



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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Winnebago County Department Of Information Technology Internal Audit – Limited Scope

Findings: 4
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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August Gentner, Winnebago County Chief Information Officer
Carla Paschal, Winnebago 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".

We have recently completed an internal audit of certain aspects of the operation of the Winnebago County Department of Information Technology. The Winnebago County Department of Information Technology is unique relative to other County departments in that the department provides services to many internal as well as external customers on a fee basis. These external customers are generally municipalities and services range from providing internet and email service to general management of the customer information technology function.

Our internal audit focused heavily on the financial related activity between the Department of Information Technology and external customers but did also include certain aspects of the operation of the department. Our testing window generally consisted of activity between the dates of 10-1-16 to 1-17-2018. The areas examined were as follows:

Examination of external customer activity:

- Contracts with external customers
- Labor billings to external customers
- Receipts from external customers
- Cost recovery of direct expenditures servicing external customers

Examination of certain departmental activity:

- Purchasing policy adherence
- Asset tracking and disposals
- Miscellaneous items

Our audit did not evaluate or provide recommendations on the internal controls relating to the servicing and billing of external customers as a significant portion of this responsibility has recently been transferred to the Winnebago County Finance Department. Additionally, our audit did not specifically address information technology related security. The methods used

by the Winnebago County Department of Information Technology relating to computer breach detection and prevention, which were recently highlighted in State Tech Magazine, include the use of FireEye appliances, Cisco ASA IPS firewalls, Barracuda spam filtering and Symantec endpoint protection.

The Auditor's Office did issue an audit report discussing Munis permissions which was issued in February 2017.

Our procedures, comments, findings and recommendations are below:

Contracts with external customers:

The Department of Information Technology provides IT services to approximately 40 internal and external customers. We requested a list of all client activity from 10-1-2016 to 1-17-2018 and all associated contracts with the external customers.

Finding 1:

- A. The majority of existing contracts (memorandum of understandings) for IT services with external customers have been entered into by an independent contractor without actual authority to bind Winnebago County. Additionally, the majority of existing contracts have not been presented to the County Board for approval.
- B. There is no formalized agreement for 1 customer (Region 1 Planning Council). We received representations during the internal audit that the department is currently servicing Region 1 Planning Council under a verbal agreement entered into by a former employee of County Administration.

Recommendation 1:

The current state of Winnebago County ordinance is very restrictive in regards to the authority of officers to enter into binding contracts. We believe this restriction applies to intergovernmental agreements for IT service and therefore the aforementioned IT agreements should be approved by the Winnebago County Board.

We believe County Administration should consider seeking the approval of the County Board to authorize an ongoing signatory agent at approved terms rather than approve each individual contract. For contracts that are unique, we would recommend seeking full County Board approval.

Finally, we recommend that all contracts be reviewed and approved by the Winnebago County State's Attorney's Office.

Labor billings to external customers:

During our internal audit relating to the labor billing of external customers we sought to answer two questions:

- Are external customers being billed at the contractually agreed upon amount?
- Is the work product of the IT staff being billed in the correct quantity?

To determine if external customers are being billed at the contractually agreed upon amount, we acquired a detailed listing of all invoices generated by IT from 10-1-16 to 1-17-18. We selected 7 external customers and compared the billings to the individual contracts. During our testing we were able to agree billing rates and charges directly to the individual contracts without exception.

To determine if the work product of the IT staff was billed appropriately we selected 7 customers and requested the ticket detail for the period 10-1-16 to 1-31-18. A detailed analysis indicated that 92.2% of work performed for the 7 customers had been billed and collected. The other 7.8% of hours of work product not collected was satisfactorily documented and included credible explanations such as employee training for new staff or credits against billings for various reasons.

Overall, our testing indicated that the work performed by the staff of the Department of Information Technology department on behalf of external customers was billed at properly during our testing period.

Receipts from external customers:

During our internal audit relating to the receipts from external customers we sought to answer two questions:

- Are collections being made and made timely for the work product of the department?
- Are all cash receipts being deposited with the County Treasurer and on a timely basis?

To determine if collections were made and made timely, we acquired the detailed list of billings for the period 10-1-16 to 1-17-18 along with aged receivables balances for both dates. During that period the IT department billed approximately \$330,000. The balance in receivables at 1-17-18 was \$42,124 and the over 90 day portion was \$12,002.

We inquired about all items greater than \$1,000 which were older than 90 days which consisted of 5 items totaling \$8,130. We received evidence indicating that 1 amount had been received, 3 amounts are anticipated to be received and 1 amount is uncollectible.

To determine if cash receipts are being deposited with the County Treasurer we reconciled IT billing and cash receipt data, which had been tested as part of this internal audit, against cash receipt data contained within the County's accounting system. We were able to reconcile amounts collected by the IT department against amounts deposited with the County Treasurer and into the accounting system without exception. Since the County's accounting system is reconciled to the County's bank account, we can conclude that all amounts collected by the IT department have been deposited appropriately.

Finding 2:

There are approximately 40 receivable balances greater than 90 days outstanding and in some cases as old as 2 years outstanding. These amounts are generally for a smaller dollar amounts (\$20-\$300). Our testing indicated that at least 1 amount is uncollectible.

