



# 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: December 3rd, 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  
Davey Lorenzen, Part-Time Auditor

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

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

January 29, 2019

Lori Gummow, 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 10-01-17 to 12-03-18
- Review of the assets and liabilities of the County Clerk trust account as of 12-03-18
- Review of any bank reconciliations as of 11-30-2018 and 12-31-2018
- Review of asset listings and historical purchases and physically verify existence
- Second review of departmental purchasing card transactions 08-01-18 to 12-03-18
- Second review of departmental expenditures 06-01-18 to 12-03-18
- Review of decentralized bank 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 is 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 10-01-17 to 12-03-18.

**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 and not the primary operating checking under the control of the County Treasurer. We believe these resources should be placed under the custody of the County Treasurer for deposit into the General Fund. We arrive at this conclusion as 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 10<sup>th</sup> day of the month following, all fee income" and in our research we were unable to locate any authoritative guidance requiring any special treatment of the funds relative to any other County Clerk fee.

Additionally, 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." We believe this section of the statute is a strong indication that fee revenue should not be deposited into the County Clerk trust account.

**Recommendation 1:**

We recommend that all take notice and tax assignment fee historical revenue less expenses currently held in the County Clerk trust account be deposited in the General Fund. Additionally, all future fee revenue received from these sources 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 County Clerk trust account should solely be used to maintain and account for funds owed to other parties and not be utilized to fund any aspects of the departmental operations of the County Clerk.

Implementation of Recommendation 1 and 2 will help contribute to the resolution of Findings 3 and 4 below.

**Review of County Clerk trust fund assets and liabilities:**

The primary function of the County Clerk trust account (balance \$1,393,692 as of 12-31-2018) is to maintain and account for tax redemption dollars owed to the original purchaser from the annual tax sale. The Auditor's Office acquired internal office documents in the attempt to reconcile the cash held by the County Clerk with amounts owed to other parties.

**Finding 3:**

We were unable to reconcile amounts held in the County Clerk Trust to amounts owed to other parties with the information that was provided to us. The County Clerk's Office was also unable to provide a reconciliation that balanced amounts held to amounts owed. We have particular concerns regarding the reliability of the tax redemption payable listing which we believe stems from a poorly designed accounting process.

**Recommendation 3:**

We recommend the County Clerk thoroughly review all tax redemption payable files for errors and omissions and establish a definitive listing of all amounts due. Only after a definitive listing of amounts owed can a reliable and accurate reconciliation be completed. After an accurate reconciliation is completed, any overage or deficit in the checking account should be addressed.

We believe this is an item that should be a high priority to the newly Elected Official

**Finding 4:**

As noted in finding 3 we have concerns about the accuracy of the amount reported as payable for tax redemptions as of 12-31-18. Tracking of tax redemptions is currently being completed using a manual handwritten ledger with entries dating back to 1996. A manual excel spreadsheet is also being utilized in tandem with the handwritten ledger. The method of record keeping is highly susceptible to errors or 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. We believe

the use of DevNet should be considered. 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. If an amount is turned over to the State of Illinois that has already been returned to the original tax buyer, then it's very likely that the tax buyer would receive the funds twice.

**Review of County Clerk trust fund bank reconciliations:**

We reviewed bank reconciliations for the 11-30-18 and 12-31-2018 statements. 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 checks that are outstanding for a period of 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 that is outstanding for a period of 3 years.

**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 12-31-18

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:

- 2 out of 180 laptop computers
- 8 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 completed a secondary review of departmental purchasing card transactions 8-01-18 to 12-03-18 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 completed a secondary review of departmental expenditure transactions 6-01-18 to 12-03-18 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:**

During a transition audit we would ordinarily verify that county property such as computers, phones, credit cards, keys, etc. has been returned and also that access to computer systems has been turned off. In the case of this particular transition, the former County Clerk is still a County employee so these types of inquiries weren’t necessary.

**Follow-up on previous recommendations:**

On September 22<sup>nd</sup>, 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 12<sup>th</sup>, 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.*