

County of Kankakee

FISCAL POLICY & PROCEDURES MANUAL

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PURPOSE AND DESCRIPTION

Kankakee County, Illinois is a municipal corporation formed in 1853 operating under the township form of government. The Board of Trustees consists of twenty-eight members and is the legal and executive body of the County. In addition, there are nine other elected administrative officials, each of whom is independent as set forth in Illinois law. These officials are Clerk of Courts, Auditor, Coroner, Prosecuting Attorney, Recorder, Sheriff, Treasurer, County Clerk and the Regional Superintendent of Schools.

The purpose of this Fiscal Policy & Procedures Manual is to document the principles and policies governing our accounting practices.

The principles and policies provide:

- A foundation for long and short term planning,
- Groundwork for a system of internal controls,
- Guidance in current financial activities,
- Criteria for decisions on appropriate accounting treatment,
- Accounting staff with direction and guidance in connection with those accounting transactions, procedures, and reports that should be uniform throughout the County.

When consistently applied, these principles and policies assure that the various financial statements issued by the County accurately reflect the results of its operations.

Internal controls provide a system of checks and balances intended to identify irregularities, prevent waste, fraud and abuse from occurring, and assist in resolving discrepancies that are accidentally introduced in the operations of the County.

BUDGETING

The County adopts an annual budget and appropriation ordinance in accordance with Illinois law. The budget covers the fiscal year ending November 30, and is available for public inspection at least fifteen days prior to final adoption. The budget document is prepared for all budgetary funds using the modified accrual basis. Once the County budget has been adopted, no further appropriations shall be made during the year, except in the event of an immediate emergency at which time the County Board by a two-thirds vote may make appropriations in excess of those authorized in the original budget.

ACCOUNTING SYSTEM

Computerized Accounting System

The Kankakee County Finance Department utilizes a computerized accounting system for payroll, general ledger, accounts payable, inventory, and reporting. The payroll system used is Paylocity. The timekeeping system used is Paylocity. The Payroll Manager is responsible for entering payroll. The accounting system used for general ledger management, accounts payable, and financial reporting is Sage MIP Fund Accounting. The inventory system is Best Software.

Access to Networks

The Payroll Manager and the County Administrator are the only employees with administrative access to Paylocity. Access is gained through a password. Paylocity is an internet web based application. The backup is web based, stored off site. Backup is performed nightly.

Members of the Finance Department, the Treasurer's Office, and the Auditor's Office have access to the MIP system. A password will be used to access the MIP system. Each individual has their own password and only the Finance Director can give passwords. The Auditor's Office has "read-only" capabilities in MiP. They can produce reports, but cannot make entries into the system. The Finance Director can also control which employees have access to the various modules within the system based on that employees job duties.

MIP is a Microsoft active directory Microsoft 2012r2 network application and is patched to current levels based on MIP recommendations. The data resides on a local network server. A MIP server wide backup is performed nightly and is stored on local USB hard drives. The hard drives are rotated weekly and are stored in a Vault in the County Court House Vault (offsite).

FAS Gov 100 Fixed Asset Accounting software by Sage Software, Inc. is the County's Inventory system. It is PC based with direct access on a sole computer located in the Finance Department. The Staff Accountant accesses the system by password.

The current operating system used for MIP is Windows 2012r2 server.

Fund Accounting

The accounting system is operates on a fund basis. Each fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

Basis of Accounting

There are two fundamental methodologies of accounting, each with assumptions, constraints and theories, which guide all financial recording, reporting, and measurement activities: Cash and Accrual.

- Cash basis accounting records financial events only when cash actually changes hands in an arms-length transaction
- Accrual basis accounting records revenues when earned and expenses the costs associated with the revenue earned when incurred.

The County's governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Therefore, the County considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Accounts of Record

Separate accounts will be maintained as required by funding source regulations.

The accounts of record are as follows:

1. General Ledger (All activities in balance sheet and revenue/expenditure accounts)
2. Sub-ledgers
 - a. Check Register
 - b. Disbursements Register
 - c. Journal Voucher Register
3. Cash Journal

Chart of Accounts

All financial transactions will be coded according to the Chart of Accounts. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The County Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. Each fund is assigned a 3 or 4-digit number. Then each transaction is assigned a 3-digit number which designates the necessary department. The next series is a 5-digit object code. This identifies it to a specific asset, liability, revenue, or expenditure line item. If needed, the next series is a 3-digit code which ties the revenue or expenditure to a grant. The entire Chart of Accounts can be viewed separately.

