurement and that it complies with the County’s Procurement Policy.

After its submission to the Finance Department Accounts Payable Division, documentation attached to the invoice indicated that an Accounts Payable staff member e-mailed the Circuit Court Clerk Accounting Chief and asked “should these (the invoices) be paid off of a service agreement?”. The response from the Accounting Chief was, “No there is not a service agreement for these thank you for checking.”

According to the County’s Procurement Policy, 4-402 (3), Procurement Process – Board Level Procurements:

“Prior to submission to the Procurement Services Division, all requisitions shall be signed by the department head or authorized signature. The purchase or contract of any item, combination of items, or contractual service which price equals or exceeds County Board Level shall be submitted to the Procurement Services Division for review prior to presentation for approval by the Committee, and any other approvals as defined in the County Board Rules and the County Board, and shall be covered by a Purchase Order. Note: appropriate bidding or Decision Memo procedures must also be followed...”

Per discussion with the Chief Procurement Officer, the County Board procurement level is the purchase or contract of any item, combination of items, or contractual service which price equals or exceeds $25,000. Because the services listed in the invoice are being acquired from the Court Automation Fund budget appropriation administered by the Circuit Court Clerk, guidance from the State’s Attorney Office requires compliance with the Procurement Policy.
Previous Reported Exceptions 2016
The County Auditor issued two separate reports in April, 2016 and June, 2016 respectively that identified purchases made from a different vendor from the Court Document Storage Fund budget appropriation that did not comply with the County’s procurement policy. This fund is also subject to the guidance provided by the State’s Attorney’s Office as referenced above. As a result of those reports, purchase orders were processed and the invoices were paid under that purchase order.

Previous Logicalis Purchases
It was noted that an invoice for similar services was processed for Logicalis during fiscal year 2015. Logicalis invoice [redacted] for hardware maintenance and related services in the amount of $132,219.76 was paid from the Court Automation Fund as an expense invoice rather than on a service agreement as required by the County’s Procurement Policy.

Recommendations
In order to comply with the County’s Procurement Policy, it is recommended that the Clerk of the Circuit Court work with the Procurement Division of the Finance Department for anticipated annual purchases made from the Court Automation Fund of $5,000 and above which require County Board Committee and/or County Board approval.

Logicalis invoice [redacted] has not been released for payment by the County Auditor and has been moved to the “999999” ERP non-processing batch. The invoice has been returned to the Finance Department pending County Board approval.

cc: Thomas Cuculich, Chief of Staff
    Paul Rafac, Chief Financial Officer

Attachments