



# COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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## **Inventory and Equipment Audit (Fiscal Year 2012 – 2014 Purchases)**

**Total Findings: 3**

**Total Recommendations: 3**

**June 2nd, 2017**

The mission of the Winnebago County Auditor's Office is to safeguard Winnebago County assets and provide objective, accurate and meaningful information about County operations so that the County Board can make informed decisions to better serve County citizens.

### **AUDIT TEAM MEMBER(S):**

Bryan M. Cutler, Chief Deputy Auditor  
Davey C. Lorenzen, Internal Auditor

Copies of County Auditor's reports are available by request.  
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June 2, 2017

Members of the County Board  
Frank Haney, County Board Chairman  
Amanda Hamaker, County Administrator  
Carla Paschal, Chief Financial and Budget Officer  
Ann Johns, Director of Purchasing

The Winnebago County Auditor's office is required to perform several duties under Illinois Compiled Statute 55 ILCS 5/Div. 3.1. Sec. 3-1005. The Compiled Statute states that the County Auditor is required to "audit the inventory of all real and personal property owned by the County under the control and management of the various officers and departments of the County."

Accordingly, the County Auditor's Office has recently completed an internal audit of equipment purchased in fiscal years 2012, 2013 and 2014. "Equipment" includes highly visible and easily trackable items such as dump trucks, snow plows and office equipment. It also includes portable items such as cameras, laptops and small maintenance equipment. Our audit focused primarily on verifying the existence or proper disposal of assets and evaluating the County's internal controls over equipment.

To test the existence or proper disposal of equipment, the County Auditor's Office selected a sample of 50 asset purchases. This sample was selected from a population of all asset purchases \$1,000 or greater in the County's accounting general ledger for fiscal years 2012, 2013 and 2014. The Finance Office maintains a listing of assets with acquisition costs of \$12,000 and greater for the purposes of financial statement preparation only. This listing is highly summarized and is currently not intended to track and manage all County assets. Accordingly, this listing was not included in our testing.

The County Auditor's office visited each selected department to verify the existence of each asset. We were able to visually verify 46 of the 50 assets selected. We were provided satisfactory documentation of the disposition of the remaining 4 assets. A detailed listing of the assets verified is attached.

Our Findings and Recommendations are below:

**Finding 1: (Lack of inventory and equipment management and safeguarding controls)**

Winnebago County has not established proper internal controls over equipment. There are no policies or procedures addressing safeguarding of inventory and equipment. No comprehensive inventory list is maintained and therefore no physical inventories have been performed.

### **Recommendation 1:**

There are two sections in the Winnebago County Code of Ordinances that indicate that the Purchasing Director has responsibility for establishing and maintaining controls over equipment and inventory as follows:

- Sec 2-334 (Same-Powers and Duties) indicates that the County director of purchasing shall, subject to the provisions, restrictions and limitations of this division, all other relevant actions of the County Board and applicable provisions of state law, **“exercise general supervision and control over all inventories of supplies belonging to the County.”**
- Sec 2-336 (Establishment of Procedural Rules and Regulations) indicates that the County director of purchasing shall promulgate rules and regulations including but not limited to **“the procedure for the control and safeguarding of supplies, materials, equipment in storerooms or at storage points.”**

We recommend that County Administration adopt a written policy that sets forth guidelines and procedures for establishing and maintaining controls over inventory and equipment. This policy should:

- Identify the major types of equipment and inventory for policy application.
- Establish a dollar threshold below which equipment will not be inventoried because of cost-benefit considerations.
- Describe the types of inventory records that should be maintained and the positions responsible for maintaining these records.
- Require that periodic physical inventories be conducted to compare inventory records to actual assets.

We recommend that any policy and procedure be approved by the County Board and memorialized in the Winnebago County Code of Ordinances. We would encourage that the County Auditor’s statutory obligation to audit the inventory be included in any ordinance.

### **Finding 2: (Lack of disposal of asset reporting)**

During our testing of assets purchased for \$1,000 and greater, we noted 2 vehicles from our sample and 2 other additional vehicles were transferred to the State of Illinois in March 2016 as the result of the discontinuation of the Motor Vehicle Theft program. All four vehicles had historical costs in excess of \$12,000 which meets the threshold of a capitalized fixed asset for financial statement reporting. There is no formalized policy or procedure for departments to communicate disposals to the Finance Office. Therefore, these transfers (disposals) were not reported to the Finance Office and as a result were accounted for improperly in the September 30<sup>th</sup>, 2016 financial statement audit.

### **Recommendation 2:**

We recommend a formal policy and procedure requiring departments to communicate disposals of assets \$12,000 or greater to the Finance Office be included with the overall inventory and equipment controls policy described in finding 1.

### **Finding 3: (Motor Vehicle Theft program assets and negative fund balance)**

The Motor Vehicle Theft program was discontinued by the State of Illinois in 2015. While grant funding was pending the County continued the program. Unfortunately, funding was ultimately never received and continuing the program while funding was anticipated resulted in a negative fund balance of approximately \$215,000 in the Sheriff's Grant Fund. This deficit still exists as of the writing of this audit report and will ultimately need to be repaid by appropriating resources from another fund.

During the course of testing County equipment and inventory we became aware of several assets purchased with program income for the former Motor Vehicle Theft program. The Auditor's Office contacted a representative from the State Of Illinois who indicated that these assets are property of the County and the use of these assets is at the discretion of the County Board.

The assets are as follows:

- 2011 Ford F-150 XLT (Black)
- 2011 Ford F-150 XLT (Silver)
- 2012 Ford Explorer XLT (Black)
- 2010 PJ Car Hauler (Blue)
- 2008 Pontiac Grand Prix (Black)

All assets were physically located and determined to be in the custody of the County Sheriff.

### **Recommendation 3:**

The aforementioned negative fund balance of approximately \$215,000 in the Sheriff's Grant Fund must be repaid. Ultimately we believe this repayment will come from either the General Fund or the 1% Public Safety Sales Tax Fund.

We recommend County Administration, the County Sheriff and the County Board consider selling these vehicles to offset a portion of the approximately \$215,000 negative fund balance in the Sheriff's Grant Fund.

