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May 30, 2018

To the Kankakee County Board, Finance Committee, and Management
Kankakee County, Illinois

In planning and performing our audit of the financial statements of Kankakee County, Illinois, as of and for the year ended November 30, 2017, we noted the following items which are worthy of your consideration.

Bonds and Interest Levy

For tax year 2016, the County once again levied for bonds and interest on the General Obligation Bonds (2011, 2012 and 2012A alternate revenue bonds) which were paid by pledged revenue sources prior to tax year 2015. This decision was made due to the deteriorating fiscal condition of the County. As additional ICE inmate housing revenues are received (revenues of \$5.7M in 2016 and \$8.5M in 2017), the County should consider whether and when those revenues should once again be pledged for the payment of debt service in accordance the requirements of the bond ordinances.

Inmate Food Costs

During our analytical procedures, we noted that inmate food costs increased significantly in fiscal year 2017 compared to fiscal year 2016. We performed a detailed analysis of the contracted lunches and dinners. An average of 666 lunches and dinners were purchased daily, while the average daily census was only 526. Approximately 66 of the excess 140 meals were purchased for various reasons such as compensating inmate pod workers and trustees, and to accommodate for spillage and estimation of ICE detainees. The remaining 74 excess lunches and dinners were purchased each day throughout the fiscal year at a total cost of nearly \$87,000. Management indicated that excess ICE detainee meals were purchased during the first 3 months of the year due to a misunderstanding of the rules. After further research, management also determined meals were not being ordered correctly at the downtown jail. The ordering process has since been changed at the downtown jail to prevent these significant overages going forward.

Bank Reconciliations

During our audit, we noted that the bank reconciliation reports printed from MIP did not agree to the MIP balances for November 30, 2017. During the initial reconciliation process, the Treasurer's office identifies items that need to be recorded in MIP and these are categorized as Suspense Items on the bank reconciliation. After the items are recorded in MIP, these items should be cleared in the bank reconciliation module and a new bank reconciliation report should be printed to verify that the entries were posted correctly and the reconciled balance agrees to the general ledger balance in MIP.

We also noted several outstanding checks in various bank accounts that are more than one year old. There are outstanding checks as old as 2004. The Treasurer's office is responsible for investigating old outstanding checks and for following state escheat laws. The Treasurer's office should communicate the details of old outstanding checks to department heads, the Finance Department, or the Auditor's office as deemed appropriate, who can then work with vendors to get the issues resolved. Also, department heads should be communicating any interactions with vendors to the Treasurer's office to prevent errors and expedite the reconciliation process.

We noted that the bank reconciliation prepared by the sheriff's department for the Commissary fund presented invalid outstanding items, primarily due to a software issue. Therefore, the bank reconciliation as prepared does not agree to the balance in the check register. We recommended that the sheriff's department contact the software company support to determine how to correct this issue. As of the date of this letter, the Sheriff's department has determined how to correct this issue within the software and is working toward removing the invalid items from the reconciliation.

Collector Agency Fund

The Collector agency fund bank account was not reconciled to internal records to detect errors in bank activity and/or internal records. We noted a duplicate payment to a taxing body and it appears that there may be one additional overpayment. This account should be reconciled monthly to internal records. Management has indicated that they are setting up new bank accounts for various types of activity that is currently recorded in one commingled in the Collector account.

Escheat Law

Fund 910 Unclaimed legacies and bonds and Fund 880 Condemnation account are used to track various monies due to others (unlocated heirs in the instance of fund 910 and other persons/business that cannot be located in the instance of fund 880). Management brought to our attention that these funds are to escheat to the state after 3 years (see ILCS 765/1026). An annual report is to be filed each November with the state that details the funds that the County is turning over to the State of Illinois Treasurer. We have provided the County with the information from the State concerning the escheat filings and suggest that the County review these rules/forms and prepare the information for filing by November 1, 2018.

Accruals at Highway Department

Audit adjustments were posted to record approximately \$259,000 of motor fuel tax revenue receivable in the County Motor Fuel Tax Fund and almost \$126,000 of motor fuel tax revenue receivable in the Township Motor Fuel Tax Fund at November 30, 2017. At year-end, the Highway Department should determine whether revenues received after year-end should be recorded under the modified accrual basis of accounting. As a best practice, the Highway Department should also determine the accuracy and completeness of other accounts subject to accrual such as prepaid expenses, accounts payable, accrued salaries and benefits, and retainage payable.

We appreciate the courtesy and cooperation of your staff during our audit and would be happy to discuss the above items further at your request. This report is intended solely for the information and use of the Board, Board Committees, management, and appropriate regulatory agencies.

Sincerely,

SMITH, KOELLING, DYKSTRA & OHM, P.C.

Smith, Koelling, Dykstra and Ohm, P.C.