INTERNAL CONTROL

Financial duties and responsibilities are separated to ensure that no one individual performs more than one of the functions of: authorizing the transaction, recording the transaction and maintaining custody over the assets. Data entry duties will be reviewed by other employees and rotated whenever possible. Specific internal control measures are addressed according to their function in this manual.

ACCOUNTS PAYABLE PROCESSING & CHECK AUTHORIZATION

All expenditures will be authorized for payment prior to processing a check.

Based upon an authorized expenditure, a claim for payment will be prepared for all invoices with the correct vendor, invoice date, invoice number, description, amount, and allocation information. Each claim for payment by a department will be signed by an appropriately authorized individual. A listing of those authorized to sign a claim for payment can be viewed separately.

Each claim for payment will be sent to the County Auditor's office. The duty of the Auditor's office is to audit all claims against the county, and recommend to the County Board the payment or rejection of all claims presented.

After the claim has been approved by the Auditor's office with a signature or initials by the County Auditor or a deputy auditor, the claim is sent to the Accounts Payable division of the Finance Department for processing.

An Accounts Payable Clerk processes the claim in the accounts payable portion of the MIP accounting software. The system tracks claims entered by vendor and by invoice number. Therefore, the accounting system has a computerized system whereby the same invoice number cannot be repeated for the same vendor.

After the claims are entered for that day, a pre-check register is printed and attached to the claims. The report is then reviewed against the claims to check for errors. At this point, the Finance Director, or a designee in his absence, posts the accounts payable session to the general ledger.

The Treasurer's Office is responsible for printing the checks for payment. The Account Technician or Deputy Treasurer prints the checks by selecting the posted accounts payable session. After the checks are printed they are submitted to the County Treasurer and the County Clerk for signatures. All supporting documentation will be made available for review. Facsimile signature stamps of the County Treasurer and the County Clerk will be maintained and utilized according to policy in each of those departments.

Additionally, the Treasurer's Office produces the Accounts Payable Treasurer's Report Bank Transactions report which lists every fund and the total amount of checks disbursed for each fund, and culminates in a grand total for the check run. The Treasurer's Accountant, a County Clerk, and the Deputy Auditor sign this report. The Auditor's Office maintains and files the original, and a copy is given to the County Clerk's and Treasurer's departments.

The checks are delivered to the Auditor's Office for review and audit against the claims for payment. The checks are then delivered to the Finance Department. The checks are distributed by mailing the check with one stub attached to the payee with the respective remittance copies. A second check stub is attached to the supporting documentation and filed. Checks that are for employee reimbursement, or for those vendors that have notified the Accounts Payable division that they would like to pick up their checks in lieu of having the check mailed to them, are prepared for distribution by the Accounts Payable Clerk. A form is prepared listing the checks to be picked up, and the department head or vendor signs the form when they obtain the checks from the Finance Department. The appropriate department head or his/her designee per the signed Signature Authorization worksheet is on file in the Assistant Director of Finance's office.

Voided checks will have "Void" written across the face of the original check. The Accounts Payable Coordinator voids the check in the MIP Accounting System. The voided check will be attached to the report showing the check was voided in MIP and filed by the Treasurer's Office.

ACCOUNTS RECEIVABLE

Receipts of Revenues

Revenue is received by the County in a number of ways.

Department Collections: County departments may collect revenue within their respective department for various charges for service, licenses and permits, and fees and fines. This is collected per their internal department policy. Additionally, checks from other sources for grants, reimbursements, or other reasons are received in their respective departments. The cash and/or checks with the appropriate accounting revenue line item are brought to the Treasurer's Office to prepare for deposit. The Treasurer's Accountant or the Account Technician enters the transaction into the cash receipts portion of the MIP accounting software. A receipt which includes the date received and check amount is printed out and given to the department. At the end of each day, all cash and checks received are collected and the Accountant or the Account Technician prepares a Daily Deposit Report and places the funds in the safe. The following day, the accountant prepares deposit slips to the appropriate banks. The County Treasurer, or the Account Technician in his absence, takes the deposits to the bank.

After the receipts are entered in a MIP session, the Finance Director, or the Assistant Director of Finance in his absence, reviews the session before posting the session to the general ledger.

Wires: The Accountant reviews the bank accounts online on a daily basis to see if any revenue was received by wire. When received, the Accountant enters the transaction into the cash receipts portion of the MIP accounting software. A receipt is printed out and given to the appropriate department.

