



OFFICE OF THE COUNTY AUDITOR

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Hon. Jean Kaczmarek, County Clerk
DuPage County
Wheaton, IL 60187

Dear Jean:

The Office of the County Auditor has completed an internal audit of the County Clerk's Office Monthly Report of Financial Condition for the months of December 2017 through November 2018. Audit procedures were performed to review the internal controls, transactions and supporting documentation for the demand deposit bank account administered by the County Clerk at the Wheaton Bank and Trust.

Results

The audit procedures identified the following:

- The Monthly Reports agreed to the bank statements and reconciliation;
- The bank reconciliations were not prepared on a timely basis during the last 6 months of FY2018;
- The County Clerk did not comply with the statute requiring Monthly Reports to be filed with the County Board;
- The County Clerk did not comply with the statute requiring the timely deposit of fees with the County Treasurer in 9 of the 12 months examined; and,
- The County's general ledger does not accurately represent the financial activity of the County Clerk's Office during the year.

Objective

The County Auditor will perform a series of audit procedures designed to evaluate the controls over certain bank accounts outside the control of the County Treasurer. The objectives of the audit were to evaluate the procedures related to the processing of Account receipts and disbursements during fiscal year 2018 in order to determine if internal controls in place in the Clerk's Office were adequate to safeguard the funds in the Account, that receipts were properly documented, recorded and deposited intact and in a timely manner, and that disbursements were appropriate and documented.

Further procedures were performed to verify that the Monthly Reports are accurate, performed on a timely basis and correspond to the bank reconciliation and bank account statements; to verify

that the funds collected by the County Clerk are remitted to the County Treasurer in accordance with the applicable statutes; and, to determine that the financial activity is accurately recorded in the County's general ledger.

Background / Audit Scope

For several decades, the County Clerk, in accordance with the law, maintained a bank account at a local bank to administer the collection of receipts and distribution of payments. The account is a non-interest bearing demand deposit account which had a balance of \$1.2 million on November 30, 2018. During fiscal year 2018, approximately \$16.6 million was collected and \$16.9 million was disbursed from the account. The account is classified as an agency account in the County's financial statements.

Receipts collected by the Clerk's Office were delivered to the bank on a daily basis by an Office supervisor. These receipts included the fees for various licenses and certificates issued by the County Clerk as well as payments received for delinquent property taxes. Over 90% of the financial activity within the account is related to property tax redemptions.

Each November, delinquent property taxes are sold at the County's tax sale. The funds from the tax sale are remitted by tax buyers to the County Collector (Treasurer) who subsequently distributes them to the taxing bodies. Among other duties, the County Clerk is responsible for maintaining a record of the parties who paid the delinquent taxes (tax buyers). Simply put, when the property owner redeems (pays) the back taxes, the payment is made to the County Clerk who deposits the funds into the bank account. After verifying the information, the Clerk issues a check from the account to the tax buyer.

Illinois statute mandates that the Clerk remit the fee income collected during a month to the County Treasurer by the 10th of the following month. This transaction would occur through checks written on the bank account payable to the County Treasurer. The bulk of the cash balance in the bank account represents funds collected from the property owners pending distribution to the tax buyers.

During 2018, the County Clerk's fee receipts were recorded monthly in the County's general ledger reflecting the amounts deposited in the appropriate general fund and special revenue fund with the County Treasurer. The aggregate activity in the County Clerk's bank account was recorded annually in the general ledger agency fund.

The audit period reflects activity occurring under the administration of the previous County Clerk. A new County Clerk was elected and assumed office in December 2018. Due to the timing of year-end transactions, the audit also included some transactions which occurred under the new administration. It should be noted that in November 2018, a decision was made to have the County Treasurer assume the administration of the bank account as of December 1, 2018.

Audit Findings and Recommendations

Bank Reconciliations

The internal controls corresponding to the preparation of the Monthly Report, transaction processing and administration of the bank accounts appear to be sufficient and functioned as

described to the County Auditor. There appeared to be adequate segregation of duties and appropriate supervisory review of the process. The Monthly Reports were reviewed and agreed to the bank reconciliation. They appeared to be accurate and represented the amounts processed by the County Clerk's Office during FY2018. The transactions occurring within the bank account were analyzed and determined to be appropriate and consistent with the nature of the account.

Exceptions were identified because the bank reconciliations were not prepared on a timely basis. For the period between June 2018 and November 2018, supporting documentation used to prepare the bank reconciliations indicated significant delays in completing the reconciliations. These delays likely resulted in the delays in preparing and filing the Monthly Reports.

