



COUNTY OF WINNEBAGO

Office of the County Auditor

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March 9, 2018

To: Members of the Winnebago County Board
From: William D. Crowley, Winnebago County Auditor
RE: Winnebago County Coroner Internal Audit Results

We have recently completed an internal audit of the Winnebago County Coroner's Office. A copy of the detailed report is attached. In the context of our internal audit we were positively impressed with the operations of the Coroner's Office. We noted the following during our audit:

- Detailed and informative monthly reports produced
- Highly detailed and organized information maintained regarding cash receipts
- Good controls over disbursements
- Consistent compliance with established County policies and procedures
- All cash assets properly placed under the custody of the County Treasurer
- Adherence to statutory requirements (ex. fees, purchasing policy, custody of accounts, jurors, etc.)
- Demonstrated budget adherence

We did note some opportunities for improvement primarily concerning the internal controls during the cash receipt process prior to deposit with the County Treasurer. All indications from the Coroner indicated our recommendations will be considered for implementation.

We wish to thank Mr. Hintz for his professionalism and helpfulness during the completion of our audit. Please let me know if you have any questions or comments at 815-319-4206 or bcrowley@wincoil.us.



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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Winnebago County Coroner's Office Internal Audit

Findings: 3
Recommendations: 5

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
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March 9, 2018

William T. Hintz, Winnebago County Coroner
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".

We have recently completed an internal audit of certain aspects of the operation of the Winnebago County Coroner's Office. The scope of this audit included the following areas:

- Examination and testing of controls and procedures over billing and cash receipts
- Examination and testing of controls and procedures over cash disbursements
- Fees charged by the Coroner
- Coroner Fee Fund
- Purchasing ordinance compliance
- Equipment monitoring and disposal
- Controls of miscellaneous assets, supplies and documents
- Examination of grants, if any
- Review any miscellaneous off balance sheet (decentralized) accounts, if any

Our comments, findings and recommendations are below:

Examination and testing of controls and procedures over billing and cash receipts:

The Coroner's Office collects approximately \$100,000 annually for services relating to autopsy reports, toxicology reports, cremation permits, etc. We reviewed all monthly receipt reports from January 2017 to January 2018 and certain source documents to gain a further understanding of the billing and cash receipt process and to trace transactions. We were able to trace all 13 months of receipts directly into the Munis accounting system. We also observed that highly detailed billing and receipt information for all transactions is being maintained by the Coroner's Office which is easily traceable into the monthly deposit. We did note potential opportunities for improvement to the billing and cash receipt cycle as indicated in our findings and recommendations below:

Finding 1:

Segregation of Incompatible Duties:

Segregation of incompatible duties is a commonly used and widely accepted internal control practice. Implemented effectively, this control reduces the risk that any employee will be able to carry out and conceal errors or fraud without being detected. In general, the three categories of duties that should be segregated include custody, approval and recordkeeping.

In the case of the Coroner's Office, the billing and cash receipt function (recordkeeping) is primarily controlled by an individual employee. This same employee also physically handles and deposits cash and checks (custody). Additionally, cash and checks are stored in a lock box in the same employee's office for up to a month until deposited with the Treasurer's Office.

Recommendation 1:

We recommend that the Coroner restrict physical custody of cash and checks to include only employees who are not directly involved in recordkeeping.

Recommendation 1-1:

The Coroner is depositing cash and checks on a monthly basis. The longer money remains undeposited, the greater the risk that loss or theft can occur. We recommend that Coroner consider a shorter deposit cycle.

Recommendation 1-2:

We understand that the majority of cash receipts received in the Coroner's Office are received in the mail and that the Coroner opens all mail. We recommend the Coroner consider restrictively endorsing checks with a stamp as soon as they are received. This step would ensure that checks received can only be deposited into the County's bank account.

Finding 2:

A deposit of \$9,109, representing November 2017 collections was deposited into the wrong fund by the Coroner.

