

UNION COUNTY  
JONESBORO, ILLINOIS  
INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
APRIL 19, 2011

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JONESBORO, ILLINOIS  
TABLE OF CONTENTS  
APRIL 19, 2011

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1
Agreed-Upon Procedures and Findings	2 - 9

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Board of Commissioners  
Union County  
Jonesboro, Illinois

We have performed the procedures described on the attached pages, which were agreed to by the Board of Commissioners and management, solely to assist you with respect to the accounting procedures, practices and controls of Union County. Union County's management is responsible for the institution's financial statements and accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described on the attached pages either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on Union County's financial statements or accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Commissioners and management of Union County and is not intended to be and should not be used by anyone other than these specified parties.

*Gray Hunter Stenn LLP*

Marion, Illinois  
April 25, 2011

**UNION COUNTY  
JONESBORO, ILLINOIS  
AGREED-UPON PROCEDURES AND FINDINGS**

**APRIL 19, 2011**

The following paragraphs outline the procedures performed and the results of those procedures.

**A. Internal Controls –**

We made inquiries of Union County personnel of the various offices, departments, and locations related to accounting processes and procedures to identify internal control procedures. The accounting processes and procedures addressed were related to cash receipts, cash disbursements, bank reconciliations, expenditure approval, and financial close and reporting.

As a result of our inquiries we noted areas where the internal controls were deficient or could be enhanced to provide greater assurance that transactions are being properly recorded.

Findings

County Treasurer's Office

1. The procedures for the handling of mail receipts and counter receipts are inconsistent. A two-part carbon receipt is prepared for counter receipts, however a receipt, or other method, to log mail receipts is not prepared.
2. Access to the vault that maintains the funds received for deposit and the underlying deposit documentation is not secured or being maintained under dual control.
3. The functions performed by the Assistant Treasurer are not adequately segregated. The functions performed by the Assistant Treasurer include recording of entries, ability to sign checks, access to blank check stock, and bank account reconciliation.
4. Bank reconciliations are prepared by the Assistant Treasurer and are not being reviewed.

County Clerk's Office

1. The procedures for the handling of mail receipts and counter receipts are inconsistent. A computer generated receipt is prepared for counter receipts, however a receipt, or other method, to log mail receipts is not prepared.
2. Access to the drawer that maintains the funds received for deposit is not secured or being maintained under dual control.
3. The functions performed by the County Clerk on bank accounts maintained in that office are not adequately segregated. The functions performed by the County Clerk include making deposits, approving expenditures, writing checks, signing checks, recording of entries, and bank account reconciliation.

4. The activity in the bank accounts that are maintained by the County Clerk is not submitted to the County Treasurer, and therefore is not included in the County's general ledger. Representations have been made by the County Clerk's office that these accounts are audited as a part of the County's annual financial statement audit; however we have been unable to determine if this activity is being included in the County's audit report.
5. Documentation of the approval of expenditures from accounts maintained in this office is not consistent with the documentation required for the Commissioner's approval process.

#### Circuit Clerk's Office

1. Although the functions performed on bank accounts maintained in that office are adequately segregated, the functions are not being rotated periodically.
2. The activity in the bank accounts that are maintained by the Circuit Clerk is not submitted to the County Treasurer, and therefore is not included in the County's general ledger. Representations have been made by the Circuit Clerk's office that these accounts are audited as a part of the County's annual financial statement audit; however we have been unable to determine if this activity is being included in the County's audit report.
3. Documentation of the approval of expenditures from accounts maintained in this office is not consistent with the documentation required for the Commissioner's approval process.

#### State's Attorney's Office

1. A detail record by date of receipts that are received and submitted to the County Treasurer's office for deposit is not being maintained.

#### County Highway Department

1. A detail record by date of receipts that are received and submitted to the County Treasurer's office for deposit is not being maintained.
2. Funds received for deposit and the underlying deposit documentation is not secured or being maintained under dual control.

#### Sherriff's Department

1. Department is maintaining their own checking account for prisoner bonds and bond processing fees. Consideration should be given to turning this account over to the Treasurer's office.
2. The procedures for the handling of mail receipts and counter receipts are inconsistent. A handwritten receipt is prepared for counter receipts, however a receipt, or other method, to log mail receipts is not prepared.
3. Funds received by dispatch officers are placed in a cash drawer along with all documentation of the receipt. Access to the cash drawer is not maintained under dual control.

