



# COUNTY OF WINNEBAGO

WINNEBAGO COUNTY AUDITOR

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## Winnebago County Supervisor of Assessments Department Head Transition Audit

Effective: November 8th, 2018

**Findings: 1**  
**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):

Bryan M. Cutler, Chief Deputy Auditor  
David Lorenzen, Part-Time Staff

Office of the County Auditor  
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<http://wincoil.us/departments/auditor/>

December 14, 2018

Thomas Hodges, Winnebago County Supervisor of Assessments  
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".

The Winnebago County Board appointed a new Supervisor of Assessments on November 8<sup>th</sup>, 2018. It is standard protocol for the Winnebago County Auditor's Office to perform a transition audit when a newly-elected or appointed official assumes a new 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 historical purchases and physically verify existence
- Review of recent purchasing card activity
- Review of departmental expenditures
- Review of departmental revenues
- Review of decentralized bank accounts, 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 historical 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 Supervisor of Assessments Office \$250 and above for the period 10-1-12 to 11-30-18

The County Auditor's Office manually selected 35 assets to physically verify. Our selections consisted of assets we felt were the most susceptible to theft or misuse.

In all 35 cases, the newly appointed Supervisor of Assessments was able to quickly identify all assets in our test.

**Recommendation:**

Consistent with other offices of the County, there is no departmental listing maintained for assets with historical cost of less than \$12,000. We recommend that the Supervisor of Assessments Office maintain a departmental asset list and complete periodic inventories in an effort to decrease the risk of theft or misuse.

**Review of recent purchasing card activity:**

The County Auditor's Office reviews all departmental purchasing card activity in detail on a monthly basis. We completed a secondary review of departmental purchasing card transactions from 7-1-18 until to closing date of the former Supervisor of Assessments purchasing card. We noted no unusual items in the context of our transition audit and a departing appointed official.

Additionally, we obtained evidence that the former Supervisor of Assessments purchasing card was closed and that the physical card has been returned to the County.

**Review of departmental expenditures:**

The County Auditor's Office reviews and recommends for payment all departmental expenses originating in the Supervisor of Assessments. We completed a secondary review of departmental expenditure transactions 10-1-17 to current and noted no unusual items in the context of our transition audit and a departing appointed official.

**Review of departmental revenues:**

The Supervisor of Assessments office is not a revenue generating office. The only departmental revenues consist of a partial reimbursement from the State of Illinois for the salary of the Supervisor of Assessments. A review of 2018 and 2019 accounting detail indicates no other revenue was received as was anticipated.

**Review of decentralized bank accounts, if any:**

A decentralized bank account is one held outside the custody of the County Treasurer's Office. Furthermore, the accounts are not reconciled by the Treasurer's Office, transactions are not processed through the County's general ledger accounting system in the Finance Office and the County Auditor is unable to perform monthly claim audits.

Both the current and former Supervisor of Assessments indicated that the department does not maintain a decentralized account nor is the Auditor's Office aware of any decentralized account associated with the 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. A standard document is used to track the return of these items and request discontinued access of County systems such as the accounting system.

The standard procedure is that the aforementioned form be completed and all County property be returned prior to the departing employee receiving his or her final paycheck. Final paychecks are generated in paper form and are picked up in the Human Resources Office.

As part of our transition audit we requested the standard departure documentation relating to the former Supervisor of Assessments.

**Finding 1:**

The departing Supervisor of Assessments received his final paycheck significantly prior to the departure document being completed and all County property being returned. The newly appointed Supervisor of Assessments was unaware of the standard procedure but was very diligent in addressing the issue immediately after the deficiency was communicated by our office.

**Recommendation 1:**

To protect County assets and other resources, the standard departure procedures should always be completed prior to the departing employee receiving their final paper paycheck in the Human Resources Office.

**Follow-up on previous recommendations:**

The internal audit involving the Supervisor of Assessments Office was issued in March 2011 (attached) as part of a larger audit of the DEVNET Property Tax Assessment Administration software. We presented this internal audit to the newly appointed Supervisor of Assessments and asked him to comment on the current conditions in the office relative to those identified in the audit. We have attached the response and consider it to be satisfactory.



