



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, September 2017
#17-101

Date: December 12, 2017

The Office of the County Auditor has completed an audit of the County Recorder's Office Monthly Revenue Statement for the month of September 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;
- The County Recorder and the Finance Department are to be commended on revising the monthly general ledger journal entry procedures to better reflect the monthly activity of the Recorder's Office; and
- There were discrepancies noted between the general ledger balances for certain accounts which do not agree to 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

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 September 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 *August 2017* appear on the September Statement as disbursements paid to the County Treasurer. The 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 September 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.

As a result of discussions between the County Auditor, the Finance Department and the Recorder's Office, revised procedures were developed to provide a better accounting of the monthly activity posted to the County's general ledger. A review of the journal entries occurring in September identified some exceptions in the method that the financial activity of the County Recorder's Office was 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. In prior months, the funds remitted monthly to the County Treasurer included an approximate amount of the County's share of transfer stamp revenue. Beginning in July 2017, the Finance Department prepared journal entries to reflect all of the Recorder's Office financial activity in the general ledger. It was noted that the general ledger balances for the Recorder's Bank Account (1000-9100-14950-0005) and Transfer Stamp Revenue account (1000-4300-40201) differ from the combined year-to-date activity reflected in the Revenue Statements.

Fiscal 2016 transfer stamp revenue included an overstatement of \$150,021.67, representing the County Portion (33%) of the Transfer Stamp Meter Inventory at November 30, 2016. The reversal of this will cause the Transfer Stamp Revenue in the 2017 general ledger to be understated by the same amount.

Transfer Stamp Revenue in the general ledger is \$3,814,749.82, \$117,944.32 greater than the year to date Transfer Stamp Revenue from the Monthly Statements of \$3,696,805.50.

The month ending general ledger balance for the Recorder's Bank Account should agree to the reconciled balance appearing on the Recorder's Monthly Revenue Statements. As of September 30, 2017, the general ledger cash balance was \$1,510,268.11 compared to the reconciled balance of \$1,193,188.38. Much of the difference arises from the failure of the journal entries to properly account for the cash transactions related to the purchase and sale of transfer stamps following the termination of the use of transfer stamp meters.

It is recommended that adjustments should be made to correct the balance in the Recorder Bank Account general ledger to the reconciled balance and to adjust the Transfer Stamp revenue.

Audit Recommendations

As a result of the audit procedures, the following is recommended:

- The general ledger balance for the Recorder's Bank Account (1000-9100-14950-0005) should agree to the bank account reconciliation prepared by the County Recorder's Office.

- The Transfer Stamp Revenue general ledger account balance (1000-4300-40201) should be adjusted to reflect all Transfer Stamp Revenue.

If you have any questions, please contact me.

cc: Paul Rafac, CFO