



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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Internal Audit of the 1% Public Safety Sales Tax Fund (Activity from October 1st, 2016 – March 31st, 2017)

Total Findings: 4

Total Recommendations: 5

Total Other Comments: 2

May 9th, 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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May 9, 2017

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

The Winnebago County Auditor's Office has recently completed an internal audit of the activity in the 1% Public Safety Sales Tax Fund (1% Fund) for the period October 1st, 2016 through March 31st, 2017 which represents the first 6 months of the County's 2017 fiscal year.

Our audit focused primarily on the appropriateness of the expenditures charged to the 1% Fund within the audit period. To define "appropriateness" for the purpose of this audit the County Auditor's Office relied on the fiscal year 2017 budget appropriation approved by the Winnebago County Board and the indicated language from the following 3 sources:

Referendum Language:

A majority of voters in Winnebago County during a General Election held on November 5th, 2002 voted yes when asked "Shall the County of Winnebago be authorized to impose a public safety tax at the rate of 1% upon all persons engaged in the business of selling tangible personal property at retail in the County on gross receipts from the sales made in the course of their business to be used for crime prevention, detention, and other public safety purposes?"

Winnebago County Ordinance No. 2002-CO-64, § 1, 11-26-02:

The imposition of these public safety taxes is in accordance with the provisions of sections 5-1006.5(a) and 5-1006(b) of the Counties Code (55 ILCS 5/5-1006.5(a) and 55 ILCS 5/5-1006(b)).

Special County Retailers' Occupation Tax for Public Safety (55 ILCS 5/5-1006.5):

The Illinois Compiled Statute 55 ILCS 5/5-1006.5 states that "for the purposes of this section, public safety includes, but is not limited to, crime prevention, detention, fire-fighting, police, medical, ambulance, or other emergency purposes."

As of the date of this audit report, the 2017 amended 1% Fund expenditure budget appropriated by the Winnebago County Board was \$30,287,383. Our audit consisted of a detailed examination all transactions relating to expenses incurred in the first six months of the County's fiscal year. In that time period, \$17,175,984 was charged to the 1% fund which we have summarized as follows:

1% Public Safety Sales Tax Fund Expenditures 10-1-16 through 3-31-2017		
Correctional Officers personnel costs	6,578,992	38.3%
Debt service transfers relating to the Criminal Justice Center	5,178,900	30.2%
Sheriff's Office personnel costs	2,342,826	13.6%
Public Defender, Circuit Court, Probation and Drug Court personnel costs	1,047,698	6.1%
Supplies and services utilized to operate the Criminal Justice Center	564,977	3.3%
States Attorney personnel costs	554,278	3.2%
Circuit Clerk personnel costs	461,999	2.7%
Rosecrance alternative program grant	114,505	0.7%
Rosecrance Therapeutic Intervention Program	91,699	0.5%
Remedies Renewing Lives alternative program grant	81,250	0.5%
Salvation Army Womens Restorative Justice Program	50,000	0.3%
Debt Service on Sheriff transport vehicles	43,054	0.2%
Supplies and services utilized to support the Sheriff's Office	39,266	0.2%
Miscellaneous (donations, supplies, drug testing, etc)	37,573	0.2%
Grand Total	17,175,984	100.0%

Our findings and recommendations are as follows:

Audit Findings & Recommendations

Finding 1:

We believe the vast majority of expenditures charged to the 1% fund during the audit period are appropriate based on the previously indicated guidance. We noted minor issues with two transactions as follows:

- Allocation charge from the General Fund (Human Resources) in the amount of \$10,000 is a duplication
- Charges for copies in the amount of \$10.63 (clerical error)

The \$10,000 charge relates to an allocation to the 1% Fund for personnel costs formerly charged to the Human Resources Department for an employee who was actively engaged in certain public safety alternative program related activities. The \$10,000 represented allocations for the entire year. This individual eventually became a contract employee whose invoices are directly charged to the 1% fund. This inadvertently created a duplicate charge in the 1% fund.

Recommendation 1:

We recommend that the \$10,000 allocation charge be reversed and the \$10.63 charge for copies be reclassified into the General Fund.

Recommendation 1-1:

Finding 1 states “we believe the vast majority of expenditures charged to the 1% fund during the audit period are appropriate based on the previously indicate guidance.” Both the referendum language and the Illinois Compile Statute 55 ILCS 5/5-1006.5 indicate an open ended definition of public safety for the purpose of using the 1% tax proceeds. We recommend that County Administration consider drafting language, which would ultimately need approval from the County Board, to clearly and concisely define public safety for purposes of expending 1% Fund resources.

Finding 2:

We noted one example of an employee in the Civil Bureau of the State’s Attorney’s Office being charged to the 1% Fund. One of the primary responsibilities of the Civil Bureau is to serve as corporate counsel to the County and serve as the County’s civil trial attorney. We believe it is prudent to charge only employees directly engaged in public safety to the 1% Fund.

Recommendation 2:

We recommend departments review their roster of employees charged to the 1% Fund to ensure that all employees included are directly involved in the public safety function of the County. Any changes should be communicated to the Human Resources Department utilizing a change form.

Finding 3:

Several departments have a budget in the 1% Fund and the General Fund to basically fund the same type of staff. In some departments the staffing allocation between the funds does not correlate with the budget in each fund. This has the impact creating confusion in budget monitoring by generating temporary deficits in one department and surpluses in another, but all under the same Elected Official. This is a minor ongoing departmental issue that historically has been corrected by the Finance Office using manual journal entries at the end of the fiscal year.

Recommendation 3:

We recommend that shortly after the 2018 budget is approved, all departments with budgets in both the 1% Fund and General Fund allocate the appropriate staffing to correspond with the approved budget. Any changes should be communicated to the Human Resources Department utilizing a change form.

Finding 4:

When the 1% Special County Retailer’s Occupation Tax for Public Safety was approved, literature promoting the tax indicated that the County would spend a certain level of resources on program alternatives to incarceration and rehabilitative programs. Currently, these programs are being funded in both the 1% Fund and the General Fund which has confused the issue on the level of resources that are being expended by the County.

Recommendation 4:

We recommend that all expenditures relating to program alternatives to incarceration and rehabilitative programs be consolidated into 1% Fund. Additionally, assigning project codes within the 1% Fund to identify each program should be considered.

Other comments

- The County has contracted for several years with Harris and Harris, Ltd to serve as a collection agent for certain fines and fees. The fines and fees collected by Harris and Harris have historically been between \$400,000 and \$500,000 annually. The revenue from these fees is currently budgeted in the 1% Fund even though there is no apparent requirement to do so. We believe it's prudent to only include revenue generated from the 1% Special County Retailers' Occupation Tax for Public Safety in the 1% Fund. We recommend as part of the preparation of the 2018 budget that County Administration consider budgeting and depositing this revenue into the General Fund going forward.
- The original Winnebago County Board resolution initiating a referendum cited as a basis for the 1% tax, a fifteen step plan approved by the Winnebago County Citizens for Justice Committee. We believe this document could potentially have relevance in providing additional guidance on how proceeds from the 1% tax should be spent. Unfortunately, after numerous inquiries with various individuals, we were unable to acquire this plan. We believe County Administration should consider obtaining this plan to potentially help guide future spending in the 1% Fund.