# WINNEBAGO COUNTY

— ILLINOIS —

## Memorandum

Date: 12/12/2018

To: Winnebago County Auditor's Office

From: Thomas R. Hodges – Supervisor of Assessments

Re: Review of 2011 Devnet Audit

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Remark: Currently Devnet's "Assessor Maintenance" software is installed on all of our staff's PCs. In addition, Devnet's "Mobile Home" software is installed on Diane Roberson's and Rose Jackson's terminals, as well as my own. I also have Devnet's "System Maintenance" installed on my PC.

Page: 6 – Finding #2

Remark: The Supervisor of Assessment's office still does not receive or disperse any cash. In an effort to mitigate the risk of staff members erroneously adding exemptions, multiple queries can be ran to cross check fields in order to highlight any improper designations. Going forward, I feel as though additional, randomized checks should be made at regular intervals in order to detect any and all inappropriate exemptions.

Page: 7 – Finding #6

Remark: Home Improvement Exemptions are almost exclusively applied to a property by the Township Assessor with our office being notified via their submitted values in the spring or by an assessment change request. Building permits are provided directly to the Township Assessors by Regional planning. Any building permits that are obtained which initiate a Home Improvement Exemption should be on file at the Township Office.

Page: 11 – Finding #11

Remark: I believe that a parcel created/deleted report is generated when we roll to a new year. That is then cross referenced with records kept in the mapping department. I will ensure that this process is in our procedure manual and is being performed when we roll to a new level.



DEVNET PROPERTY TAX SYSTEM

Internal Audit

Total Findings: 9

March ♦ 2011

*Winnebago County Auditor's Office*

**William D. Crowley, CFE**  
Winnebago County Auditor

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 MEMBERS**

Steve Blomgren, Special Project Manager  
Roman D. Gray, Internal Auditor

Copies of the County Auditor's report are available by request.  
Please contact us at:

**Office of the County Auditor**  
404 Elm St., Room 201 ♦ Rockford, IL 61104 ♦ (815) 319-4200

March 31, 2011

Scott Christiansen, County Board Chairman  
Steve Chapman, County Administrator  
Tom Owens, County Finance Committee Chairman  
Gus Gentner, Chief Information Officer, DoIT  
Mark Olson, Director of Finance  
Sue Goral, County Treasurer  
Bev Campion, County Supervisor of Assessments  
Margie Mullins, County Clerk  
Nancy McPherson, County Recorder  
Jim Hughes, Economic Development

We have completed our limited-scope internal audit of the DevNet Property Tax System. This internal audit was conducted in accordance with Illinois state statutes, and the Internal Audit Procedure Ordinance 89-CO-29, § 2-301-304 passed by the Winnebago County Board requiring the Winnebago County Auditor's Office to maintain, and to properly administer, a continuous internal audit of the operations of the officers, agents or divisions of the County. The scope of the audit included the testing of property tax exemptions, employee access to checkpoints, property tax rates, maintenance of parcel records, tax bill calculation, billing procedures and collections, DevNet security protection, and related internal controls.

Chapter 2, Article VI, Division 2 of the Winnebago County Code requires the following events subsequent to the issuance of internal audit reports:

- (a) Each county officer, agent or division shall, within three business days, acknowledge receipt of the internal audit report.
- (b) Within 30 days of the receipt of the internal audit report, each county officer, agent, or division shall submit a written response to the county auditor, outlining the action that has been taken in response to the recommendations made by the auditor.
- (c) Subsequent to the issuance of the internal audit report, the county auditor shall review the operations and financial reporting of the affected county officer, agent, or division. This review will focus on, but not be limited to, the recommendations suggested in the internal audit report. Upon completion of the review, a report outlining the conditions found at the time of the review will be prepared and delivered to the county board.



Audit responses should specify and explain the department's agreement or disagreement with individual findings, and the specific steps that the department will take to resolve each finding. The recommendations made in this report may be rejected in favor of a solution that is preferable to the department and acceptable to the County Auditor.

William D. Crowley, C.F.E.  
Winnebago County Auditor



## Executive Overview

The role of the County Auditor's Office in this internal audit was to obtain an understanding of whether the County Departments that use the DevNet Property Tax System have an internal control structure that is properly designed and functioning efficiently and effectively. Management is responsible for taking steps to safeguard the County's assets and for ensuring the integrity and comprehensiveness of the data collected by the accounting system for use in internal reports. The policies and procedures established by management to meet these goals, as well as the overall control environment in which the department operates, constitute the department's internal control framework.