Transfers

One transfer method occurs when a transfer is made from an investment account to the operating checking account for the corresponding fund. Funds are received in by wire transaction into the IPTIP investment account. A cash disbursement is entered into the MIP accounting software by the Accountant in the Treasurer's Office. A manual check is written to be deposited into the operating checking account of that fund. This type of transaction occurs approximately once per month.

Deposits to the IPTIP investment account are sent by certified mail.

Check & Stamp Storage

Blank checks are stored in a cabinet in the Treasurer's Building behind locked security doors and windows. The signature stamp that adorns the checks is locked in the safe.

BANK RECONCILIATION

The function of bank reconciliation is performed in the County Treasurer's office. The reconciliation of bank accounts containing all funds is performed monthly following receipt of the bank statements. Most bank statements are received by mail, with the exception of First American bank and Illinois Funds. Those statements are received online. Drafts are cleared via the electronic reconciliation function of MIP Fund Accounting. If a transaction is on the bank statement but has not been entered in MIP, the Account Technician works within the Treasurer's Department and the Finance Department to figure out the discrepancy and formulate the appropriate entry. A list of outstanding checks and a reconciliation form is generated by the system showing the bank balance and checkbook balance agree.

After this is completed, a report is printed for each bank. The County Treasurer reviews the report. The reconciliation is filed by month and by bank in the Treasurer's office.

Offline Accounts

There are nineteen known offline bank accounts that are controlled at the individual department level. Twelve are checking accounts, two are savings accounts, and five are investment accounts. These accounts are currently controlled and reconciled at the department level.

Interest Allocations

Monthly, interest is reported on the bank statements by the bank to the Treasurer's Office for interest bearing accounts. Interest allocations are performed based on a spreadsheet calculation where the interest is allocated amongst shared funds in the bank account. The month end balance for each fund is entered into the "End of Month Interest Calculation" worksheet, and the interest for that month is allocated to each fund based on the month end balance. A journal voucher is prepared and entered by the Treasurer's Account Technician into the MIP accounting software.

PAYROLL

Payroll Processing

Department Heads/Supervisors approve work time reports in Paylocity's Web Time for their employees in their department by 9 am on the Monday of payroll week, except as noted on weeks that contain a holiday.

Manual Time Sheets – Each employee fills out their time sheet manually, Supervisor approves, and emails time sheet to Payroll Manager. Payroll Manager manually enters total hours worked for each employee into Web Pay.

Electronic Time Sheets – Each employee is given access to Paylocity's Web Time (an electronic timecard system) with an individual login and password. Hourly employees are required to punch in and out at the start and end of each day. Per department head discretion, some employees are also required to punch in and out on their lunch break. At the end of each pay period, employees are requested to verify their timecards online. Once that occurs, a supervisor must also verify the timecard online. Salary employees are not required to punch in and punch out each day, but are requested to verify their timecards at the end of each pay period. A supervisor must also verify salary employees' timecards.

Upon designated deadline time, the Payroll Manager will "lock down" the time cards, verify any unpunched cards, or unapproved cards, contact Department Head or Supervisor to fix the card. Then Payroll Manager will import time cards into Paylocity Web Pay. At this time Payroll Manager will visually go thru each individual employee time card to verify that time card is correct to her knowledge, contact Department Head or Supervisor if a card looks to be incorrect, and then will fix time card in Web Pay with approval of Department Head. If any changes need to be made after lock down, Payroll Manager will unlock time cards after payroll has been transmitted for Department head to fix time card.

After all time cards have been verified for each employee in each department, the Payroll Manager runs the "Pre- Processing Payroll Register Report". This report provides a summary by department by employee which can then be checked in comparison to timesheets for accuracy.

The payroll is then transmitted to Paylocity electronically; where upon receipt, the Payroll Manager receives an email from Paylocity verifying the payroll has been submitted. Submission of the payroll updates any changes including new employees, address changes, salary changes, benefit changes, deduction, taxes, and net pay.

Once Paylocity has processed the payroll, wiring instructions are sent to the Payroll Manager. When the wiring instructions are received, the Payroll Manager runs the payroll cover sheet and faxes this to the Accountant in the Treasurer's Department so that the appropriate amount can be wired to Paylocity to cover the payroll disbursement. The Payroll Manager also runs the General Ledger Report and the Payroll Register with ER Taxes. These reports are given to the Accounts Payable Coordinator who prepares journal voucher and accounts payable entries into the MIP accounting system.

