



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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Winnebago County Highway Department Head Transition Audit

Effective: January 24th, 2020

Recommendations: 2

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/>

March 2, 2020

Carlos Molina, County Engineer
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 appointed department head leadership. The Highway Department experienced turnover in the County Engineer position 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
- Review and verification of other assets
- Recent purchasing card activity
- Miscellaneous departmental expenditures
- Departure procedures and documents
- Miscellaneous items

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 Highway Department \$250 and above for the time period 10-1-17 to 1-31-20.

The County Auditor's Office manually selected 22 assets to physically verify. Our selections consisted of assets susceptible to theft or misuse which was primarily computer equipment and small tools.

In all cases, the Highway Department was quickly able to physically identify each asset during the performance of a physical observation.

Review and verification of other assets (bank account)

The County Highway Department maintains a bank account used for the financial inflows and outflows of the Centralized Agencies Permitting System. We reviewed the following items associated with this account:

- Rationale for decentralization of account
- Internal controls associated with account
- Review of activity in account for appropriateness
- Review of 1-31-2020 balance in contrast to associated liabilities

Our conclusions are as follows:

- A reasonable business purpose exists for the Centralized Agencies Permitting System checking account to remain decentralized and we were unable to locate any authoritative guidance requiring otherwise.
- The highway department maintains satisfactory segregation of duties to lower the fraud risk associated with the checking account to an acceptable level.
- Revenue and expenditures flowing through account all appear to be in the ordinary course of business and we noted no unusual items. We also noted that the January 2020 bank statement was reconciled accurately and timely.
- As indicated in the table below the Centralized Agencies Permitting System checking accounts liabilities are greater than the assets available to pay those liabilities.

Assets:	
Reconciled Bank Balance 1-31-2020	32,050.72
Liabilities:	
Due to County Highway Fund	4,026.98
January Bank Fees (paid in Feb)	1,085.00
3rd Party Escrow Balances 1-31-2020	16,498.00
Due to Municipalities	12,586.00
Total Liabilities:	34,195.98
Difference:	(2,145.26)

Recommendation 1:

Each month the Highway Department transfers administrative fee revenue from the Centralized Agencies Permitting System to the County Highway Fund. We believe management should deduct the above difference from a single monthly transfer of administrative fee revenue to correct the difference.

Review of 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 the former County Engineer. 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. All transactions in our secondary review appeared to be in the ordinary course of business of the Highway 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 Highway Department.

Review of miscellaneous departmental expenditures:

The County Auditor's Office reviews and recommends for payment all departmental expenses originating in the Highway 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. 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 Highway Department.

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 recently attempted to implement a standardized process for tracking the return of these assets upon departure. This process is also intended to track requests for discontinued access of County systems such as the accounting system and building access.

The 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.

All items were returned from the departing County Engineer and the appropriate documentation was recorded by the Human Resources Department. An exception was approved in advance relating to the requirement that the employee's last check was to be picked up in Human Resources. This exception was reasonable as the employee was immediately moving out of state following retirement.

Miscellaneous Items:

Personal use of County vehicle and associated tax consequences

Winnebago County Ordinance states "Personal use of county vehicles is strictly prohibited, other than commuting to and from work, and de minimus usage while performing official business." The former County Engineer routinely used a County owned vehicle for business purposes to commute to and from work. The newly appointed County Engineer is currently following the same practice.

The aforementioned commuting miles to and from work by both the former and current County Engineers are taxable fringe benefits under the IRS Commuting Rules. The Winnebago County Code of Ordinances describes a policy and procedure for calculating and reporting commuting miles. This policy and procedure was approved by the Winnebago County Board in April 2019 but has yet to be implemented by County Administration. As a result, the former and current County Engineers and other Highway Department employees have received an untaxed fringe benefit and the County of Winnebago is likely out of compliance with IRS Commuting Rules.

The Highway Department was however asked to track departmental personal use of vehicles for tax reporting by County Administration when the vehicle ordinance was originally

approved. Accordingly, the Highway Department has maintained detailed records of commuting days for each employee. Highway Department staff indicated that these records weren't submitted to the Finance Office for tax reporting and the department was never asked to do so.

Recommendation 2:

The Highway Department should work with the Finance Office to bring the county into compliance with IRS Commuting Rules.

Review of final payroll activity of departing employee:

We reviewed the departing County Engineer's payroll activity for evidence of unusual activity. Examples of unusual activity would include:

- Structured payments of accrued vacation or other payments to circumvent IMRF rules and effectively spike a retiring employee pension
- Payments of unauthorized comp-time or unearned vacation
- Unauthorized changes to employee compensation or accruals

No unusual items were noted.