



# 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

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## Surprise Inventory and Equipment Internal Audits (Fiscal Year 2015 – 2018 Purchases)

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, C.F.E. Chief Deputy Auditor  
Dave C. Lorenzen, PT Internal Auditor

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

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

September 4th, 2018

Members of the County Board

Frank Haney, County Board Chairman

Carla Paschal, County Administrator and Chief Financial Officer

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".

Additionally, in accordance with state statute, the County Auditor is required to "audit the inventory of all real and personal property owned by the County under the control and management of the various officers and departments of the County."

Accordingly, the County Auditor's Office has recently completed an internal audit of certain departmental equipment purchased from October 1<sup>st</sup>, 2014 through June 30<sup>th</sup>, 2018. A previous audit issued in June 2017 (attached) addressed assets purchased in fiscal years 2012, 2013 and 2014. Additionally, other department specific internal audits have covered various other populations of County owned equipment.

For the purposes of this audit, our sample included equipment we believe to be generally more portable items such as computer equipment, tools and small maintenance equipment which would have an inherent elevated risk for misappropriation.

To test the existence or proper disposal of equipment, the County Auditor's Office selected a sample of 53 asset purchases relating to the following departments:

- Building Maintenance Department
- Highway Department
- River Bluff Nursing Home
- Animal Services

This sample was selected from a population of all asset purchases of \$500 or greater in the County's accounting general ledger activity from October 1<sup>st</sup>, 2014 through June 30<sup>th</sup>, 2018 and, as indicated above, included items we believe to be the most vulnerable to misappropriation. A detailed listing of our selections is attached.

The County Auditor's Office obtained original invoices for all 53 purchases. All four departmental inventories were subsequently conducted **completely unannounced**.

**Audit Results:**

The four departments included in our testing collectively were able to physically identify 48 of the selected 53 assets during our surprise visits. The remaining 5 assets were located shortly after the surprise inventories and were physically observed by the Auditor's Office.

**Conclusion:**

The County Auditor's Office has performed several audits that either focused on or included a section on physically observing inventory and equipment. Our test results have indicated that the individual County departments have proven to be reasonable caretakers of the inventory and equipment in their custody.

However, as indicated in prior audit reports, Winnebago County has not yet established proper internal controls to safeguard inventory and equipment such as comprehensive inventory lists and standard procedures to facilitate and track disposals.

This is a problem that is many years in the making and an appropriate solution is labor intensive. The County Administration is working towards a countywide inventory tagging and asset management solution with the intent of having a system in place by late 2019.

