



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

William D. Crowley, C.F.E.

Winnebago County Administration Building
404 Elm Street, Room 201
Rockford, Illinois 61101

(815) 319-4200
Fax: (815) 319-4201

Winnebago County Clerk's Office Elected Official Transition Audit

Effective: January 31st, 2018

Findings: 9
Recommendations: 9

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

Office of the County Auditor
404 Elm St., Suite 201 ♦ Rockford, IL 61101 ♦ (815) 319-4200

<http://wincoil.us/departments/auditor/>

February 20, 2018

Tiana McCall, Winnebago County Clerk
Members of the County Board

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 "Maintain a continuous internal audit of the operations and financial records of the officers, agents or divisions of the County. The County Auditor shall have access to all records, documents, and resources necessary for the discharge of this responsibility".

It is standard protocol for the Winnebago County Auditor's Office to perform a transition audit when a newly-elected official assumes the position. The intent of such an audit is to provide assurance that monies and assets pertaining to the department are present and accounted for properly.

The scope of this audit included the following areas:

- Review of receipt and disbursement activity within the County Clerk trust account from 10-1-16 to 1-31-18
- Review of the assets and liabilities of the County Clerk trust account as of 1-31-18
- Review of any bank reconciliations as of 1-31-18
- Review of asset listings and historical purchases and physically verify existence
- Second review of departmental purchasing card transactions 10-1-17 to 1-31-18
- Second review of departmental expenditures 10-1-17 to 1-31-18
- Review of miscellaneous off balance sheet accounts other than the trust account, if any
- Confirmation and review of Human Resources standard departure procedures documents
- Follow-up on previous recommendations

Our comments, findings and recommendations are below:

Review of County Clerk trust account receipt and disbursement activity:

The County Clerk maintains a decentralized trust account which outside the control of the County Treasurer and the County Finance Office. Additionally, disbursement activity is not reviewed or approved by the County Auditor's Office. For the purposes of this transition audit we reviewed receipt and disbursement within the County Clerk trust account from 10-1-16 to 1-31-18.

Finding 1:

We noted that the County Clerk's Office has historically and is currently depositing "take notice" and "tax assignment" fee revenue into the County Clerk trust account. We believe these resources should be placed under the custody of the County Treasurer for deposit into the General Fund or a separate special revenue fund. 55 ILCS 5/3-2003.4 states "Deposit of fee income; special funds. The county clerk shall deposit in the office of the county treasurer monthly by the 10th day of the month following, all fee income."

Recommendation 1:

We recommend that all fee revenue currently held in the County Clerk trust account be deposited in the General Fund. Additionally, all future fee revenue received should be deposited into the General Fund the following day after physical receipt.

Finding 2:

As indicated in Finding 1, we noted that certain fee based revenue streams were being deposited in the County Clerk trust account. Additionally, we noted that these resources are being directly disbursed by the County Clerk to fund certain expenses relating to the daily operation of the department. This practice effectively bypasses both the internal control structure of Winnebago County and the authority of the County Board to appropriate the expenditure budget of the County Clerk.

Recommendation 2:

We recommend that all departmental expenditures of the County Clerk's Office be appropriated by the County Board and be disbursed from the County's primary checking account. The trust account should not be utilized to fund any aspects of the departmental operations of the County Clerk.

Review of County Clerk trust fund assets and liabilities:

We worked with the staff of the County Clerk's Office to identify and compare the assets and liabilities of the County Clerk trust account. In the following, we have presented a balance sheet of the County Clerk trust account which was constructed using records provided by the County Clerk's Office.

<u>Assets as of 1-31-18</u>	
Reconciled book balance 1-31-18	\$ 709,892.24
<u>Total Assets as of 1-31-18</u>	<u>\$ 709,892.24</u>
 <u>Liabilities as of 1-31-18</u>	
Tax redemptions payable	\$ 724,340.46
"Take Notice" fee due to General Fund	\$ 23,253.35
"Tax Assignment" fee due to General Fund	\$ 14,621.89
"Death Surcharge" due to State of Illinois	\$ 578.00
"Domestic Violence" due to State of Illinois	\$ 400.00
Miscellaneous due to Winnebago County	\$ 1,351.00
<u>Total Liabilities as of 1-31-18</u>	<u>\$ 764,544.70</u>
Difference	\$ (54,652.46)

Finding 3:

Based on our analysis of departmental records of the County Clerk's Office, the County Clerk trust account had liabilities that are \$54,652 in excess assets as of 1-31-18.