### Animal Control

1. The procedures for handling of counter receipts and mail receipts are inconsistent. A three-part carbon receipt is generated for counter receipts, however a receipt or other method, to log mail receipts is not prepared. Some mail receipts (rabies tag fees) come to the animal control officer and some are handled by the treasurer's office. Rabies tag fees are inconsistently collected, some on a monthly basis, some annually and others on a different periodic basis.
2. Access to the cash box that maintains the funds received for deposit is not secured or being maintained under dual control.

### General Assistance

1. No log or other method of documenting mail receipts is being prepared or maintained.
2. All Earnfare program weekly and monthly reports are prepared by the general assistance clerk and are not being reviewed.

### Ambulance

1. Although the functions performed on cash receipts maintained in that office are adequately segregated, the functions are not being periodically rotated.

### Recommendations

As a recommendation on how to correct deficiencies or provide enhancements in the internal control, we suggest that unified procedures and systems be developed that can be adopted by each office, department, and location. Items to consider in the development of a set of unified procedures include:

1. A consistent method to log the receipt of payments through the mail should be adapted.
2. Mail receipts should be logged with two people present, and both should initial log.
3. A consistent method to log the receipt of payments in person should be adopted.
4. All payments received that have not yet been deposited should be properly secured and maintained under dual control.
5. Segregation of the following duties should be maintained:
  - a. Recording of entries
  - b. Authorization of expenditures
  - c. Check signing
  - d. Bank reconciliation
6. Segregated duties should be periodically rotated.
7. Bank reconciliations should be reviewed and approved by an individual other than the preparer.

8. Expenditure approval process and documentation procedures should be consistent regardless if the expenditure is to be approved by a specific office or the Board of Commissioners.
9. Unless otherwise provided for statutorily, all bank accounts should be administered and maintained by the County Treasurer's office. At a minimum, these accounts should be providing financial information to the Treasurer's office on a quarterly basis.

B. Accounting Manuals, Policies and Procedures -

1. The county does not maintain any formal written accounting manuals outlining policies and procedures for all departments.

It is recommended that a formal written policy and procedure manual be developed that encompasses all departments. The manuals should include consistent procedures to be followed by all departments to ease transitions at election times and standardization of policies to be followed to make accounting treatment between offices and departments consistent.

C. General Accounting Practices -

1. We reviewed the listing of funds and bank accounts maintained by the treasurer's office along with the purposes of these funds. Unless required by statute, we recommend that certain funds and bank accounts be consolidated or combined with other existing funds and accounts as follows:

Fund #	Fund Name	General Purpose	Recommendation
1	County General Fund	County operations	None
2	Hotel / Motel Tax	Transfers money to various tourism offices	Consolidate these two accounts and funds
3	County Tourism	Tourism promotion based on tourism offices requests	
4	IMRF / SS	Pays IMRF and social security taxes	None
5	County Fuel System	Purchases fuel for various department's use and pays bill	Could use an accounts payable system and do away with this fund
6	Bond & Interest	Pays bond and interest payments	None
7	Collector's Sale in Error	Handles tax sales in error	Could be handled by clerk's office
8	Southern Seven Health Fund	Collects tax and distributes to South Seven Health	Consolidate these funds and accounts
9	Tuberculosis	Collects tax and distributes to South Seven Health	
17	Co-operative Extension	Collects tax and distributes to South Seven Health	
10	Public Safety	County-wide dispatch	Combine with the Sheriff's department
11	County Ambulance	County-wide ambulance service	None
12	Cemetery	Pays summer labor and purchases equipment	Close and move to the general fund
13	Liability Ins / Unemp. Comp.	Pays UEC and insurance	None
14	General Assistance	Operates the Earnfare program	Consolidate these two accounts and funds
58	General Assistance - Earnfare	Operates the Earnfare program	
16	Revenue Dist (PPRT)	Distributes revenue to funds	Consolidate these two accounts and funds
18	Revenue Dist (PPRT)	Distributes revenue to funds	
20	County Highway	Road and bridge work	Consolidate these funds and accounts into one "road and bridge fund" and one "Motor Fuel Tax fund"
21	County Bridge	Road and bridge work	
22	Federal Aid Matching	Road and bridge work	
23	County Motor Fuel Tax	Road and bridge work	
24	Hard Road	Road and bridge work	
25	Co. Hwy. Ins. Fund	Road and bridge work	
26	County Unit Road District	Road and bridge work	
27	County Unit Road Dist-Bridge	Road and bridge work	
28	County Unit Road Dist-MFT	Road and bridge work	
29	Township Bridge Program	Road and bridge work	