At this point, the Payroll Manager also prepares the grand total report listing out the cash disbursements and payroll wire transfer amounts. It outlines the separate amounts comprising the wire to Paylocity, in addition to the amounts to wire for AFSCME, Teamsters, NCILDC and FOP union contributions, deferred compensation contributions, and child support payments. The Payroll Manager verifies totals equal the payroll total.

This documentation is then bundled together with additional supporting documentation for the payroll and submitted to the Assistant Director of Finance. The Assistant Director of Finance reviews entries, verifies appropriate documentation is complete, and enters the cash disbursement into the MIP accounting system.

The cash disbursement report is added to the payroll documentation and submitted to the Finance Director. The Finance Director reviews all reports and posts the corresponding transactions in the MIP accounting system.

Paylocity prints the payroll checks and the payroll checks are signed by a Paylocity official. Check stubs are accessible by the employee in Paylocity through their Self-Service Portal. The checks are sent to the County by Paylocity's courier, to the Payroll Manager, who then delivers them to the Accounts Payable Coordinator. The Coordinator counts the checks and segregates them by department before verifying the total check count matches the count on the payroll cover sheet.

Each department's payroll checks are placed into corresponding envelopes and given to the Accounts Payable Clerk for distribution. The departmental payroll checks are disbursed to the appropriate department head or his/her designee per the signed Signature Authorization worksheet on file in the Assistant Director of Finance's office. It is then the duty of the department head to distribute the payroll checks to the staff in his/her office.

CAPITAL ASSETS

As capital assets are purchased by a department, the department head or elected official shall fill out the Inventory Sheet (green sheet). The inventory sheet shall include, the department documents the date of purchase, the item description, the amount of purchase, and location of the item.

The Inventory Sheets may also be used to document the transfer or disposal of an asset, and would then follow the same process that follows.

After the Inventory Sheet is completed, the reporting department sends it to the Staff Accountant in the Finance Department. The Staff Accountant will then locate the item and tag it with a "Property of Kankakee County" barcode tag. All items exceeding \$100 purchase price shall be tagged.

The Staff Accountant enters those items that meet a \$100 threshold into the Best Software asset management system. Additionally, all pieces of computer equipment and software, regardless of price are entered into the asset management system. At the time of entry, the Staff Accountant enters the barcode tag number, the date of purchase, the item description, the purchase amount, and the location into the asset management system. For computer equipment, the serial number is used in lieu of a barcode tag. In addition, a useful life is assigned to the asset based on the Kankakee County Capitalization Policy and other available resources.

At the end of each fiscal year, the Staff Accountant reviews the general ledger for items that may qualify for the County's Capitalization Policy, those items that exceed \$5,000, but may not have been tagged and entered through the normal system. If an item is found in the general ledger that has not been previously reported, the Staff Accountant enters the necessary information into the asset management system.

Annually, the Staff Accountant also sends a memo and a copy of the Inventory Sheet to all County departments reminding them of the procedures necessary to document capital assets.

In order to maintain and continually monitor the assets that have been put into use, a member of the Finance Department will conduct an annual inventory of County property.

FEDERAL GRANT STANDARDS

In administering and managing federal grants, the County adheres to specific requirements and special clauses contained in the grant agreement, Federal Regulations, UNIFORM Circulars, and State issued policy or guidance. Specifically, the County follows Uniform Guidance (CFR Title 2 Part 200).

GRANT MANAGEMENT

Individual departments are responsible for seeking out and applying for grants that they deem will benefit services provided in their department. If a grant requires a local match, the department is responsible for bringing the application to the Finance Committee for approval. Grant applications should be signed by the County Board Chairperson for submittal to the granting agency.

FINANCIAL MANAGEMENT

When a grant is awarded to the County, for fiscal purposes, copies of the award letter, grant contract, and any other pertinent information should be sent to the Finance Department. There the grant will be assigned a 3-digit number in correspondence with the County's chart of accounts. This will be used to identify and track revenues and expenditures for individual grants within the accounting software. Use of this system allows the Finance Department to produce revenue and expenditure reports as well as general ledgers for each grant.

The general ledger is used as the basis for the expenditure reports submitted for each grant to the granting agency.