Recommendation 3:

The County Auditor's Office unsuccessfully attempted to identify the \$54,652 difference previously noted. Assuming the difference is related to an error(s) we believe the difference would lie in the tax redemption payable figure of \$724,340.46. The amount represents the tax redemption payable for approximately 250 parcels with redemption dates as old as 1996. Although time consuming, we recommend that the County Clerk's Office take steps to verify that all 250 redemption payable figures on record are accurate as of 1-31-18.

If the redemption payable balance is ultimately found to be accurate then options to address the deficit should be considered.

Finding 4:

As noted in recommendation 3, we have reservations about the accuracy of the amount reported as payable for tax redemptions as of 1-31-18. Tracking of tax redemptions is currently being completed using a manual handwritten ledger with entries dating back to 1987. A manual excel spreadsheet is also being utilized in tandem with the handwritten ledger. The method of record keeping is highly susceptible to errors and intentional falsification.

Recommendation 4:

The tracking of tax redemption payable activity should be done utilizing an appropriate software package to properly document current balances and historical activity. Additionally, the liability balances of the trust account should be reconciled to the assets of the trust account on a monthly basis.

Finding 5:

There are several tax redemption payable amounts that are outstanding for a period of 3 years or longer. Under the Revised Uniform Unclaimed Property Act, property such as unclaimed tax redemptions are considered unclaimed after 3 years of custody.

Recommendation 5:

Abandoned property should be reported and turned over to the State of Illinois Treasurer's Office. As noted in recommendation 3, special care should be taken in verifying the accuracy of all tax redemption payable amounts particularly before turning any amounts over to the State of Illinois.

Review of County Clerk trust fund bank reconciliations:

We reviewed several bank reconciliations including the reconciliation for 1-31-18. We noted that bank reconciliations are generally being prepared reasonably timely and we noted no unusual transactions or reconciling items.

Finding 6:

There are several outstanding checks that are outstanding for a period of the 3 years or longer. Under the Revised Uniform Unclaimed Property Act, property such as outstanding checks are considered unclaimed 3 years after issuance.

Recommendation 6:

Abandoned property should be reported and turned over to the State of Illinois Treasurer's Office.

Review of asset listings and physical verification:

The County Auditor's Office used two reports to identify historical assets purchases:

- Countywide in-service fixed asset list containing items \$12,000 and greater
- Munis list of disbursements \$1,000 - \$12,000 for the period 10-1-14 to 1-31-18

We completed a physical inventory for all assets contained on the aforementioned lists.

Finding 7:

Consistent with many other County departments there is no asset tracking mechanism in the County Clerk's Office for assets with an acquisition cost of less than \$12,000.

Recommendation 7:

We recommend that the County Clerk's Office maintain a departmental asset list and complete periodic inventories.

Finding 8:

We were unable to locate and physically observe the following assets:

- 3 out of 180 laptop computers
- 2 out of 102 touch screens for voting booths

County Clerk staff verbally indicated that 2 touch screens were used as replacements for 2 non-working screens. No additional documentation exists.

Recommendation 8:

Similar to recommendation 7, we believe the County Clerk's Office should maintain a departmental asset list and complete periodic inventories. Sale and Disposal activity should be appropriately documented.

Review of departmental purchasing card transactions:

The County Auditor's Office reviews all County Clerk departmental purchasing card activity in detail on a monthly basis. We completely a secondary review of departmental purchasing card transactions 10-1-17 to 1-31-18 and noted no unusual items in the context of our transition audit and a departing elected official.

Review of departmental expenditures:

The County Auditor’s Office reviews and recommends for payment all County Clerk departmental expenses other than expenses from the County Clerk trust account. We completely a secondary review of departmental expenditure transactions 10-1-17 to 1-31-18 and noted no unusual items in the context of our transition audit and a departing elected official.

Review of decentralized bank accounts, if any:

The County Clerk maintains only one decentralized bank account which is permissible under State Statute. 55 ILCS 5/3-2003.4 states “The county clerk may maintain the following special funds from which the county board shall authorize payments by voucher between board meetings: (e) Trust funds, for tax redemptions, or for such other purposes as may be provided for by law.” However, please note that in previous findings, we have indicated our belief that this account is being used for certain unauthorized revenue and disbursement activity.

Review and confirmation of Human Resources departure documents:

We obtained and reviewed the standard Human Resources department departure document for the former County Clerk and noted no unusual items.