30	IL Withholding Tax	Clearing account for Illinois withholding	Consider closing and moving to the general fund and utilizing an accounts payable system.
32	Federal Withholding Tax	Clearing account for federal withholding	
39	County Ambulance Payroll Clearing	Clearing account for payroll	
40	Highway Payroll Clearing	Clearing account for payroll	
41	General Fund Payroll Clearing	Clearing account for payroll	
31	Inheritance Tax	No activity, purpose unknown	Close this fund and account.
33	Medical Arrestee Fund	Treats injured prisoners at county jail	Combine with the Sheriff's department
34	Law Library	Judge orders law library books	Combine with other judiciary in general fund
35	Indemnity Fund	Receives penalties from tax sales, unknown what expense can be paid	Investigate what can be paid from this fund
36	County Clerk GIS	County mapping	None
37	Unclaimed Fund	No activity, purpose unknown	Investigate this fund
38	Death Certificate Surcharge	Funds from coroner's office (a percentage of fees)	Combine into the general fund
43	Court Automation Fund	A percentage of fees	Combine into the general fund
44	Recorders Automation Fund	A percentage of fees	Combine into the general fund
45	Collector Automation Fund	A percentage of fees	Combine into the general fund
46	County CDAP Sawmill	Revolving loan account	Combine into one revolving loan fund and bank account
47	County CDAP Trojan	Revolving loan account	
48	County CDAP Lawrence Box	Revolving loan account	
49	County CDAP H&B Garris	Revolving loan account	
50	County CDAP Public Water	Revolving loan account	
51	Union County CDAP	Revolving loan account	
52	County CDAP Reynolds	Revolving loan account	
59	Zang MD	Revolving loan account	
54	Sheriff Dept Drug Revenue	Drug fines, fees, and related expenditures	
55	States Attorney Drug Revenue	Drug fines, fees, and related expenditures	
60	Sheriffs DUI Fund	Drug fines, fees, and related expenditures	
56	Animal Control Fund	Serves all Union County cities	None
57	Court Document Storage fund	Circuit clerk fees, equipment expenditures	Consolidate and move to the general fund
61	New Courthouse Project Funds	Building of new Union County courthouse	None
70	General Fund Liability Account	Long-term interfund loans	Investigate old interfund loans and determine if they will be repaid
71	Disaster Relief Fund	No activity, purpose unknown	Close this fund and account

- D. We reviewed the accounting records for the various funds and have the following recommendations:
1. Currently the County does not maintain any fixed assets records. With the building of the new courthouse, this would be a good opportunity to begin compiling fixed asset records.
  2. The posting of the entries on the "General Fund- Liability Account" should be investigated. They appear to be posted backward in relation to the information in the most recent audit report.
  3. It was noted that the IMRF fund was paying salaries from their tax levy. This practice should be stopped as they are not an allowable expenditure.
  4. The IMRF fund is carrying a large cash balance. This tax levy should be reduced as low as possible until excess funds are depleted.
  5. The Unemployment and insurance fund is carrying a large cash balance. This tax levy should be reduced as low as possible until excess funds are depleted.
  6. In the various revolving funds, the loans receivable have not been recorded on the general ledger. These need to be recorded in one fund and principal payments posted against these accounts when received.
  7. There are certificates of deposit for various funds however, they are not on the general ledger. All certificates of deposits should be recorded.
  8. The 911 fund is not included on the treasurer's system, however Beverly in the Treasurer's office does quicken bank reconciliations, but no trial balance is maintained. They also have CD's not recorded anywhere. This fund appears to be a component unit with a separate board. However, they should be giving the treasurer's office reports at least quarterly so all financial information is available in one office, preferably balance sheet and income statement or an all inclusive trial balance.
  9. All offices with bank accounts that aren't accounted for in the treasurer's office should be giving the treasurer's office quarterly financial information as recommended above so that all financial information is centralized and available without difficulty. (i.e.: county clerk, circuit clerk, state's attorney – Union Co bad check restitution program).
  10. The Sheriff's department has a VISA credit card. Statements are submitted to the clerk's office for payment. However, no receipts are attached to the statements. Statements are subject to the same approval process as all other bills as far as commission approval and vouchers.
  11. The treasurer needs to investigate further at the monthly meetings he attends for the Southern Counties Insurance Trust. No one has been able to determine if checks are being written to Southern Counties Insurance Trust for insurance premiums. None were noted in the general ledger.

12. Pledged securities were not adequate during the prior year audit per the report. This should be monitored to determine that pledged securities are adequate to cover all bank accounts including certificates of deposit.
13. We did not review computer controls, but we do suggest the changing of passwords every three months. This is currently not being done.