



OFFICE OF THE COUNTY AUDITOR

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To: Fred Bucholz, County Recorder

From: Bob Grogan, CPA, CFE 
County Auditor

Subject: County Recorder Monthly Revenue Statement Audit, Feb/Mar 2017
#17-49

Date: June 28, 2017

The Office of the County Auditor has completed an audit of the County Recorder's Office Monthly Revenue Statement for the months of February, 2017 and March, 2017. 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 Revenue Statement agreed to the bank statements and reconciliation;
- The deposit of fees with the County Treasurer complied with the statute;
- There was adequate segregation of duties between the bank account reconciliation procedure and the review process; and,
- The general ledger does not accurately represent the financial activity of the County Recorder's Office.

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 Revenue 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. The main operating account is used for the collection of fees and transfer stamp revenue 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 funds remitted to the County Treasurer also includes an amount for the County's share of transfer stamp revenue. In order to maintain sufficient cash flow to replenish the transfer stamps, the transfer stamp revenue remitted monthly to the County Treasurer represents an approximate amount which is "reconciled" to the actual amount in the payment made at the end of the fiscal year.

The financial activity of the County Recorder's Office is recorded in the County's general ledger by the Finance Department based upon the figures presented in the Monthly Revenue Statement.

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 the 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 February, 2017 and March, 2017. 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 *January, 2017* appear on the February Statement as disbursements paid to the County Treasurer. Fees collected during the month of *February, 2017* appear on the March Statement as disbursements paid to the County Treasurer. Each disbursement was posted to the general ledger by the County Treasurer by the tenth day of the succeeding month as specified in the statutes.

Statutory compliance for the deposit of fee revenue reported on the March, 2017 Statement will appear in a subsequent audit. The bank reconciliation was reviewed and agreed to the

bank statements for the period. The reconciliation bore the names of the two employees preparing the reconciliation and reviewing the document consistent with sound accounting practice.

The audit identified an exception in the method that the financial activity of the County Recorder's Office is recorded in the general ledger.

- The Finance Department prepares the periodic general ledger entries based upon the Monthly Revenue Statement submitted by the County Recorder's Office. The funds remitted monthly to the County Treasurer includes an approximate amount of the County's share of transfer stamp revenue.

The current method of recording this remittance is to post the actual amounts of the various sources of receipts listed on the Statement (copies, fees) and allocate the remainder to transfer stamps. This has the effect of misstating the actual transfer stamp revenue in the general ledger.

Also, as previously reported, monthly bank fees and refunds of overpayments are not reported separately on the general ledger. The County Auditor is working with the Finance Department to determine an appropriate method of posting this monthly activity to more accurately represent the revenue and expenses of the County Recorder's Office.

If you have any questions, please contact me.

cc: Paul Rafac, CFO