



## **PEORIA COUNTY, ILLINOIS**

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### **COMMUNICATION OF MATERIAL WEAKNESS AND SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL**

December 31, 2017



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To the Members of the Peoria County Board,  
and Management  
Peoria County, Illinois  
Peoria, Illinois

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peoria County, Illinois (County) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that are not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we considered to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the County's internal control listed on the following pages to be significant deficiencies.

The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Sincerely,

*Sikich LLP*

Sikich LLP  
Springfield, Illinois  
June 27, 2018

## **SIGNIFICANT DEFICIENCIES**

### **Bank Accounts**

During our testing of cash, we note the County prepared a bank confirmation which contained an account that was not recorded in the general ledger. In addition, we received a collateral confirmation from the bank that included an account that was not recorded in the general ledger and did not have a related bank reconciliation. While investigating the accounts not included in the general ledger, the County identified another account that was not recorded in the general ledger and did not have a related bank reconciliation. We recommend that the County maintain an up-to-date log of all cash accounts in the County's name and perform bank reconciliations for all bank accounts for which they are custodian, to ensure the general ledger is accurate. In addition, we recommend the County develop a policy or form be signed and approved for opening new bank counts. Such information should be communicated to the Finance Department in a timely manner to ensure accurate reporting in the general ledger.

#### *Management Response:*

*We agree that all bank accounts in the County should be recorded in the general ledger. As these bank accounts have been discovered, usually with small dollar balances, we have recorded them in the general ledger. Some were discovered during 2017 and some were discovered as part of the FY 2017 audit. - Randy Brunner, Interim Chief Financial Officer*

### **Segregation of Duties**

A lack of segregation of duties is common among local governments. However, it does increase the risk that errors may occur and go undetected and it increases the risk of fraud. Fraud could occur where employees have access to financial records and/or assets of the County, and could perpetrate fraud for their personal financial benefit. During our audit we noted instances where employees have access to financial records and/or assets of the County. Specifically, we noted a lack of segregation of duties over the billing process at Heddington Oaks and over network, application, and database user access.

When obtaining an understanding of Heddington Oaks billing process, it was noted that patient invoices are automatically generated by the Matrix Care system each month. The invoices are reviewed by an employee, however, that employee has the ability to make changes to the billing system, without subsequent review or approval. We recommend that the individual reviewing the patient invoices not have the ability to modify the billing system.

## **SIGNIFICANT DEFICIENCIES (Continued)**

### **Segregation of Duties (Continued)**

During our testing of user access controls in the Pentamation system that several users did not appear to have properly restricted access rights. For example, we noted several users that had the ability to both enter/modify requisitions and approve requisitions. Additionally, we noted that departments are not reviewing Pentamation access rights on a regular basis. User access rights should be granted on a need-to-know, need-to-do basis that considers appropriate segregation of duties and be reviewed on a regular basis. We recommend the County develop and follow formal policies and procedures to ensure appropriate user access rights. Such policies should ensure timely action relating to requesting, establishing, issuing, suspending, modifying, closing and reviewing user accounts.

We also noted several shared user accounts within the Odyssey application. Additionally, Odyssey accounts are not being reviewed on a regular basis by the Circuit Clerk. We recommend user accounts be restricted to individual users and access rights be reviewed on a regular basis by the Circuit Clerk

#### *Management Response:*

*The Heddington Oaks billing process has been an issue of concern because while the Matrixcare system produces the invoices and they are reviewed by the employees, those same employees currently have the ability to make changes to the bill after it has been produced by the system. This opens up the potential for fraud because too much accessibility rests with one individual. A second bookkeeper has been recently hired along with a finance director for Heddington Oaks so the staffing of these additional positions should help with the segregation of duties with nursing home billing. – Randy Brunner, Interim Chief Financial Officer*