Recommendation 2:

We received several indications of IT staff diligently reminding customers of past due balances. However, many balances that are greater than 90 days outstanding remain. We recommend these balances be investigated and reminders issued. If an amount is found to be uncollectible we recommend that the department consult with the County Administrator on action to be taken on a case by case basis.

Cost recovery of direct expenditures servicing external customers:

From the accounting periods July 2016 to February 2018, the Department of Information Technology recorded \$57,833 in expenditures related directly to servicing external customers. This amount is accounted for as reduction of IT service revenue and therefore does not impact the IT expenditure budget. The Auditor's Office examined \$41,707 or 72% of expenditures made on behalf of external customers. The intent of this test was to determine if purchases made on behalf of external customers were actual customer expenses that had been properly billed to customers in accordance with the individual agreements.

Finding 3:

- A. As indicated in finding 1, we noted that the Department of Information Technology is servicing Region 1 Planning Council under a verbal agreement entered into by a former employee of County Administration. There are significant ongoing direct expenditures involved in servicing the Region 1 Planning Council and we were unable to conclude with certainty that all expenditures are being recovered and that the

Department of Information Technology is being adequately compensated for the services provided.

- B. Our testing indicated that \$2,450 in equipment expenditures made on behalf of the Carrie Lynn Center were not billed or recovered. No agreement exists to support this arrangement.
- C. A server purchase was made on behalf of an external customer in the amount of \$3,561.60. The agreement with this customer indicates that a “15% Administrative Overhead Fee will be charged for any materials where WinCo DoIT funds are used”. No 15% fee was charged.

Recommendation 3:

- A. We recommend a detailed analysis of the pricing provided to Region 1 Planning Council should be completed by the Department of Information Technology. This pricing should be formalized into a contract and be approved by the Winnebago County Board.
- B. Carrie Lynn Center staff indicated to the Auditor’s Office that equipment expenditures made by the Department of Information Technology on behalf of the Carrie Lynn Center are reimbursable. We recommend cost recovery be considered.
- C. We recommend that all fees be billed if they are contractually agreed upon.

Purchasing policy adherence:

The Auditor’s Office generated a report from the County’s accounting system of all expenditures made from within the IT departmental budget funds from 10-1-16 to 1-17-18 that were \$3,000 and over. This resulted in a population of 29 transactions. We examined all 29 expenditures against the purchasing policy and found 27 to be in compliance.

2 of the 29 expenditures had previously been recommended for temporary non-payment by the Auditor’s Office while the appropriate steps were taken to acquire County Board approval. We did note that these 2 particular expenditures were commitments entered into by a former employee of County Administration rather than a current employee of the Department of Information Technology.

In summary, our testing indicated good adherence to the purchasing policy demonstrated by the employees of the Department of Information Technology.

Asset tracking and disposals:

The Department of Information Technology utilizes LanSweeper to detect the existence of technology related items such as computers, servers, routers, etc. on the County’s network.

However, reports from LanSweeper aren't used as part of any procedure to track assets for inventory purposes or to detect or prevent misappropriation of County assets. This issue isn't specific to the Department of Information Technology but rather the County as a whole.

In a report dated June 2, 2017 the County Auditor issued an internal audit that discussed tracking of inventory and equipment. The report noted that Winnebago County as a whole was lacking proper controls and reporting over equipment and asset disposal. Our conversations with the County Purchasing Director indicate that these issues are actively being addressed.

To test the existence of assets specifically purchased with Department of Information Technology funds, the County Auditor's Office generated a report of all assets purchased by the department from 2006 to current. We selected 36 assets with a historical cost of approximately \$600,000 to physically observe.

The Department of Information Technology was able to account for all 36 assets for observation by the Auditor's Office.

One of the assets in our testing was not currently in use and was located in storage. The Chief Information Officer indicated that this asset may have a marginal resale value which will be pursued at the direction of the Purchasing Director.

Miscellaneous items:

Computer Monitoring Software

During our review of expenditures made by the Department of Information Technology, we noted that the department maintains 15 licenses for a 3rd party computer monitoring software. This software package claims to provide "unmatched visibility into the online and communications activity of employees and contractors". We inquired about the usage of this software with the Chief Information Officer, Human Resources Department and the State's Attorney's Office.

Finding 4:

- A. No policy exists regarding the authorization and deployment of computer monitoring software.
- B. Employees are required to sign an "Acceptable Use Policy" which includes language indicating that an employee is subject to monitoring. We selected 10 employees and requested the signed Acceptable Use Policy. In 6 out of 10 cases a signed policy was not provided. We did note that our selections included generally more senior employees and that the acceptable use policy is signed during the orientation of new hires.

- C. Computer monitoring is an action that may have legal implications in some cases. The State's Attorney's Office has not been presented with a computer monitoring policy or an acceptable use policy for review and approval.

Recommendation 4:

We recommend that a formalized policy for employee computer monitoring be developed. This policy should be reviewed and approved by the State's Attorney's Office. Additionally, we recommend that all employees sign a computer and computer equipment acceptable use policy.