



COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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Winnebago County Regional Planning & Economic Development Department Internal Audit

Findings: 2
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.

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June 7, 2018

Christopher Dornbush, Director of Development Services
Frank Haney, Winnebago County Board Chairman
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 Regional Planning & Economic Development Department. Some of the services provided by the Department include, but are not limited to: issuing building and zoning permits, providing building inspections and processing development applications such as zoning changes and subdivision plats.

Our testing window for procedures generally consisted of activity from 1-1-17 to 4-30-2018. The areas examined were as follows:

- Fees charged to customers
- Cash receipt testing
- Internal control evaluation of the cash receipt process
- Purchasing card activity and policy adherence
- Purchasing policy adherence
- Review of other departmental expenditures
- Inventory observation and asset tracking
- Miscellaneous items and comments

Our procedures, comments, findings and recommendations are below:

Fees charged to customers:

Fees charged by the Regional Planning & Economic Development Department are established by County Ordinance. To test if the appropriate fees were charged the County Auditor's Office selected 20 receipts from a population of all Treasurer's receipts from 1-1-17 to 4-30-18. Our selection focused somewhat on receipts that were unique in terms of dollar value.

Finding 1:

In 19 out of 20 selections, the County Auditor's Office was able to agree fees charged by the Regional Planning and Economic Development Department to fee lists approved by the Winnebago County Board.

In 1 out of 20 selections, we were unable to agree in a fee charged to any fee list approved by the Winnebago County Board. The fee charged was not necessarily incorrect but rather no documentation was able to be located that indicated the fee was approved by the County Board.

During this test we did note that the department has properly maintained the originating documents for all 20 transactions.

There are certain instances which require a fee to be overridden such as when fines are assessed. In a prior audit of the department, it was noted that cashiers had the ability to manually override fees unilaterally. This issue has been resolved by the current departmental management and proper controls to override fees now exist.

Recommendation 1:

We recommend that the Regional Planning and Economic Development Department identify all fees on the departmental fee listing and compare them to the fee list approved by the Winnebago County Board. Any informal fees should be approved and formalized by the Winnebago County Board.

Cash receipt testing:

In the previous section we determined that the services provided were properly charged. The objective of our cash receipt test work was to reasonably support that the revenue generated from services provided to customers was properly accounted for and deposited with the County Treasurer's Office. We acquired the following information for testing:

- Munis receipt detail for all cash receipts from 1-1-17 to 4-30-2018
- PINS software activity data export which was generated by the Information Technology Department from 1-1-17 to 4-30-2018
- PINS software cash receipt report from 1-1-17 to 4-30-2018
- Cash receipt support from the County Treasurer for certain transactions

Our testing procedures were as follows:

- Reconciled approximately \$1,000,000 in cash receipts entered into the PINS software program with cash receipts deposited with the County Treasurer to within \$250. We also physically observed that a permit can't be generated from the PINS software program without entering a cash receipt with a preset permit value.
- Inquired and obtained reasonable explanations for a sample of cash receipt and permit reversals in the PINS software. These were primarily clerical errors such as entering the wrong payment method. While we selected a sample to perform detailed tests, we scanned all reversals for any unusual transactions or activity and noted none.
- Examined all Munis reversals and unfinished receipts for any unusual transactions or activity and noted none.
- Physically observed a cradle to grave permit issuance and cash receipt transaction in the Regional Planning and Economic Development Department office.

In our view, our test results and observations appeared to reasonably support that the revenue from services provided to customers was properly accounted for and deposited with the County Treasurer's Office during the time period under examination.

Internal control evaluation of the cash receipt process:

In the two previous tests we determined that during our testing period fees charged to customers appeared appropriate and the fees collected appeared to have been properly accounted for and deposited with the Treasurer. The primary objective of our internal control evaluation was to determine if there are significant risks of assets being misappropriated as a result of weaknesses in the cash receipt control structure.

Our procedures were as follows:

- Physically observed a cradle to grave permit issuance and cash receipt transaction in the Regional Planning and Economic Development Department office.
- Participate in the brainstorming session with the Director of Development Services with the purpose being to identify opportunities for fraud to occur.

During the performance of these procedures we identified and observed the following:

- Permit fee overrides require system based supervisory approval.
- Both PINS and Munis document reversal transactions.

- PINS software requires a cash receipt to be entered prior to permit issuance.
- Building Inspectors and the Building Official are required to also use PINS for inspections. Ongoing unusual activity involving permit manipulation or cash receipt manipulation would likely be noticed by inspectors.
- The County Treasurer receives both Munis cash receipts and PINS cash receipt detail on a daily basis.

Taken as a whole, we believe the control structure relating to cash receipts is fairly well designed. We did however note potential weaknesses in the control structure as follows:

- Cashiers share a cash drawer. In the event of employee theft, a single cash drawer would make it significantly more difficult to trace the theft to the responsible party.
- The cashiers are responsible for preparing the daily receipt which includes a receipt report from Munis and from PINS. There is no supervisory review of this process.

Receipt data in the PINS software would be very difficult to manipulate as the system prevents a permit from being issued until a receipt is entered. However, a cashier could issue a permit from PINS and then fail to enter the associated cash receipt in Munis. Having a daily supervisory review which agrees the receipts in Munis to the receipts in the PINS software should be considered.

Purchasing card activity and policy adherence:

The County has established a purchasing card program which allows employees to utilize County issued credit cards to make certain departmental purchases. An informal policy is currently maintained by the Purchasing Director which details the acceptable uses and procedures associated with the purchasing card program.