VENDOR NAME	ORG	YEAR	PERIOD	AMOUNT	CHECK NO	INVOICE	FULL DESC	INVOICE DATE	FOUND
6953 ALPHA CONTROLS & SER	12000	2016	5	7,410.00	14735	W25110	8153 - PARTS	01/28/2016	YES
9568 AUSTIN MECHANICAL	12000	2015	8	8,375.00	10149	15-13231	PARTS	05/21/2015	YES
2287 ENTRE COMPUTER SOLU	12000	2015	10	1,187.44	349084	00093940	HP EliteOne 800 G1 Touch W75	07/29/2015	YES
2287 ENTRE COMPUTER SOLU	12000	2016	9	1,215.78	358444	00100550	HP EliteOne 800 G2 AIO Touch C	06/29/2016	YES
2287 ENTRE COMPUTER SOLU	12000	2016	5	1,137.68	354775	00097828	HP ProBook 650 15in Notebook	02/11/2016	YES
14559 IT SAVVY LLC	12000	2018	7	1,055.61	376388	01024418	New PC	04/14/2018	YES
12142 METRIX	12000	2018	8	882.40	377142	404240	HIRSCH NETMUN4	05/22/2018	YES
5573 RKFD ELECTRIC EQUIPM	12000	2016	7	1,613.50	357389	16727	10442 - MOTOR	04/12/2016	YES
5573 RKFD ELECTRIC EQUIPM	12000	2015	12	3,300.00	351197	16328	60 hp motor	09/22/2015	YES
13357 SOS TECH	12000	2016	11	1,499.00	23553	113421	DEIFBRILLATOR	07/26/2016	YES
13357 SOS TECH	12000	2016	10	1,499.00	23391	112479	DEIFBRILLATOR	07/06/2016	YES
13357 SOS TECH	12000	2015	10	1,499.00	10709	95886	DEIFBRILLATOR	07/10/2015	YES
5064 STEINER ELECTRIC COM	12000	2018	8	3,063.54	377278	5006062719.00	LITH PS1400QD-MVOLT-M8 POWER SENTRY	06/07/2018	YES
13177 WEIZEL AND ASSOCIATE	12000	2016	7	3,468.47	22373	SI-60781	10421 - PARTS	03/30/2016	YES
13177 WEIZEL AND ASSOCIATE	12000	2016	9	4,236.43	23162	SI-60908	10607 - PARTS	06/15/2016	YES
16497 ARCO MECHANICAL EQ	46100	2015	3	5,600.00	343201	14220	CO2 DETECTOR-SHOP	12/23/2014	YES
1938 BONNELL INDUSTRIES	46100	2017	6	4,173.12	25718	0171036-IN	CURVED CARBIDE BLADES	11/16/2016	2 remaining
14738 DEKALB IMPLEMENT	46100	2015	3	600.00	343302	16051	CHAINSAW	12/31/2014	YES
14738 DEKALB IMPLEMENT	46100	2017	12	2,244.28	371094	89236	CHAINSAWS AND POLESAWS	09/20/2017	YES
14738 DEKALB IMPLEMENT	46100	2015	6	600.00	345672	18999	POLY PRUNNER-STIHL	03/19/2015	YES
2214 DLT SOLUTIONS INC	46100	2017	3	8,442.34	362807	4531488A	AUTODESK	11/28/2016	YES
2287 ENTRE COMPUTER SOLU	46100	2017	7	6,086.96	366823	00106939	2 Engineering PC/ - highway	05/10/2017	YES
2287 ENTRE COMPUTER SOLU	46100	2015	7	3,087.63	346884	00092306	HP EliteOne 800 G1 AIO	04/28/2015	YES
2287 ENTRE COMPUTER SOLU	46100	2015	4	970.80	344121	00090191	HP EliteOne 800 G1 Non-Touch W	01/15/2015	YES
19014 HOTSY CLEANING SYSTEM	46100	2017	7	760.00	100001736	118809	HOSE REEL	04/07/2017	YES
14559 IT SAVVY LLC	46100	2018	3	856.00	373380	00999579	ARUBA INSTANT IAP WIRELESS ACCESS PO	12/15/2017	YES
14614 JACKS TIRE SALES & S	46100	2015	6	1,706.55	345780	1-181870	SQ TIRES	03/25/2015	YES
17341 JADE EQUIPMENT COMPA	46100	2016	1	9,330.58	350351	002386.03	MOTORS FOR 62 TRADE-IN	10/07/2015	YES
2849 LINCOLN RENT ALL	46100	2015	3	5,749.93	343450	140509	3-POST DRIVERS	12/05/2014	YES
2849 LINCOLN RENT ALL	46100	2015	2	1,749.95	342729	139571	POST DRIVER RHINO	11/21/2014	YES
2985 MERIDIAN IMPLEMENT	46100	2015	11	1,580.51	11049	01-97052	(4) NEW WEED EATERS-SUPPLIES	08/13/2015	YES
2985 MERIDIAN IMPLEMENT	46100	2017	6	3,999.00	25979	01-122783	WOODS FINISH MOWER-NEW	03/08/2017	YES
10640 MSC INDUSTRIAL SUPPL	46100	2016	2	2,569.87	352719	7925506003	POWER TOOLS	11/11/2015	YES
10640 MSC INDUSTRIAL SUPPL	46100	2016	1	1,298.71	351949	7925506002	TOOLS	11/03/2015	YES
4649 NAPA AUTO PARTS	46100	2016	10	688.98	359319	428142	SHOP TOOLS	07/09/2016	YES
4649 NAPA AUTO PARTS	46100	2018	8	640.99	377135	492020	TOOLS-S	05/10/2018	YES
3282 PEABODY'S NORTH	46100	2017	6	9,750.00	25980	13P00800	0538-NEW FERRIS ZERO TURN	03/27/2017	YES
15877 VALK MANUFACTURING	46100	2016	5	1,954.68	355144	0184451-IN	PLOW BLADES	02/28/2016	YES
15877 VALK MANUFACTURING	46100	2015	2	6,008.83	343022	0179195-IN	PLOW COVER PLATES	11/23/2014	YES
17472 WANCO INC	46100	2015	10	9,700.00	349488	141383	ARROW BOARDS	07/28/2015	YES
3906 WEST SIDE EXCHANGE	46100	2016	2	4,500.00	352975	D00857	SWEEPSTER 72" PICK UP BROOM-ATTACH	11/23/2015	YES
9326 WHITE HOUSE EQUIPMEN	46100	2015	6	2,247.01	346069	719	CHAINSAW-1244-43/OTHER 1002.58	04/02/2015	YES
19604 AIR SERVICES CO	74500	2018	5	2,289.74	374417	410200	PARTS	02/13/2018	YES
5720 BULLOCK LOGAN & ASSO	74500	2015	7	4,267.28	346802	15-988611A	PARTS	05/11/2015	YES
2204 DIRECT SUPPLY	74500	2018	3	871.99	373293	25326709	EQUIPMENT	11/09/2017	YES
2287 ENTRE COMPUTER SOLU	74500	2017	3	1,012.14	363711	00103324	Velocity Work Station for Jill	11/15/2016	YES
4341 THOMPSON-HOPPS PUMPS	74500	2015	4	4,352.00	344520	017752	EQUIPMENT	01/29/2015	YES
4341 THOMPSON-HOPPS PUMPS	74500	2015	4	4,352.00	344520	017753	EQUIPMENT	01/29/2015	YES
4341 THOMPSON-HOPPS PUMPS	74500	2016	5	7,182.00	355121	018295	MOTORS	03/04/2016	YES
4341 THOMPSON-HOPPS PUMPS	74500	2016	5	7,182.00	355121	18296	TACO PUMPS	03/04/2016	YES
18764 ANIMAL CARE EQUIPMEN	77000	2017	5	886.46	364803	49914	SOS #42351	01/09/2017	YES
2026 CDW GOVERNMENT INC	77000	2017	5	5,993.68	364956	11BG5584	Tablets/equip for Animal Servi	02/28/2017	YES
2287 ENTRE COMPUTER SOLU	77000	2017	3	2,044.32	363711	00103525	Order 3-Internet Access Points	11/29/2016	YES



