CHAMPAIGN COUNTY
REGIONAL PLANNING
COMMISSION

Date: November 15, 2024
To: Honorable Members of the Champaign County Board
CC: County Executive Steve Summers
County Auditor George Danos
County Treasurer CJ Johnson
From: Dalitso Sulamoyo, CCRPC CEO
Tami Ogden, CCRPC COO
RE: Key Financial and Operational Concerns as Year-End Approaches

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As the County nears year-end, CCRPC has identified several critical areas requiring urgent attention. If left unaddressed, these issues could lead to further operational and financial complications, which pose a significant risk to CCRPC's grant funding.

1. **Delayed Monthly Financial Report Closings**
   Previously, when AS/400 was the County's financial accounting system, monthly reports were finalized by the 5th of the following month. With the transition to Munis, the finalization was moved to the 10th to allow the Auditor's office time to adapt to the new software, with the long-term goal of returning to the 5th. However, in the past two years, this target has consistently been missed, with closures delayed to around the 15th each month. This delay presents a substantial challenge for CCRPC, as timely financial closures are essential for submitting grant reimbursement requests, many of which are due by the 15th.

   Delays force CCRPC to postpone funding requests, impacting cash flow. Additionally, timely report completion is crucial for CCRPC to prepare internal financials for RPC Commissioners and program directors to make informed organizational decisions.

2. **Delayed Posting of Cash Receipts**
   Posting of cash receipts across the County has been consistently delayed. Despite repeated requests, revenue often remains unposted until the final week of each month, when a backlog of receipts is posted all at once. Timely recording of cash receipts is essential for maintaining accurate and up-to-date financial records. When cash receipts are posted promptly, it ensures that the County's financial statements reflect the true financial position at any given time. This accurate tracking of revenue is critical for CCRPC for several reasons:

- **Financial Decision-Making**: Accurate, real-time financial data enables CCRPC to make informed decisions about budgeting, spending, and resource allocation. Delays in posting receipts hinders CCRPC's ability to assess available funds and make necessary adjustments to program funding, staffing, and operational planning in response to actual financial conditions.
- **Grant and Funding Compliance**: Many grants and contracts require financial reporting that reflects the organization's current cash flow and revenue status. Delayed cash receipt postings can misrepresent financial status, risking compliance with grant requirements. This could potentially delay or jeopardize reimbursement processes, as CCRPC relies on timely reporting for both current and future funding eligibility.
- **Cash Flow Management**: Without timely recognition of cash receipts, CCRPC cannot accurately monitor its cash flow, which is essential for operational continuity. For example, if revenue from grants, fees, or other sources is not recorded on time, CCRPC may appear to have a cash shortfall, limiting its ability to meet short-term financial obligations, such as payroll, vendor payments, and other essential expenses.
- **Financial Reporting Accuracy**: Financial reports serve as essential tools for CCRPC Commissioners, program directors, and other stakeholders to understand the organization's financial health. Delays in cash receipts can distort revenue projections and financial performance metrics, leading to discrepancies in monthly and year-end financial statements. Inaccurate reporting can impact CCRPC's ability to present a clear and reliable financial picture to the RPC Commission and County Board.
- **Audit Readiness and Transparency**: Properly recorded cash receipts are a key factor in maintaining audit readiness. Auditors assess the County's financial practices, including the timing and accuracy of revenue recognition, to ensure compliance with accounting standards. Delays in posting cash receipts raise red flags, as they suggest inconsistencies in financial controls, potentially leading to findings in audit reports. Transparent and timely recording of revenue upholds CCRPC's accountability to funders and the public.

3. **Inaccurate Payroll Postings**

In reviewing August and September financial statements, CCRPC observed imbalances in monthly balance sheets across several County funds related to payroll. Investigation indicates that while payroll expenditures continue to be recorded in income statements and balance sheets, payroll liability entries have ceased being generated. CCRPC has collaborated with the County Payroll Accountant to confirm that procedures remain consistent since the Munis integration and has submitted corrective journal entries for August through October. However, the root issue remains unresolved.

4. **Delays in Reconciliations**
   - **Bank Reconciliations**: In a recent agreement, the Auditor's office assumed responsibility for preparing bank reconciliations, with the Treasurer's office designated for review. CCRPC ensures that its own bank reconciliations are up to date, maintaining proper internal controls. However, reconciliations under the Auditor's office have not been completed since April 2024, and they do not reflect adjustments from the 2023 audit.

     Timely completion of bank reconciliations is critical for several reasons including:
     - **Audit Readiness**: Incomplete and inaccurate bank reconciliations could lead to audit delays and result in findings such as those reported in fiscal years 2018-2021. An increased level of audit findings poses several risks, including potential funding reductions or terminations, heightened oversight, and disruption to program delivery. Additionally, such findings can damage the organization's reputation, and erode stakeholder trust. Mitigating the risk surrounding single audit findings is critical to ensuring compliance, maintaining funding eligibility, and safeguarding the organization's operations and reputation.
     - **Accuracy of Financial Records**: Bank reconciliations verify that the County's recorded cash balances match bank records, helping to identify discrepancies, errors, or unauthorized transactions. Without timely reconciliation, financial statements may include inaccurate cash balances, impacting financial planning and reporting.
     - **Fraud Detection and Prevention**: Regular reconciliation acts as a control against fraud by identifying unauthorized or unusual transactions that may indicate potential financial misconduct. Delayed reconciliations reduce the County's ability to detect and address such activities in a timely manner, increasing the risk of undetected fraud.
   - **Balance Sheet Reconciliations**: Year-end adjustments are made to reclassify Interfund Payables from Accounts Payable, aligning with Generally Accepted Accounting Principles (GAAP) for the County audit. These adjustments should have been reversed at the close of 2023 financials, but to date, they remain unreversed. This has led to non-standard

"debit" balances in Accounts Payable accounts and represent a lack of overall receivable and payable reconciliations across the County.

- **Income Statement Reconciliations**: Regular reconciliations to external financial data from DEVNET, IDOR, and State Comptroller reports have not been conducted for 2024. Consequently, there is no assurance of proper recording or collection of County property taxes and state revenues.

5. **Capital Asset Reconciliation**: Typically, the County's capital assets are reconciled to the general ledger on a semi-annual basis to ensure that all asset acquisitions, disposals, and depreciation are accurately reflected in the financial records. This reconciliation has not yet been completed for the current year, which creates potential inaccuracies in the County's asset management and financial reporting. Regular reconciliation of capital assets is crucial because it verifies that the County's financial statements accurately represent its long-term investments and resources. This, in turn, allows for informed budgeting, asset replacement planning, and meets compliance with GAAP at year-end. Failing to complete these reconciliations in a timely manner may result in understated or overstated asset values, impacting both internal financial decisions and external audit outcomes.

Note: External auditor CliftonLarsonAllen (CLA) is nearing completion of the 2023 audit, which was due by September 2024. Typically, preliminary fieldwork for the County's audit begins in December or January. Due to delayed 2023 audit completion and incomplete 2024 reconciliations, CLA may have to defer fieldwork, risking extended delays for next year's audit completion.

To mitigate these risks and maintain financial integrity, we are requesting immediate and sustained attention to these critical areas. Thank you for prioritizing these matters as we work toward a smooth year-end close and timely FY2024 audit.