The purchasing card activity is monitored monthly by the County Auditor’s Office. For the purpose of this internal audit, we re-examined the departmental purchasing card activity from the period 1-1-17 through 4-30-18. Our observations are as follows:

- Access to purchasing card use is appropriately limited to the Director of Development Services (\$2,000 limit) and the Planning and Zoning Officer (\$1,000 limit)
- Use of departmental purchasing cards was done so in accordance with the purchasing card policy. During the above time period we noted no exceptions to the policy.

Purchasing policy adherence:

The Winnebago County Board has approved a purchasing ordinance which applies to purchases made by the Regional Planning and Economic Development Department. This ordinance provides guidance such as quotation requirements, competitive bidding thresholds and other requirements for certain purchases.

A review of departmental expenditures from 1-1-17 through 4-30-18 indicates that no purchases were made that required special procedures described in the county purchasing ordinance.

Review of other departmental expenditures:

For the purposes of this internal audit, “other departmental expenditures” consists of all other expenditures that were neither applicable to the special requirements of the purchasing ordinance or the purchasing card policy.

The County Auditor’s Office reviews and recommends for payment invoices submitted by all County Departments on a monthly basis. A typical invoice submitted for payment from the Regional Planning and Economic Development Department is well documented and appropriately authorized. For the purposes of this internal audit, the County Auditor’s Office re-examined all other departmental expenditures for the Regional Planning and Economic Development Department from 1-1-17 through 4-30-18. Our observations are as follows:

- Invoice approval permissions are appropriately limited to the Director of Development Services (unlimited within department budget), the Planning and Zoning Officer (\$1,000) and the Building Official (\$1,000).
- Invoices are well documented, appropriately authorized by departmental personnel and appear to be for a valid County purpose.
- Per-Diem rates for Zoning Board of Appeal members may require County Board formalization.

Finding 2:

Members of the Zoning Board of Appeals receive a per-diem of \$100 per meeting which is paid from the Regional Planning and Economic Development departmental budget. We requested the support establishing this per-diem. We acquired an approved budget amendment from 2011 that intended to increase the per-diem rate to \$100 from \$70.

Language in the amendment reads as follows: “Increase funding for Zoning Board of Appeals members from \$70 per-diem to \$100 per-diem effective upon approval of the resolution increasing the per-diem by the County Board.” Neither the Director of Development Services nor the County Clerk were able to locate evidence indicating that a resolution increasing the per-diem amount was approved by the County Board.

Recommendation 2:

We recommend that the County Board pass a resolution establishing the per-diem for meetings of the Zoning Board of Appeals.

Inventory observation and asset tracking:

The intent of this test is primarily to examine the departmental procedures for tracking inventory and equipment, physically observe inventory included on department inventory lists or historical accounting records and to examine documentation for any missing, disposed or sold items.

To test inventory in the planning department, the County Auditor’s Office generated a report from the Munis accounting software searching for all historical purchases in excess of \$500 from October 2010 through April 2018. There were not assets purchased within this threshold.

The department is in custody of certain other assets that were purchased with non-departmental budget dollars such as computer equipment. We believe County Administration is currently developing a system for inventorying these types of items.

Miscellaneous items:

Departmental budget adherence

The Winnebago County Board appropriates an annual budget for the Regional Planning and Economic Development Department. The department has historically demonstrated excellent budget adherence. Historical expenditures as a percentage of appropriations are as follows:

- FY 2015 - 94.5%
- FY 2016 - 99.2%
- FY 2017 - 95.3%

Through the first 8 months of fiscal year 2018, the department had spent 59.6% of the amount appropriated by the County Board. The Director of Development Services anticipates the department will finish the year within budget.

Departmental fees

The Regional Planning and Economic Development Department primary provides services to the public on a fee basis. The services are performed for individuals and businesses in a variety of municipalities. During fiscal year 2018 through May of 2018, the department had the following revenue and expenditures:

Revenue:	
Licenses and Permits	\$ 332,000
Expenditures:	
Personnel Salaries	\$ 352,000
Departmental Supplies	\$ 48,000
	\$ 400,000
Expenditures greater than revenues	\$ (68,000)

The actual cost of providing the departmental services is significantly higher than above if the true cost of operating the department were considered. Other significant expenses such as employee health insurance, employee retirement, building costs and office space costs are separately funded outside the departmental budget and are not included in the above figures.

Comment on departmental fees:

We recommend that County Administration consider examining the departmental fee structure or possibly procure a fee study with the goal of identifying any revenue enhancements that may closer align the revenue generated from providing services with the cost of providing services.

Decentralized checking and petty cash accounts

The County Auditor’s Office made inquiries into the departmental use of petty cash accounts or any decentralized accounts outside the County Treasurer. The department maintains no such accounts.

Historically, the department had responsibility for managing loans and depositing payments relating to loans originating from the Revolving Loan Fund. However, these activities were

outsourced to Rockford Local Development Corporation prior to our date range under examination.

Munis permissions

Munis is a software application that serves as the County's primary accounting and payroll system. During the performance of a previous audit, the County Auditor's office noted that a staff member of the Regional Planning and Economic Development Department possessed excessive user rights within Munis.

We recently re-examined the Munis permissions of certain Regional Planning and Economic Development staff. We noted that user permissions have been updated and appear to be appropriate based on the specific needs of the departmental staff members.