<u>Bank Statement</u>	<u>Bank Reconciliation Supporting Documents</u>
June, 2018	October 16, 2018
July, 2018	November 6, 2018
August, 2018	November 15, 2018
September, 2018	November 28, 2018
October, 2018	December 14, 2018
November, 2018	February 12, 2019

Monthly Report Filing

The audit identified 4 situations of non-compliance with the statutory requirement of filing the Monthly Report with the County Board. According to 55 ILCS 5/3-2003.3, "The County Clerk shall file a monthly report summarizing the financial status of his office in such form as shall be determined by the county board." While the statute does not specify when the report is to be filed, past practice has been to present the Monthly Report to the County Board within a reasonable period following the end of a month. It was noted that no report was filed for 4 months during 2018 and that 3 reports were significantly delayed.

Below is a list of the Report months and when they were presented to the County Board.

<u>Report Month</u>	<u>County Board Meeting Date</u>
December, 2017	February 13, 2018
January, 2018	No record
February, 2018	April 24, 2018
March, 2018	June 12, 2018
April, 2018	July 17, 2018
May, 2018	August 14, 2018
June, 2018	November 27, 2018
July, 2018	November 27, 2018
August, 2018	November 27, 2018
September, 2018	No record
October, 2018	No record
November, 2018	No record

Timeliness of Deposits

The statute (55 ILCS 5/3-2003.4) requires “The county clerk shall deposit in the office of the county treasurer monthly by the 10th day of the month following, all fee income.” The audit procedures identified 9 months where this did not occur. The fees were deposited with the Treasurer later than the statutory date in the following months:

Collection Month	Amount	Required Date	Actual Deposit Date	Delay
March 2018	\$56,882.52	April 10	April 11	1 day late
April 2018	\$67,048.08	May 10	May 18	8 days late
May 2018	\$63,299.09	June 10	June 26	16 days late
June 2018	\$208,183.08	July 10	July 16	6 days late
July 2018	\$71,369.09	August 10	November 13	95 days late
August 2018	\$72,907.23	September 10	November 19	66 days late
September 2018	\$76,437.05	October 10	November 19	40 days late
October 2018	\$50,192.39	November 10	December 14 (FY19)	34 days late
November 2018	\$56,612.67	December 10	January 4, (FY19)	25 days late

General Ledger Posting

The County Clerk’s deposits with the County Treasurer for October and November fees occurred after the close of the 2018 fiscal year, therefore only 11 months of revenue was recorded in FY18 (traditionally November receipts deposited after December 1 remained posted in the following fiscal year). In order to present the results consistently between years, it is recommended that a journal entry be made to record the October revenues in FY2018.

An exception was noted in several amounts recorded in the January 2018 general ledger revenue posting. The Liquor Licenses (\$2,400) and Document Storage Fees (\$6,646) revenue accounts were overstated as a result of inadvertently replicating the same amounts posted to the GL in December 2017. In order to balance the transaction, this error resulted in the County Clerk Service Fee revenue account being understated by \$2,630. The audit found that the amounts presented in the Monthly Report were correct, the error occurred during the GL posting process.

The correct revenue amounts for the Liquor Licenses and Document Storage Fees accounts should be \$1,000 and \$5,416, respectively. Also, the County Clerk Service Fee should be adjusted by \$2,630. It is recommended that a journal entry be made to correct the accounts.

Escheatment of Unclaimed Property

During July 2018, 137 outstanding checks written prior to August 2016, totaling \$3,011 were “written off”. These checks originally were refunds to customers of overpayments. The write-off was accomplished by increasing the revenue accounts associated with the original overpayments. Generally, checks issued which remain outstanding for extended periods of time are escheated to the State when it is determined that they are abandoned or unclaimed property. These checks identified during the audit were not escheated.

It is recommended that the County Clerk consult with the State’s Attorney’s Office to determine the applicability of the escheatment laws for these transactions. If required, the write-off should be reversed, and the amounts escheated to the State of Illinois.

Summary of Recommendations

- It is recommended that the general ledger posting errors for FY2018 be corrected.
- It is recommended that the Clerk consult with the State's Attorney to determine the applicability of the escheatment laws to the 137 checks that were written-off during 2018.

I want to express my sincere appreciation for the generous assistance provided by your Office and your staff. If you have any questions, please contact me.

Sincerely,

OFFICE OF THE COUNTY AUDITOR



Bob Grogan, CPA, CFE
County Auditor

#19-25

cc: County Board
Robert Berlin, State's Attorney
Tom Cuculich, County Administrator
Paul Rafac, Chief Financial Officer