PAYMENT

Grant disbursements shall be supported by adequate documentation such as time sheets for time worked, invoices and/or approved claim for payment form for other disbursements and reimbursements. In no case will expenditures be made without the supporting documentation being reviewed and approved. Invoices that are received electronically are printed, and are subject to the same review, approval, and processing procedures as paper invoices that are received. The paying department must minimize the time between receiving funds from grant, account, or other source of funding and payment to agent responsible for time worked, invoice, or claim, as described above, in fulfillment of Federal Uniform guidance section Title 2 section 200.305.

GENERAL PROCURMENT STANDARDS

In procuring bids for purchase of any and all contracted goods, services, or work to be completed by outside contractors, selection of supplier, contractor, or firm shall be governed by the following policies in fulfillment of Federal UNIFORM guidance section 200.318-319. The selection of contractors and/or providers of goods and services as described above must be made in the format of a Request for Fund Procurement (RFP) and must be overseen and approved by the following: Kankakee County Board, as applicable, and the current Assistant Director of Finance as representative of the county as the fiscal agent. In the selection and approval of RFP, as described above, no employee, officer, agent may participate in selection, award, or administration or any contract if he/she has any real or apparent conflict of interest. Conflict of interest may arise when the employee, officer, or agent, or any immediate member of his/her immediate family including his/her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from any firm or agent considered for said contract, as described in Federal Uniform Guidance Title 2 section 200.318. No employee, officer, or agent involved in the selection and approval of any RFP must neither solicit nor accept any Gratuities, Gifts, or Favors of any monetary value contractors, or parties to contracts and/or subcontracts. Should any employee, officer, or agent be found in violation of the conflict of interest standard of conduct as described above, He/she will be subject to disciplinary action including the possibility of

suspension, termination, or legal action as applicable to situation. Cases of violation of above conduct will be brought before the Kankakee County Board.

COMPETITION

Contracts should be negotiated at lowest reasonable cost, with only contractors capable of fulfilling the contract fully, and should encourage set quote contracts preferentially over open ended estimate contracts when available. The Finance department and ordering department should keep detailed historical record of procurement, including receipts/ invoices and purchases shall be entered into Fund Accounting Software. This will allow for the tracking and prevention of any unnecessary duplicate or excess purchasing. Procurement transactions must be completed in a manner providing open and fair competition with contractors, and therefore invitations for bids shall be solicited to as many contractors as available for bid. There may not be any unfair or unnecessarily restrictive terms in bid contract such as arbitrary requirements for application or experience, requirement of any specific brand of good provided, and specific potential bidders may not be precluded from solicitation period.

METHODS OF PROCUREMENT

For the Procurements Made Under Federal or State Grant Funds

The procurement of goods, services, or work completed by outside contractors shall be completed in such a manner to fall under 3 potential categories of process. Micro purchases, which are purchases of goods and services less than \$3000.00 (or \$2000.00 in the case of construction projects) shall be distributed equitably between all available providers, therefore no preferential treatment may be granted to any particular provider. Micro-purchases may be completed without soliciting multiple bids if the purchasing agent believes the price to be reasonable. Small purchase procurements, defined as those over the above \$3,000(\$2,000 construction) limit but below the simplified acquisition threshold (\$150,000 per State Procurement code and Federal Uniform Guidance Title 2 section 200.318), should have no less than 3 bid quotes from qualified contractors, as long as there are enough available, and the least costly contract fulfilling procurement requirements shall be chosen. Should a procurement be expected to cost above the simplified acquisition threshold (150,000 per State Procurement code and Federal Uniform Guidance Title 2 section 200.318), sealed bids shall be solicited publically and advertised, so that as many bids as possible may be submitted for review, and at least 14 Calendar days before Bids are due to open (in compliance with (30 ILCS 500/20-35). The bid with the least cost for full required service will be selected, with preference of fixed price quote contract over open ended estimate contract.

COMPENSATION

In all departments staff time is kept on a timesheet. On these timesheets, daily time is delineated between non-grant and grant time when applicable. At the end of the month, the Assistant Director of Finance will make adjustments as necessary so that the payroll and corresponding benefits charged are allocated between grant and non-grant time and reported appropriately, in accordance with Federal Uniform guidance section 200.430. Employees will be paid on an either hourly or salaried basis, depending on the responsibilities of the employee as agreed upon by the employee, department head, and human resources director at the time of position acceptance, a position change, or a negotiated raise, until such a time as the employee is no longer employed by the County. All records of payroll and timesheets will be kept and monitored by the applicable department head, the human resources director, and the Assistant Director of Finance. Employees will be compensated on a bi-weekly basis unless otherwise specified in their employment contract.