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## Inventory and Equipment Audit (Fiscal Year 2012 – 2014 Purchases)

**Total Findings: 3**

**Total Recommendations: 3**

**June 2nd, 2017**

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 C. Lorenzen, Internal Auditor

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

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

E-mail your request to: [bcrowley@co.winnebago.il.us](mailto:bcrowley@co.winnebago.il.us)

June 2, 2017

Members of the County Board  
Frank Haney, County Board Chairman  
Amanda Hamaker, County Administrator  
Carla Paschal, Chief Financial and Budget Officer  
Ann Johns, Director of Purchasing

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 "audit the inventory of all real and personal property owned by the County under the control and management of the various officers and departments of the County."

Accordingly, the County Auditor's Office has recently completed an internal audit of equipment purchased in fiscal years 2012, 2013 and 2014. "Equipment" includes highly visible and easily trackable items such as dump trucks, snow plows and office equipment. It also includes portable items such as cameras, laptops and small maintenance equipment. Our audit focused primarily on verifying the existence or proper disposal of assets and evaluating the County's internal controls over equipment.

To test the existence or proper disposal of equipment, the County Auditor's Office selected a sample of 50 asset purchases. This sample was selected from a population of all asset purchases \$1,000 or greater in the County's accounting general ledger for fiscal years 2012, 2013 and 2014. The Finance Office maintains a listing of assets with acquisition costs of \$12,000 and greater for the purposes of financial statement preparation only. This listing is highly summarized and is currently not intended to track and manage all County assets. Accordingly, this listing was not included in our testing.

