

Financial Transactions Controls and Processing Inefficiencies

Illinois Heartland Library System's (IHLS) Fiscal Year (FY) 2014 accounting system, Open Systems, was inadequate for tracking fund accounting transactions and managing cash accounts. This inadequacy required numerous monthly journal entries for payroll, payroll taxes, retirement benefits, and significant due to and due from transactions across funds.

- Numerous bank accounts were opened in FY2014 at US Bank to separate monies for each fund. However, no supporting documentation/audit trail indicating what opening balances represented, or if due to and due from accounts were settled across funds.
- Multiple hand written checks along with computer-generated checks were disbursed for a single bill payment resulting in the receiving vendor misapplying payments.
- Invoices entered into IHLS Accounts Payable (A/P) System were entered without invoice numbers and invoice dates (used entry date) which made general ledger reviewing and auditing very difficult to reconcile.
- Voided checks during FY2014 were not voided in A/P System properly, resulting in voided items still appearing in vendor A/P Files. The correct procedure was cumbersome and required the assistance of the Software Consultant. As a result, some checks were removed behind the scenes – no balancing debit and credit transaction exist.
- All cash accounts had to be reconciled from the beginning of FY2014. Limited cash reconciliations had been done with no supporting documentation, and reconciled figures did not tie to general ledger.
- A significant amount of research, transaction tracing, and journal entries correcting transactions posted to wrong accounts had to be done to reconcile the cash accounts.
- Reconstruction of a significant amount of FY2014 transactions was required and completed which has resulted in over 500 journal entries being prepared and entered into Open Systems Accounting System (OSAS) since March 2014.
- Prior to March 2014, there was no documentation of journal entries entered into OSAS or supporting documentation explaining the transaction.
- After finding inadequate recording of transactions and lack of supporting documentation, IHLS accounting staff consulted with auditors requesting FY2013 end of year working papers. However, the auditors only provided final FY2013 trial balance reports. During this conversation, auditors indicated FY2013 audit preparation and documentation provided by IHLS was not conducive to standards.

- Greg McCormick, Illinois State Library, was contacted to provide insight on Area and Per Capita and Special Revenue Grants compliance and reporting requirements.
- It was discovered in our research, that FY2013 final reports submitted to the Illinois State Library, Audited Financial Statements, and IHLS OSAS General do not coincide. At this point, Illinois State Library was contacted and it appears that prior years' balances have been carried forward without research or reconciling.
- Accrued Absences in FY2013 Audited Statements was understated significantly in all funds excluding SHARE.
- Accrued Payroll FY2013 was not reversed/recorded properly in FY2014 which resulted in IHLS' Final Grant Reports being understated. In addition, the auditor was questioned why payroll would be accrued in any year if the variance between actual days worked calculations and IHLS actual 26 payrolls was insignificant. As with most questions addressed to the auditor, the response was that our lack of expertise in the auditing field would not allow us to know material vs immaterial.

IHLS Finance Staff's goal is to produce accurate FY2014 Audited Financial Statements that coincide with final grant reports submitted to Illinois State Library. In addition, we strive to begin FY2015 with correct balances and produce adequate financial reports. In an effort to address and correct financial recording and reporting inadequacies, Abila Fund Accounting 100 was purchased and installed. Final configuration of all modules is in process. Accounts payable checks are currently being disbursed, accounts receivable invoices are being produced, and cash receipts are being applied in Abila. However, beginning FY2015 transactions are in the process of being entered into Abila.

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