



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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Winnebago County State's Attorney Elected Official Transition Audit

Effective: December 3rd, 2018

Recommendations: 4

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):

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February 22, 2019

Marilyn Hite Ross, Winnebago County States Attorney
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".

The Winnebago County Board appointed a new State's Attorney effective on December 3rd, 2018. It is standard protocol for the Winnebago County Auditor's Office to perform a transition audit when a newly elected official assumes office. The primary 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 historical purchases and physically verify existence
- Review of recent purchasing card activity
- Review of departmental expenditures
- Review of departmental revenues
- Review of decentralized bank accounts, if any
- Confirmation and review of Human Resources standard departure procedures documents
- Follow-up on previous recommendations
- Miscellaneous

Our comments, findings and recommendations are below:

Review historical purchases and physically verify existence:

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

- Munis list of disbursements originating in the State's Attorney's Office \$500 and above for the period 10-1-13 to 12-03-18 within the following funds:
 - State's Attorney General Fund
 - State's Attorney 1% Public Safety Sales Tax
 - State's Attorney Automation Fund

- State's Attorney State Forfeiture Fund
- State's Attorney Federal Forfeiture Fund
- Check Offender Fund

For the State's Attorney State Forfeiture Fund, State's Attorney Federal Forfeiture Fund and Check Offender Fund expenditures from 10-1-13 to 4-26-2018 we used the departmental spreadsheet of expenditures as these accounts were maintained by the State's Attorney during that period.

The County Auditor's Office manually selected 32 assets to physically verify. Our selections consisted of assets we felt were the most susceptible to theft or misuse.

In all 32 cases, the State's Attorney's Office was able to physically identify each asset.

Recommendation 1:

Consistent with other offices of the County, there is no departmental listing maintained for assets with historical cost of less than \$12,000. We recommend that the State's Attorney's Office maintain a departmental asset list and complete periodic inventories in an effort to decrease the risk of theft or misuse.

Review of recent purchasing card activity:

The County Auditor's Office reviews all departmental purchasing card activity in detail on a monthly basis. For the purpose of this test we would ordinarily do a second review of the purchasing card activity of the departing official. However, in this case the departing official did not maintain a purchasing card. Additionally, only one employee maintains a purchasing card in the State's Attorney's Office with a \$3,000 limit. In our assessment, the historical departmental purchasing card transactions have generally been well documented and have always been within the ordinary course of business of the State's Attorney's Office.

Review of departmental expenditures:

The County Auditor's Office reviews and recommends for payment all departmental expenses originating in the State's Attorney's Office. We completed a secondary review of departmental expenditure transactions 10-1-17 to current for all funds and noted no unusual items in the context of our transition audit and a departing elected official.

Review of departmental revenues:

The State's Attorney's Office generates significant revenues. However, the vast majority of these revenues are either fees that are collected by the Circuit Clerk's Office or payments from

the State of Illinois. We believe both these revenue streams have very low risk of misappropriation by an employee of the State's Attorney's Office.

There does exist an inherent risk of misappropriation in the approximately \$45,000 of annual revenues associated with the Deferred Prosecution Program. These revenues are collected directly from defendants and funds are often times held in the custody of employees of the State's Attorney's Office prior to being deposited with the County Treasurer.

We made inquiries with departmental staff and determined that a control process exists that requires dual signatures for receipts. However, with the very limited staff involved in the Deferred Prosecution Program, proper segregation of duties is unable to be achieved.

Recommendation 2:

We recommend two options to mitigate the aforementioned inherent risk:

- Prohibit staff from taking any payments relating to the Deferred Prosecution Program and instead direct all defendants to pay the County Treasurer directly.
- Reconcile expected revenues from case histories to actual revenues in the Deferred Prosecution Fund every 6 months or possibly a year.

Review of decentralized bank accounts, if any:

A decentralized bank account is one held outside the custody of the County Treasurer's Office. Furthermore, the accounts are not reconciled by the Treasurer's Office, transactions are not processed through the County's general ledger accounting system in the Finance Office and the County Auditor is unable to perform monthly claim audits.

The State's Attorney's Office closed all decentralized accounts in 2018 and turned the funds over to the County Treasurer.

Review departure procedures and documents:

During the course of employment with Winnebago County, many employees are trusted to maintain custody of County assets such as keys, badges, phones, credit cards, etc. A standard document is used by the Human Resources department to track the return of these items and request discontinued access of County systems such as the accounting system.

The standard procedure is that the aforementioned form be completed and all County property be returned prior to the departing employee receiving his or her final paycheck. Final paychecks are generated in paper form and are picked up in the Human Resources Office.

The State's Attorney's Office does not participate in the Human Resources standard departure procedures. However, staff with the State's Attorney's Office verbally indicated that all County property formerly in the custody of the previous State's Attorney had been returned. No documentation was able to be provided.

Recommendation 3:

To protect County assets and other resources we recommend that all County Elected Officials participate in the standard Human Resources departure procedures.

Follow-up on previous recommendations:

An internal audit involving the State's Attorney's Office was issued in November 2017 (attached). In this audit we reviewed authoritative guidance, individual transactions and internal controls associated with three checking accounts formerly controlled exclusively by the State's Attorney's Office. For several reasons we recommended that these accounts be closed and the funds be deposited with the County Treasurer.

The State's Attorney's Office agreed with our audit recommendations which were implemented in 2018 by the previous State's Attorney.

Miscellaneous:

The former State's Attorney instituted what is referred to as the Deferred Prosecution Program. The revenue and expenses associated with this program are accounted for in the Deferred Prosecution Fund. This fund had a negative fund balance of approximately \$130,000 as of December 3rd, 2018.

Recommendation 4:

This negative balance will need to be addressed from future revenues in excess of expenditures or from a transfer from the General Fund. In reviewing the history of the Deferred Prosecution Fund it appears unlikely that future revenues in excess of expenditures will be able to resolve the negative fund balance of \$130,000.

We recommend that the newly appointed State's Attorney request a transfer from the General Fund to resolve the negative fund balance.