



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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County of Winnebago and Winnebago County Forest Preserve District Intergovernmental Agreement for Administrative Services Audit

Total Findings: 8
February 14th, 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

Copies of County Auditor's reports are available by request.
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February 15, 2017

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

My office has recently completed an audit of the Winnebago County and Winnebago County Forest Preserve District Intergovernmental Agreement for Administrative Services Audit (attached) effective October 1, 2015. The District legally separated from the County in 2010 but has continued utilizing the County's administrative departments for certain services on a fee basis. The majority of services provided to the District are currently being performed by the County Auditor's Office. My staff and I have concluded that several issues exist with the County's and the District's relationship and the associated intergovernmental agreement. A summary of audit findings and recommendations is below.

Audit Findings & Recommendations

Finding #1:

District employees and retirees are currently participating in the County's health insurance plan. We were unable to locate any document that memorializes this arrangement. It was confirmed to us by administration that no formalized agreement exists.

Recommendation #1:

We recommend County Administration draft an intergovernmental agreement which memorializes the County granting District employees and potentially District retirees participation in the County's health insurance plan.

Finding #2:

District retirees are currently participating in the County's health insurance plan. The requirement for Illinois local governments to provide at-cost health insurance to retirees is enshrined in State statute. We have a concern that the legality of the District's retiree participation in the County health insurance plan has not been properly reviewed by a qualified attorney as there is no formal agreement in place.

Recommendation #2:

We recommend County Administration consult with the Winnebago County States Attorney's Office regarding the legality of participation of District retirees in the County health insurance plan. If no issues with participation exist we recommend an arrangement be documented in detail using an intergovernmental agreement.

Finding #3:

The participation of District employees in the County health insurance plan may be negative from the County's financial perspective. The County Health Insurance Fund has lost 3.5 million in total over the last 3 years. Therefore, the County may be providing subsidized insurance to the District. Additionally, if a District employee had an unusually large claim, these costs would be funded from the County Health Insurance Fund. The County would have no ability under the current intergovernmental agreement to seek reimbursement.

Recommendation #3:

We recommend County Administration evaluate the Districts participation in the County's health insurance plan from a financial perspective. The County may want to consider requiring the District to maintain and fund its own health insurance fund which all District claims would be paid from. This would move the financial risk of outsized claims to the District and away from the County.

Finding #4:

The County provides considerable accounting, payroll and accounts payable services to the District using a software package called Munis. The County also uses Munis for its own accounting, payroll and accounts payable needs. The County pays a licensing and support fee of approximately \$125,000 per year for the use of the Munis software for which the County receives no reimbursement from the District. Additionally, it may be more appropriate for the District to maintain its own license with Munis as the District is a separate legal entity.

Recommendation #4:

We recommend County Administration evaluate the appropriateness of using only one Munis license as described above. If it is deemed appropriate we recommend County Administration evaluate the fairness of the above licensing arrangement from a financial perspective. If the license issue is deemed inappropriate we recommend

County Administration investigate other options including requiring the District to purchase a separate Munis license.

Finding #5:

The County Auditor's Office provides significant "audit preparation and coordination" services as indicated in the current intergovernmental agreement. This could potentially imply to the reader that the County Auditor's Office is providing internal auditing services. **We are not nor have we been engaged to provide internal auditing services.** We are only providing accounting services and financial statement audit preparation services based on data that originated with the District. **We do not audit the District.** The current intergovernmental agreement fails to provide clarity to the true nature of services provided by the County Auditor's Office potentially leaving the County open to scrutiny if an issue such as fraud or embezzlement were to arise at the District.

Recommendation #5:

We recommend the intergovernmental agreement be revised to clearly indicate that the County Auditor's Office is not providing internal auditing services and the County Auditor's Office is not being compensated to provide internal auditing services.

Finding #6:

The County Auditor's Office functions as the payroll processor for Klehm Arboretum. This arrangement originally was established verbally as an additional service to the District. The relationship with Klehm Arboretum is undocumented and uncompensated.

Recommendation #6:

We recommend County Administration evaluate the relationship with Klehm Arboretum. An intergovernmental agreement should be prepared to memorialize this relationship if it is to continue.

Finding #7:

The Chief Deputy Auditor is serving as the plan administrator for both the District's IMRF plan and the Empower deferred compensation plan.

Recommendation #7:

We recommend County Administration require the District to name a District employee as administrator for both the IMRF plan and the Empower deferred compensation plan.

Finding #8:

There is broad confusion and misinformation regarding the relationship between the County of Winnebago and the Winnebago County Forest Preserve District. It is fairly common in the ordinary course of business that we have heard County department heads, employees and even County Board Members speak incorrectly about the legally separate status of the District from the County.

Recommendation #8:

We recommend County Administration provide clarify on the legally separate status of the two municipalities to certain employees in memo format. We also recommend County Administration prepare guidelines for County employees participating in providing administrative services to the District. Issues such as actual and perceived responsibilities, confidentiality, record retention, ethics, etc.