Recommendation 2:

The Coroner should ensure that all deposits of fee revenue be deposited into the correct fund. We suggest working with the Finance Director to review the departmental charge codes. Additionally, the \$9,109 deposit should be reclassified to the appropriate fund.

Examination and testing of controls and procedures over cash disbursements:

The County Auditor's Office continuously reviews, monitors, recommends or recommends for rejection all disbursement requests originating in the Coroner's Office.

The following characteristics describes our assessment of the controls and procedures over vendor disbursements:

- **No** decentralized accounts which circumvent the internal control and budgetary structure of the County.
- All payment requests are properly submitted to the County Auditor for review and approval and properly flow through a checking account controlled by the County Treasurer.
- Very tight control of invoice approval by the Coroner. No other employees are allowed to approve invoices.
- Invoices are reviewed and approved by the Coroner properly and rarely require resubmission
- Payment requests are typically well supported and additional information rarely needed by the County Auditor prior to invoice approval.
- Questions and requests for additional information **always** met with a prompt and courteous response.

The following characteristics describes our assessment of the controls and procedures over purchasing card disbursements:

- Very limited expenditure activity with County purchasing card.
- Purchasing card expenditures tightly controlled by Coroner.
- Only one card issued which is in the name of the Coroner.
- Transactions generally well supported and properly documented.
- Occasionally sales tax is paid on certain transactions in violation of the County purchasing card policy but is generally resolved the following month.
- Occasionally individual invoices lack signature approval in violation of the County purchasing card policy.
- Questions and requests for additional information **always** met with a prompt and courteous response.

We have noted a small quantity of purchasing card transactions in recent months in which sales tax had been paid or an invoice / receipt lacked proper signature approval by the Coroner. However, the transactions all related to small transactions generally less than \$100. In several cases, the issue of paying sales tax was a problem with the vendor and the Coroner was able resolve the following month.

Fees charged by the Coroner:

Fees charged by the Coroner include charges for autopsy reports, toxicology reports, cremation permits, etc. and are established by 55 ILCS 5/4-7001. We reviewed all 2017 monthly reports produced by the Coroner. We noted that all billing rates were in accordance with the fees established by 55 ILCS 5/4-7001.

Coroner Fee Fund

A separate fund is maintained by the County to account for the receipt and disbursement of the aforementioned fees. 55 ILCS 5/4-7001 provides guidance on the appropriate usage and handling of the fees collected by the Coroner as follows:

- “All fees under this Section collected by or on behalf of the coroner’s office shall be paid over to the county treasurer and deposited into a special account in the county treasury.”
- “Moneys in the special account shall be used solely for the purchase of electronic and forensic identification equipment or other related supplies and the operating expenses of the coroner’s office.”

In accordance with statute, all fees are deposited with the Treasurer. Additionally, a separate fund has been created and is under the custody of Treasurer’s and Finance Offices which collectively account for all receipts, disbursements and balances in the Coroner Fee Fund. All disbursement requests are properly submitted to the County Auditor prior to payment.

We noted that the Coroner Fee Fund was used for personnel, forensic pathologist costs and capital items in fiscal year 2016 and 2017. A similar budget has been approved for the 2018 fiscal year.

Finding 3:

We noted two potential conflicts regarding the usage of the Coroner Fee Fund as follows:

- 1.) 55 ILCS 5/3-3014 states “The cost of all autopsies, medical examinations, laboratory fees, if any, and travel expenses of the examining physician and the costs of exhuming a body under the authority of subsection (c) of Section 3-3015 shall be payable from the **general fund** of the county where the body is found.” While the General Fund has been used to fund the majority of the cost relating the autopsies, medical examination and laboratory fees, the Coroner Fee Fund has also been used for such purposes.
- 2.) The permissible usage of Coroner’s Fee under 55 ILCS 5/4-7001 appears to be somewhat unclear and conflicting. We reviewed the budget documents of several larger Illinois Counties and noted that the prevailing interpretation of the statute is that personnel costs are not an allowed use of the Coroner Fee Fund.