The County Auditor's office visited each selected department to verify the existence of each asset. We were able to visually verify 46 of the 50 assets selected. We were provided satisfactory documentation of the disposition of the remaining 4 assets. A detailed listing of the assets verified is attached.

Our Findings and Recommendations are below:

**Finding 1: (Lack of inventory and equipment management and safeguarding controls)**

Winnebago County has not established proper internal controls over equipment. There are no policies or procedures addressing safeguarding of inventory and equipment. No comprehensive inventory list is maintained and therefore no physical inventories have been performed.

### Recommendation 1:

There are two sections in the Winnebago County Code of Ordinances that indicate that the Purchasing Director has responsibility for establishing and maintaining controls over equipment and inventory as follows:

- Sec 2-334 (Same-Powers and Duties) indicates that the County director of purchasing shall, subject to the provisions, restrictions and limitations of this division, all other relevant actions of the County Board and applicable provisions of state law, **“exercise general supervision and control over all inventories of supplies belonging to the County.”**
- Sec 2-336 (Establishment of Procedural Rules and Regulations) indicates that the County director of purchasing shall promulgate rules and regulations including but not limited to **“the procedure for the control and safeguarding of supplies, materials, equipment in storerooms or at storage points.”**

We recommend that County Administration adopt a written policy that sets forth guidelines and procedures for establishing and maintaining controls over inventory and equipment. This policy should:

- Identify the major types of equipment and inventory for policy application.
- Establish a dollar threshold below which equipment will not be inventoried because of cost-benefit considerations.
- Describe the types of inventory records that should be maintained and the positions responsible for maintaining these records.
- Require that periodic physical inventories be conducted to compare inventory records to actual assets.

We recommend that any policy and procedure be approved by the County Board and memorialized in the Winnebago County Code of Ordinances. We would encourage that the County Auditor’s statutory obligation to audit the inventory be included in any ordinance.

### Finding 2: (Lack of disposal of asset reporting)

During our testing of assets purchased for \$1,000 and greater, we noted 2 vehicles from our sample and 2 other additional vehicles were transferred to the State of Illinois in March 2016 as the result of the discontinuation of the Motor Vehicle Theft program. All four vehicles had historical costs in excess of \$12,000 which meets the threshold of a capitalized fixed asset for financial statement reporting. There is no formalized policy or procedure for departments to communicate disposals to the Finance Office. Therefore, these transfers (disposals) were not reported to the Finance Office and as a result were accounted for improperly in the September 30<sup>th</sup>, 2016 financial statement audit.

**Recommendation 2:**

We recommend a formal policy and procedure requiring departments to communicate disposals of assets \$12,000 or greater to the Finance Office be included with the overall inventory and equipment controls policy described in finding 1.

**Finding 3: (Motor Vehicle Theft program assets and negative fund balance)**

The Motor Vehicle Theft program was discontinued by the State of Illinois in 2015. While grant funding was pending the County continued the program. Unfortunately, funding was ultimately never received and continuing the program while funding was anticipated resulted in a negative fund balance of approximately \$215,000 in the Sheriff's Grant Fund. This deficit still exists as of the writing of this audit report and will ultimately need to be repaid by appropriating resources from another fund.

During the course of testing County equipment and inventory we became aware of several assets purchased with program income for the former Motor Vehicle Theft program. The Auditor's Office contacted a representative from the State Of Illinois who indicated that these assets are property of the County and the use of these assets is at the discretion of the County Board.

The assets are as follows:

- 2011 Ford F-150 XLT (Black)
- 2011 Ford F-150 XLT (Silver)
- 2012 Ford Explorer XLT (Black)
- 2010 PJ Car Hauler (Blue)
- 2008 Pontiac Grand Prix (Black)

All assets were physically located and determined to be in the custody of the County Sheriff.

**Recommendation 3:**

The aforementioned negative fund balance of approximately \$215,000 in the Sheriff's Grant Fund must be repaid. Ultimately we believe this repayment will come from the either the General Fund or the 1% Public Safety Sales Tax Fund.

We recommend County Administration, the County Sheriff and the County Board consider selling these vehicles to offset a portion of the approximately \$215,000 negative fund balance in the Sheriff's Grant Fund.