*Security access within Pentamation is requested by the employee's manager or supervisor. Historically the access has been based on the employee's role within the department or the role of the person they are replacing. The manager or supervisor determines the security required based upon the size of the department and the internal processes and workflows. In some cases, it may require individuals to have both creation and approval rights within Pentamation.*

*Pentamation security reports are available for every user in the system but are not easily understandable. Historically Peoria County IT has contacted the vendor for all questions related to security because of the limited details within the system. IT has submitted numerous request to Pentamation regarding improving the security reporting within the system. So far, no changes have been made by Pentamation to improve this.*

*Peoria County IT and Finance will form a team to look closer at the segregations of duties within Pentamation. This team will work with Pentamation to determine if reports are available to better identify possible user access control issues.*

*Peoria County IT and Finance are currently planning a project in 2020 to replace the Pentamation Finance system. A more robust security system with reporting will be a key requirement for the new system. - Mark Little, Chief Information Officer*

## **SIGNIFICANT DEFICIENCIES (Continued)**

### **Purchasing**

Based on review of purchasing internal control narratives provided by management, we noted that not all departments are consistently following the purchasing policy. Per the purchasing ordinance, the Purchasing Agent is responsible for procuring and supervising the procurement of all goods and services, and construction needed by the County. Per review of purchasing internal control narratives, it was noted that not all purchases are going through the Purchasing Agent that may result in the County entering into unapproved contracts and receiving goods and services that did not receive prior approval. Based on our review purchasing transactions selected for testing, we did not note non-compliance with with the purchasing policy. However, based on the nature of our audit, we do not review all purchasing transactions. Accordingly, to help monitor the volume of purchases due to budget constraints and ensure that purchases are initiated with proper approval, we recommend all County departments follow the established purchasing policy.

#### *Management Response:*

*As discussed with the external auditors, the larger purchases actually have seen an appropriate level of compliance. The concern is the compliance on smaller purchases. While it is a good reminder that all County offices and departments should comply with the purchasing policy, by and large there is an acceptable level of compliance from this group. The larger issue has to do with independent Boards and Commissions which often follow their own purchasing policy, which is separate from the County's policy. It is recommended that all county offices and departments, but particularly those reporting to independent Boards and Commissions follow the County's purchasing policy and contact the County's Purchasing Agent should questions arise related to compliance. Compliance with the County's purchasing policy is something that can be reinforced with department heads as part of the annual budget process – Randy Brunner, Interim Chief Financial Officer*

### **Grant Expenditure Reconciliation**

During our audit of grant revenues and expenditures, it was noted that the County does not have process for tracking grant expenditures in the general ledger. On an annual basis, the County performs a reconciliation of grant revenues to the general ledger. However, grant expenditures reported to state and federal agencies are not reconciled to the general ledger. To prevent inaccurate reporting and duplicate request for reimbursements, we recommend the County develop a process to reconcile grant expenditures reported to state and federal agencies to the general ledger on a regular basis.

## **SIGNIFICANT DEFICIENCIES (Continued)**

### **Grant Expenditure Reconciliation (Conitnued)**

#### *Management Response:*

*Based on Peoria City/County Health Department's current program/account structure for expenditures, grant reimbursement requests could include expenses from one or more programs/accounts. Grant expenditures are identified by the check register description entered from the purchase order during the accounts payable process. A check register report is run monthly and converted to excel format, where grant expenditures are then documented for reimbursement. Time tracking spreadsheets are utilized to document actual time worked, which are used with payroll reports to calculate grant personnel/fringe expenses for reimbursement. These processes ensure that reimbursement requests for grant expenditures and personnel expenses are accurate and not duplicated. Additionally, individual grant expenditures are identified on a fiscal year expenditure audit trail report run from the general ledger and converted to excel. – Brian Gulley, Director of Financial Services, Peoria City/County Health Department*

*The County will consider whether the project accounting module in the financial system is sufficient to accomplish this, or whether each grant needs a separate program number in the financial system to have grant revenues and expenses reconcile to the general ledger. - Randy Brunner, Interim Chief Financial Officer*