Follow-up on previous recommendations:

On September 22nd, 2017, we issued a letter (attached) titled “Potential Point of Sale Theft (County Clerk’s Office)”. This letter was written in response to allegations of a former cashier skimming proceeds of marriage licenses. Our data analysis indicated that \$880 in marriage license proceeds were missing and there also existed the possibility of other unquantifiable losses relating to birth and death certificates. In our letter we provided several practical modifications to the departmental internal control structure to help prevent similar issues.

Finding 9:

Recommended modifications to the departmental internal control structure contained in our letter dated September 22, 2017 (attached) have not been implemented.

Recommendation 9:

We recommend management review our letter dated September 22, 2017 and consider the implementation of our recommendations.



COUNTY OF WINNEBAGO

Office of the County Auditor

County Administration Building
404 Elm Street, Room 201
Rockford, Illinois 61101

WILLIAM D. CROWLEY
County Auditor
Phone (815) 319-4206
bcrowley@wincoil.us

September 22, 2017

To: Margie Mullins, Winnebago County Clerk
From: William D. Crowley, Winnebago County Auditor
RE: Potential Point of Sale Theft (County Clerk's Office)

On September 12th, 2017 two employees in the Winnebago County Clerk's Office reported to management that another office employee appeared to have obtained inappropriate custody of cash which had been generated from sales within the County Clerk's Office. After a review of the complaint by management, the employee in question was immediately placed on administrative leave pending further investigation.

Based on our conversations with County Clerk Office staff and a detailed examination of sale and receipt data, we believe an employee in the County Clerk's Office has potentially committed what is known as point of sale theft. Point of sale theft is where an employee steals money from their employer at the point in a transaction where a sale is made. Employees may steal money as it passes to or from a customer through a sale.

In this particular case in the County Clerk's Office, we believe an employee committed point of sale theft by purposely circumventing the internal controls of the office by collecting proceeds from marriage licenses and deliberately failing to record the sale and generate a receipt for the customer. Had the employee complied with the County Clerk's Office policy of providing all customers with a receipt, this type of theft would not have been possible due to other system controls that are currently in place.

The County Auditor's acquired a listing of all marriage licenses issued within the time period of employment of the employee in question and compared it to the listing of sales recorded in the County's general ledger system. Working with the County Clerk's staff, we were able to identify 22 instances in which a marriage license had been issued but a receipt was never recorded in the County's general ledger (Munis). These 22 instances occurred over a period of approximately 6 months and appear to have resulted in a loss of \$880 to the County. Additionally, the employee in question may or may not have skimmed proceeds for the sale of birth and death certificates during the same time period. However, any amount of point of sale theft would be very difficult, if not impossible, to quantify as the certificates themselves are not pre-numbered from the State of Illinois and printed certificates are routinely reprinted or shredded for various valid reasons.

In reviewing the County Clerk's office procedures for vital records, we believe the current system of internal control is fairly well designed, aided in particular by individual transactions flowing into Munis in real-time. However, we do believe practical modifications to the internal control structure could be incorporated to help reduce the risk of point of sale theft such as:

- At all office locations that collect fees, post a sign that states "Please call xxx-xxx-xxxx if you don't receive a receipt" or something similar. Providing a receipt is a key control as a receipt can only be generated with a corresponding receipt entry in Munis which can't be modified.
- Perform periodic reconciliations between marriage licenses issued and marriage license revenue at least monthly.

It is our mission to provide high quality services and promote a safe community for all people in Winnebago County.



COUNTY OF WINNEBAGO

Office of the County Auditor

County Administration Building
404 Elm Street, Room 201
Rockford, Illinois 61101

WILLIAM D. CROWLEY
County Auditor
Phone (815) 319-4206
bcrowley@wincoil.us

- Consider restricting access to birth and death certificate paper stock.
- Consider manually inventorying birth and death certificate paper stock and reconcile periodically to revenue.

Other recommendations which may not be possible due to staffing and technological issues include:

- Prohibit the Account Technician position (bank reconciler) from performing all cashiering duties.
- Link the Munis receipt system with the ability to print licenses and certificates.

Finally, we believe the employees who observed this potential theft and promptly reported it to management should be commended for their actions.

Please let me know if you have any questions or comments at 815-319-4206 or bcrowley@wincoil.us.

Cc: Carla Paschal, Chief Financial and Budget Officer

It is our mission to provide high quality services and promote a safe community for all people in Winnebago County.