



OFFICE OF THE COUNTY AUDITOR

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To: Fred Bucholz, County Recorder
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From: Bob Grogan, CPA, CFE
County Auditor

Subject: December 2016 County Recorder Monthly Revenue Statement Audit
#17-07

Date: June 22, 2017

The Office of the County Auditor has completed an audit of the County Recorder's Office Monthly Revenue Statement (Statement) for the month of December, 2016. Audit procedures were performed to review the internal controls, transactions and supporting documentation for the accounts administered by the County Recorder at the Wheaton Bank and Trust.

Results

The audit procedures identified the following:

- The internal controls established by the County Recorder relative to the maintenance of the bank accounts, transaction processing and preparation of the Statement are sufficient;
- There is adequate segregation of duties between the bank account reconciliation procedure and the review process;
- The Statement agreed to the bank account statements and the bank account reconciliation;
- The Statement and transfer of funds to the County Treasurer complied with the statutory requirements;
- Certain fees were coded to an incorrect general ledger revenue account; and,
- Bank fees and refunds of overpayments should be reflected in the County's general ledger.

Objective

The overall objectives of the audit were to:

- Ensure that the internal controls as designed and implemented are sufficient to safeguard the funds in the custody of the County Recorder;

- Verify that the Monthly Statements are accurate, performed on a timely basis and correspond to the bank reconciliation and bank account statements;
- Verify that the funds collected by the County Recorder are remitted to the County Treasurer in accordance with the applicable statutes; and,
- Determine that the financial activity is accurately recorded in the County's general ledger.

Background / Audit Scope

The County Recorder maintains two non-interest bearing checking accounts at the Wheaton Bank and Trust for the processing of funds received by the Office. One account is used for the collection of fees while the second account was established to refund overpaid fees to customers. The refund account is funded through transfers from the fee account in the amounts of the overpayments when the checks are presented for payment. This account normally has a zero balance.

Illinois statutes require that the County Recorder file a monthly report with the County Clerk summarizing the financial status of his office. Additionally, the statute prescribes that the County Recorder deposit all fee income with the County Treasurer by the 10th day of the following month.

The audit procedures included interviewing County Recorder's Office staff, reviewing pertinent documentation and verifying that the internal controls as described were appropriate and operating as designed. Audit procedures were also performed to determine that the transactions occurring in the bank accounts were consistent with the intent of the accounts and that deposits were made in a timely manner.

Audit Findings and Recommendations

The internal controls corresponding to the preparation of the Monthly Revenue Statement, 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 Revenue Statement was reviewed and agreed to the bank reconciliation. It appeared to be accurate and represented the amounts processed by the County Recorder's Office for the month ending December 31, 2016. The transactions occurring within the bank accounts were analyzed and determined to be appropriate and consistent with the nature of the accounts.

Fees collected during the month of *November, 2016* appear on the December Statement as disbursements paid to the Treasurer. An examination of the general ledger indicates that these amounts were posted by the County Treasurer on Monday, December 12, 2016. Based upon the issuance date of the disbursement checks from the Recorder's fee account, Friday, December 9, 2016, the timing was determined by the County Auditor to be in compliance with the statutory requirement.

Statutory compliance for the deposit of fee revenue reported on the December Statement will appear in a subsequent audit. The bank reconciliation was reviewed and agreed to the

bank statements for the period. It was noted that the reconciliation form provided to the Auditor did not list the name of the individual reviewing the reconciliation. A review of reconciliation forms for several months before and after the audit period noted that each bore the name of the preparer and reviewer. It is probable that this omission was related to the retirement in January, 2017 of a long-time employee who supervised the accounting function for the County Recorder's Office.

The audit identified two exceptions:

- The average monthly revenue recorded in the General Fund - Report Copy Fees general ledger account is about \$4,000. The total copier revenue reported on the December, 2016 Statement was \$17,858. Upon inquiry, it was determined that approximately \$14,173 of this amount represented Document Storage System fees earned during November 2016 that were misclassified as General Fund copier fees. The County Recorder should notify the Finance Department to correct the general ledger posting and transfer the amount from the General Fund to the Document Storage System fund.
- The revenue reported on the general ledger by the Finance Department is net of the refunds issued for overpayments and the bank fees paid to administer the accounts. This method understates the total revenue earned by the County Recorder. Best practice is to record the full amount of the receipts as revenue and record the refunds and bank fees separately as expenses.

If you have any questions, please contact me.