While a department goes to great lengths to acquire, encourage, and promote responsible and honest employees, a well-designed system of internal controls relies primarily on the integrity of established policies and procedures rather than upon the honesty of individual employees. The most common internal control procedure is the "segregation of duties," whereby no one individual is placed in a position of being able to both create and conceal an irregularity. Other common internal control procedures include independent checks of performance, controlled access to assets and records, and the use of pre-numbered documents.

It is impossible to design an internal control framework that would efficiently and effectively eliminate every possibility of fraud, misappropriation, mismanagement, and error. But properly designed controls significantly reduce the risk of such events and their impact. One key component of an internal audit is the testing of established internal controls; this provides a means of assessing whether existing controls are functioning properly. Further audit analysis of a department's business processes may reveal a need for the implementation of additional controls. Consequently, an internal audit report generally contains recommendations that existing controls be more stringently enforced, and where necessary, that additional controls be implemented.



## Audit Observations

During the course of our audit, we observed that control deficiencies in the following areas increase the level of risk due to employee errors, misappropriation of assets (including cash), or accounting errors which could result in inaccurate records. The following brief synopsis identifies deficiencies which were observed in one or more departments.

- Certain employees have access permissions to DevNet maintenance screens without a logical need for such permissions.
- There is an absence of supervisor approval of changes to property exemptions and tax rates by department staff.
- There is a granting of Home Improvement Exemptions in the Supervisor of Assessments office with no record of a building permit being issued in the Regional Planning and Development Office.
- There is some uncertainty regarding some properties and their inclusion in the tax rolls; we found 297 non-railroad properties that appear in WinGis's mapped records that do not appear in DevNet. A reconciliation of WinGis and Devnet would account for each and all parcels, which would provide greater assurance against the risk of the property tax rolls being incomplete.



## Introduction

Winnebago County has contracted with DevNet Inc. in DeKalb, Illinois to use their software as the platform for the Property Tax System. The Offices of the County Supervisor of Assessments, Clerk, and Treasurer use the system to accomplish their duties as part of the property tax cycle. The Recorder uses DevNet for inquiry purposes only. The system is maintained by the County DoIT department. The Property Tax System is regulated by the Property Tax Code 35 ILCS 200/ under the jurisdiction of the Illinois Department of Revenue. The steps of the property tax cycle are as follows:

- The first step is to arrive at an assessment each year as of January 1<sup>st</sup>, which provides the basis for taxation. There are three levels of assessment:

### 1) Township:

Each township assessor views the property and gathers data to arrive at the market value of the property. The market value of the property is brought to 33.33% of the fair value, which is called the Township Assessor's Assessed Value (*TA AV*).

### 2) Supervisor:

The supervisor of assessment office (*S of A*) processes the information from each township. This information is called the Supervisor of Assessment Assessed Value (*SA AV*). The Supervisor of Assessments determines township levels of assessment by evaluating the township's median assessed value compared to the sales prices of property. This is called a Sales Ratio Study and results in equalization factors to bring each township's level of assessments to 33.33% of market value. This is done on a township basis and not on an individual property basis. This is

known as the Supervisor of Assessment Equalized Assessed Value (*SA EAV*). The *SA EAV* can be computed by multiplying the *SA AV* by the *SA EQ* factor. The *S of A* office is responsible for all homestead and non-homestead exemptions as well.

3) **The Board of Review:**

The Board reviews all complaints from property owners and if they deem it is warranted, will have a hearing with the owner from which a final judgment will be made resolving the complaint.

- Once *the S of A* completes its Final Abstract report and sends it to the Illinois Department of Revenue, the assessment books and related reports are given to the County Clerk to determine tax rates. The tax rates are determined based on what the taxing district determines to be their monetary need subject to the limits of increases over the prior year. Rates are applied to assessed value of property. Examples of taxing districts include: Forest Preserve, School District, Park District and the County.
- Collecting tax and distributing it to the taxing districts is the responsibility of the Treasurer's Office. The Treasurer will start the "tax bill generation and printing process" in DevNet when the Clerk's office has completed the tax extension process and certified to the Treasurer that the process may begin.

During the planning stage, we determined that we would apply audit procedures to the property tax exemptions granted, establishment of tax rates, the maintenance of parcel records, the tax computation process, the billing and collection process, employee access and authorizations to DevNet checkpoints, and DevNet security of the data base.