Recommendation 3:

We consider Finding 3 to be a minor issue which could be addressed by budgeting the Coroner General Fund budget and the Coroner Fee Fund budget to adhere to the usage potentially required by statute as part of the 2019 budget process. Additionally, our interpretation of the requirements should be verified before any changes are made as a result of this recommendation.

Purchasing ordinance compliance:

The Coroner’s Office is somewhat unique relative to other elected Illinois county offices in that while under 55 ILCS 5/3-3003 the Coroner “shall control the internal operations of his office”, the Coroner is still required to comply with the County’s purchasing ordinance for certain items. 55 ILCS 5/3-3003 states “Purchases of equipment shall be made in accordance with any ordinance requirements for centralized purchasing through another county office or through the State which are applicable to all county offices.

We reviewed all purchases of equipment made in 2017 to current. All purchases of equipment were below the County’s purchasing ordinance bidding threshold of \$12,000. The Coroner purchased smaller equipment items (ex. cameras) which quotes were not obtained. We recommend the Coroner consider obtaining quotes for similar items in the future. However, the current purchasing ordinance is not specific enough to indicate a requirement to do so.

Equipment monitoring and disposal:

The Auditors Office generated a report from the County’s accounting system representing purchases of equipment in the prior 3 years less than \$12,000. Additionally, we obtained the County’s asset listing of all Coroner’s assets in excess of \$12,000 currently being depreciated. We arrived at a population of 12 assets that would be relevant for physical observation.

Without advanced notice, the Coroner's Office was able to quickly and efficiently identify all assets in our test and accordingly we were able to physically observe all 12 assets.

The Coroner's Office did not dispose of any fixed assets during 2017 to current, but the Coroner did indicate the standard office procedure is to properly dispose of assets utilizing the services of the centralized purchasing office.

Examination of grants, if any:

Through an intergovernmental agreement with Illinois Department of Public Health, the Coroner has received monies from the State of Illinois Death Certificate Surcharge Fund.

The duties and obligations of the Coroner are:

- The Death Certificate Surcharge Fund shall be used, as stated in 410 ILCS 535/25/5, for equipment and lab facilities.
- The Coroner must report receipt of funds to its county treasurer

We reviewed all historical purchases with resources derived from the State of Illinois Death Certificate Surcharge Fund. We noted that the Winnebago County Coroner is in compliance with the required usage of those monies.

Additionally, the Winnebago County Treasurer is acting as the custodian of these resources which satisfies the requirement of the Coroner to report to the Treasurer.

Review any miscellaneous off balance sheet (decentralized) accounts, if any:

The Coroner maintains a checking account solely for the purpose of making statutorily required payments to individuals serving on the Coroner's Jury. We reviewed the internal controls associated with this account and assessed them to be sufficient. The Coroner maintains the physical checkbook and is the only signor on the account. In the case of this particular checking account adding an additional signor would provide little value. The County Treasurer is the custodian of the checking account itself and provides for proper monitoring and reconciliation. Additionally, the checking account itself is prefunded via a wire from the Treasurer's vendor account only to provide for the payment of a periodic series of checks payable to jurors. Therefore, the Coroner's Jury account generally maintains a zero balance.

55 ILCS 5/3-3013 states "A juror serving pursuant to the paragraph in such county shall receive compensation from the county at the same rate as the rate of compensation that is paid to petit or grand jurors in the county." We verified that Coroner's Jurors are being

compensated properly at a rate of \$25 for the first day. Coroner's Jurors do not serve consecutive days.

Budget adherence:

55 ILCS 5/3-3003 states "The county coroner shall control the internal operations of his office. **Subject to the applicable county appropriation ordinance**, the coroner shall procure the necessary equipment, materials, supplies and services to perform the duties of the office. Compensation of deputies and employees shall be fixed by the coroner, **subject to budgetary limitations established by the county board.**"

Based on preliminary results from the Finance Office, the Winnebago County Coroner operated with a budget surplus of approximately \$30,000 during fiscal year 2017.