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May 30, 2017

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, 2016, we noted the following items which are worthy of your consideration.

#### Bonds and Interest Levy

During 2016, the County levied for bonds and interest on most of the General Obligation Bonds previously supported by pledged revenue sources due to the deteriorating fiscal condition of the County. The 2011, 2012, and 2012A bonds are secured by inmate housing fees. As additional ICE inmate housing revenues come in, the County needs to consider whether and when those revenues once again need to be pledged for the payment of debt service in accordance the requirements of the bond ordinances.

#### Payroll – Various Disbursements

We noted the following payroll disbursements during our audit:

1. A \$1,000 bonus was paid in December 2015 (included in FY15 expenditures) to a union employee and was authorized by an elected official because budgeted funds were available. Discretionary bonuses are not addressed in the union contract. However, we believe an employee who is part of a collective bargaining agreement should be paid for amounts agreed to in the contract, and only those amounts. We believe this practice of paying discretionary bonuses could increase the County's exposure to grievances and liability.
2. A payout of compensatory time in the amount of \$1,728 (77 hours) to a union employee was authorized by an elected official. The employee did not separate from the County, and is still employed by the County. There is no provision in the applicable collective bargaining agreement or the County's Policy and Procedure Handbook for payment of compensatory time except upon separation from the County.
3. A payout of compensatory time to a union employee was made in excess of the amount allowed for in the applicable collective bargaining agreement. The employee was paid an excess of 16 hours.
4. An elected official authorized sick time and extended illness payouts to two employees upon separation from the County totaling \$35,161 (948.5 hours). These employees were not part of a collective bargaining agreement. The County's Policy and Procedure Handbook states that upon termination from County service, neither accumulated sick time benefits nor unused time in the extended illness bank will be paid. It states that upon retirement, any unused extended illness hours will be applied to IMRF pension credits.



The disbursements discussed above occurred in three different departments in the County. Our understanding is that past practice relied solely on the elected official's or supervisor's authorization of these types of disbursements. We noted that there is not a consistent method of approving these types of payouts, nor are there controls in place to verify that payments are made in accordance with collective bargaining agreements and County policy. We recommend designing, documenting, and implementing a County-wide process for approving payroll disbursements outside of the normal payroll such as bonuses, compensatory time, separation payments, and others. The County should define the hierarchy of guidance. For example, for an employee who is part of a collective bargaining agreement, primary guidance would be the union contract. If the issue is not addressed in the union contract, the secondary source would be the County's Policy and Procedure Handbook. All payments outside of the normal payroll should be required to be reviewed by the Auditor and eventually the Claims Committee.

#### Payroll – Hourly Pay Rates for Salaried Employees

During our testing of the payroll system, we noted that Sheriff's Department and Corrections Department hourly pay rates include monthly or annual differentials and incentives as defined in the collective bargaining agreements. For example, annualized amounts of shift differential, command pay, non-tobacco use incentives, fitness incentives, and educational incentives are added to the annual base salary amount. That amount is then divided by 2,080 hours to calculate the hourly pay rate used for items such as overtime, holiday pay, and separation payments. The effect is that the County is paying more than the defined monthly or annual amount each time an hours-based payment is made. Per discussions with management, this issue has been brought to the attention of the payroll department in the past.

These hourly payments do not appear to be in accordance with the agreement, and they are impacting the County's fiscal budget. We calculated a differential of \$8.70 per hour on the overtime rate of a 16-year Sheriff's Deputy that earns several of the incentives and a differential of \$4.44 on the overtime rate of a 12-year Corrections Officer that earns a couple of the incentives. We recommend using the base salary amount as defined in the wage schedules of the collective bargaining agreements to calculate hourly pay rates. We also recommend adding specific language to the contract to define how hourly pay rates are calculated.

#### 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, 2016. 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. On the November 30, 2016 bank reconciliation report for the main checking account, there was over \$800,000 classified as suspense. 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. Furthermore, this issue has caused extra hours of work for the Finance Department and us as auditors to be able to satisfy ourselves that cash is correctly stated on the financial statements.

We also noted several outstanding checks on the main checking account that are more than one year old and total approximately \$30,000. There are outstanding checks on the bank reconciliation report 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.

Board Committee Minutes

We noted that Board committee meetings have not been documented via written minutes for several committees since April or May of 2016. We understand that this is due to limited resources and that recordings are available for these meetings. However, since the committee minutes are not written, they also have not been approved. We recommend that the County document Board committee meetings in the form of minutes as soon as possible after the meetings, including those not yet complete.

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.*