Our testing included employee interviews, observation, reviews of archived files and support documents, and the documentation and testing of controls.



## Audit Results and Findings

NOTE: "S of A" = Supervisor of Assessments

### **Finding #1: DEVNET USER ACCESS:**

A major control point of DevNet is employee log-in access and restrictions to the checkpoints (screen access) in each system code, i.e. assessor program, tax inquiry

program, clerk program, treasurer program, etc. Employee access is maintained by the County IT department with direction and authorization from the department heads. The key to user access is whether the employee has a logical need to access a checkpoint to be able to perform the duties associated with their job description. We found the following deficiencies in our testing of DevNet user access:

1. A former Regional Planning employee now working in another department has user access permission to add parcels, retire parcels, perform parcel combinations and parcel splits, and do genealogy edits. We recommend that this employee has all such access permissions in DevNet terminated.
2. The Chief Deputy to the County Clerk has access permission to add, delete, and renew exemptions, add assessments, delete owners and edit user logins. He also has permissions that are of a less critical nature that do not pertain to his current position. We recommend that the Chief Deputy's access permissions be reviewed, and that all non-essential access be terminated.
3. One employee in the Treasurer's office has access permission to renew exemptions and retire owners. We recommend removing the "Assessor's Program" in DevNet from the employee's desktop and terminating these two accesses.
4. Three employees who no longer work for the County have active access permissions in DevNet. These permissions would normally be deactivated upon an employee's termination; we recommend that these access permissions be terminated.
5. An employee in Regional Planning who used to do mapping has access to change parcel data, parcel combinations and parcel splits. Only the Parcel Maintenance Specialist is authorized to maintain parcel data in DevNet and thus, we recommend that this employee's access permissions be terminated from the system.
6. The Parcel Maintenance Specialist has access permission to add and renew exemptions; this is not a function of her job description. We recommend that these permissions be terminated from the system.
7. There are six employees who have duplicate log-ins. We recommend that all duplicate log-ins be terminated.
8. There are other user accesses that were questioned in the audit process (not specific to the testing performed in the audit), regarding employee access to checkpoints. There does not appear to be a logical need for such access. For example, 55 employees have access to checkpoint "Change BOR Values Assessment Details" in the *S of A* Program and most of them

do not work in the *S of A* Office. There is a "User Checkpoint Listing" in DevNet that is available for supervisor review. We recommend that each department head review this listing for each of their employees to determine a logical need for each access authorized to them. We further recommend that each department head review the accesses of employees outside of the department head's jurisdiction who have accesses within the department head's jurisdiction; i.e. the *S of A* reviews all employees with ASR (Assessor) system code access.

The biggest obstacle to making this a meaningful review for the department heads is the lack of sufficient detail of the checkpoint descriptions which explains exactly what task is performed in DevNet for each checkpoint. Some checkpoints are self-explanatory while others are not. It was also explained to the auditor that there may be certain combinations of checkpoint accesses needed to be flagged to "yes" before an employee can perform a task. The auditor asked for more detailed checkpoint descriptions and uses, but none are available from DevNet. Regardless of the limitations of information, much can be done to improve user access and specific questions can be directed to DevNet support personnel before deleting accesses.

Each department head should also verify what DevNet programs are installed on each of their employee's desktop computers and programs should be removed if there is no logical need for the employee to have it.

We also recommend that DevNet access permissions be terminated or modified immediately when the employee is terminated or reassigned to a different position. This may best be accomplished through the use of a checklist and the coordination of the Human Resource and Winnebago County DoIT departments.

**Finding #2: LACK OF SUPERVISOR APPROVAL IN THE *S OF A* OFFICE**

Staff employees in the Supervisor of Assessments Office have the capability of making changes to a property tax exemption without supervisor approval.

**Recommendation #2:** No cash is received or dispersed in the *S of A* office. All exemptions granted affect the distribution of the tax burden rather than the total amount of revenue available to the County. With the decreased staffing due to the budget crunch, and the demands of the increased workload, it may not be feasible for management to audit the transactions of the staff members modifying exemptions. However, without supervisor review, there is medium to

high risk that inappropriate exemptions could be granted and undetected by management. We recommend that the *S of A* take steps to mitigate this risk.

**Finding #3: NO DISABLED PERSONS' EXEMPTION FORM ON FILE.**

Testing of the Disabled Persons' Homestead Exemption showed parcel # 11-21-252-009 as receiving the exemption. Application form PTAX-343 was not found on file, nor was there a renewal form for 2010 as of 9/30/10.

