



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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Winnebago County Human Resources Department Head Transition Audit

Effective: October 25th, 2019

Recommendations: 3

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

October 25, 2019

Deborah Crozier, Interim Human Resources Director
Steven Chapman, Interim County Administrator
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 any newly elected official assumes office or in some cases when there is turnover in individual departmental leadership. The Human Resources Department experienced turnover in the department head position and the senior representative position in August and September of 2019, which has prompted the County Auditor's Office to perform a transition audit. 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 during the time of transition.

The scope of this audit included the following areas:

- Historical asset purchases and physically verify existence
- Recent purchasing card activity
- Miscellaneous departmental expenditures
- Departmental revenues and associated procedures
- Review of decentralized bank accounts, if any
- Departure procedures and documents

Our comments, findings and recommendations are below:

Review of historical asset purchases and physically verify existence:

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

- Munis list of disbursements originating in the Human Resources Department \$250 and above for the time period 10-1-13 to 9-30-19.

The County Auditor's Office manually selected 8 assets to physically verify. Our selections consisted of all the assets susceptible to theft or misuse which was primarily computer equipment and training materials.

Our visit to the department to verify assets was unannounced. In all cases, the Human Resources Department was quickly able to physically identify each asset.

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 transition audit we reviewed for a second time the final 6 months of purchasing card activity for both recently departed employees. Our secondary review would focus on searching for unusual activity such as an increase of purchases of items with street value immediately leading up to the employee departure. In such cases, we would ask the department for a detailed explanation of the purchases and request to physically verify the items if possible.

We noted no unusual purchasing card activity in the context of our transition audit and significant staff turnover. All transactions in our secondary review appeared to be in the ordinary course of business of the Human Resources Department and were properly documented. 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 Human Resources Department.

Review of miscellaneous departmental expenditures:

The County Auditor's Office reviews and recommends for payment all departmental expenses originating in the Human Resources Department. We completed a secondary review of departmental expenditure transactions 10-1-17 to current. Our secondary review would focus on searching for unusual activity such as an increase of purchases of items with street value immediately leading up to the employee departure. In such cases, we would ask the department for a detailed explanation of the purchases and request to physically verify the items if possible.

We noted no unusual miscellaneous departmental expenditures in the context of our transition audit and significant staff turnover. Similar to departmental purchasing card transactions, miscellaneous departmental expenditures have generally been well documented and have always been within the ordinary course of business of the Human Resources Department.

Review of departmental revenues and associated procedures:

In the previous 12 months, the Human Resources Department had completed 135 deposits totaling 3.4 million dollars. These deposits consist primarily of stop-loss insurance revenue and revenue associated with retiree health insurance premiums. We reviewed the receipt activity from 10-1-18 to current and noted no unusual receipts in terms of the nature or amount of the receipt. We did note some opportunities for improvement in the receipt process as follows:

Recommendation 1:

Throughout fiscal year 2019, the Human Resources Department on several occasions completed only one deposit per month. In one case, two months had passed between deposits. From an internal control perspective, the best approach is to deposit receipts as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur. We recommend that the Human Resources Department deposit any and all receipts on a weekly basis.

Recommendation 2:

A basic rule in an effective control structure is to completely segregate asset custody from the record-keeping duties. In the Human Resources Department there is significant accounting related record-keeping especially with, but not limited to, the retiree premiums. The primary record-keeper is currently the interim Human Resources Director. However, the interim Human Resources Director manages the cash receipt process and is in custody of assets such as checks during the receipting process.

We recommend that the Human Resources Department design the departmental cash receipting process so that the Human Resources Director is excluded from physically handling assets such as checks.

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.

Our internal records indicated that the Human Resources Department does not maintain a decentralized bank account or a petty cash balance. This status was confirmed by departmental staff.

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. The Human Resources Department has previously attempted to implement a standard process for tracking the return of these assets upon departure. This process was also intended to track requests for discontinued access of County systems such as the accounting system.

The informal procedure is that a manual form must be completed in full by the departing employee's department and Human Resources prior to the departing employee receiving his/her final paycheck. The final paycheck is generated in paper form and must be picked up in person at the Human Resources Office.

Recommendation 3:

The manual checklist was not completed timely for either of the recently departed employees in the Human Resources Department. However, with the exception of a cell phone, all equipment had been returned prior to the departing employees receiving a final paycheck. The cell phone was eventually returned.

The Human Resources Department has made a reasonable effort to implement departure procedures with very little success. We noted that some departments have chosen to not prioritize the procedures while others have openly declined to participate. Several of the elected offices are either unaware of the procedure or have chosen not to participate.

We recommend that the Winnebago County Code be modified to include language requiring the use documented departure procedures by all departments.