**Recommendation #3:** The exemption requires annual renewal to stay in effect; the exemption will expire for 2010 if no renewal form is returned. We recommend that the *S of A* check her records to see if a renewal notice was sent to this owner last spring and on what basis the exemption was granted. We further recommend that the *S of A* take steps to mitigate the risk of this problem occurring with other properties.

**Finding #4: NO OWNER OCCUPANCY EXEMPTION TESTING FORM ON FILE**

General Homestead (Owner Occupancy) Exemption Testing found one exemption form not on file.

**Recommendation #4:** We recommend that the owner occupancy form be located or that a new one is issued.

**Finding #5: OWNER OCCUPANCY FORM NOT ON FILE**

Homestead Improvement Exemption Testing found one property receiving this exemption, which had no owner occupancy form on file or senior citizens homestead exemption form on file as required by the *S of A*.

**Recommendation #5:** We recommend that the owner occupancy form be located or that a new one be issued. A house in Durand is missing a building permit for a deck that wasn't included in the original building permit when the home was built. We recommend that a building permit be issued and charged to the homeowner.

**Finding #6: BUILDING PERMITS NOT ISSUED**

28 of 40 parcels receiving the Homestead Improvement Exemption (70%) do not show a record that a building permit was issued and recorded in Munis.

**Recommendation #6:** Keeping in mind that certain types of improvements done to the home may not require a building permit, it is recommended that the Regional Planning and Development department work with the Township Assessors to determine whether the work done on these 28 properties required a building permit. It is our recommendation that the building department monitor these exemptions, to watch for improvements that did not have a building permit.

**Finding#7: SUPERVISOR APPROVAL POLICY IN THE COUNTY CLERK'S OFFICE**  
The County Clerk Administrative Assistant calculates the tax rates for each of the taxing districts. While we found that there were detective controls that should catch any errors that may occur, a preventive control (supervisor approval before tax rates are finalized) would further reduce the risk of undesirable events occurring with regard to the establishing of tax rates in Devnet.

**Recommendation #7:** We recommend that the Chief Deputy review and approve the final rates entered in DevNet before the County Clerk signs the files over to the Treasurer.

**Finding#8: DISCREPANCIES BETWEEN WINGIS AND DEVNET**

We obtained a list from the WinGis department containing properties that do not appear in DevNet, but do appear in their mapped records. This report contains 570 records. Of these, 273 are identified as state railroad properties, according to their pin numbers. Of the remaining 297, we made a systematic random sample of 51 properties and viewed the properties in WinGis and with Google maps, to obtain an understanding of the properties. We determined that:

- Six properties that we were able to calculate the square footage appear to be active, taxable properties in DevNet
- Eight properties have been retired as part of a property split/combination and need to be corrected in WinGis
- Twenty seven property records are in the possession of the Parcel Maintenance Specialist awaiting resolution
- Ten properties are not accounted for in DevNet.

Based on our sampling results, 27% of these 51 properties are accounted for in DevNet and are being taxed and 50% are in the possession of the Parcel Maintenance Specialist awaiting resolution.



**Recommendation #8:** We recommend that the first priority of the Parcel Maintenance Specialist be to research and resolve the properties awaiting resolution. We recommend she prioritize as stated:

1. The properties that appear to be viable pieces of property that should be taxed and would provide reasonable revenue to the County
2. The remaining properties awaiting resolution

We also recommend that she be given access to the data we used for testing so that she can research and resolve the discrepancies between WinGis and DevNet for the remaining non-railroad properties.

**Finding #9: DEVNET LOG NOT BEING USED**

A log is available in DevNet of properties created and properties deleted using specific time periods requested, but it is not being utilized.

**Recommendation #9:** We recommend that this log be run periodically for the benefit of the Parcel Maintenance Specialist to use as an additional resource in performing her duties, and we recommend that this log be reviewed periodically by the Supervisor of Assessments.

\* \* \*

The County Auditor would like to thank Bev Champion (Supervisor of Assessments), Sue Goral (Treasurer), Margie Mullins (County Clerk), Nancy McPherson (County Recorder), Jim Hughes (Regional Planning), and Gus Gentner (Chief Information Officer, DoIt) and their staffs for their cooperation during this audit.

