



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

Winnebago County County Recorder Transition Audit

Effective: December 1st, 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 and Elected Officials 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
404 Elm St., Suite 201 ♦ Rockford, IL 61101 ♦ (815) 319-4200

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

March 23, 2021

Lori Gummow, Winnebago County Clerk / Recorder of Deeds

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".

Effective December 1st, 2020 the Winnebago County Clerk's Office and the Winnebago County Recorder's Office were consolidated and the County Clerk effectively took control of both offices. It is standard protocol for the Winnebago County Auditor's Office to perform a transition audit when a newly elected official assumes office. 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.

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 historical compensation
- Review of departmental revenues
- Review of decentralized bank accounts, if any
- Confirmation and review of Human Resources standard departure procedures documents
- Review of historical budgetary compliance
- 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 reports to identify historical assets purchases to verify the assets existence:

- Munis list of disbursements originating in the County Recorder's Office \$500 and above for the period 12-1-16 to 12-01-20 within the following departments:

- 15500 – Recorder of Deeds
- 40600 – Recorder’s Document Fee Fund

The County Auditor’s Office manually selected 104 items (attached) assets to physically verify. Our selections consisted of assets we felt were the most susceptible to theft or misuse which consisted primarily of computers and related equipment.

In all 104 cases, the Recorder’s Office was able to physically identify each asset.

Review of recent 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 Recorder of Deeds. 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 Recorder’s Office 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 Recorder of Deeds.

Additionally, we have verified that the purchasing card which had been in the possession of the former Recorder of Deeds has been returned to the purchasing office and permanently shut off.

Review of departmental expenditures:

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

Review of historical compensation:

The County Auditor's Office reviewed the compensation paid to the former Recorder of Deeds. The schedule of compensation as approved via ordinance by the Winnebago County Board for the Recorder of Deeds 2016-2020 term was \$81,284 per year or \$325,136 for the entire duration of the 4-year term.

Finding 1:

Upon reviewing internal payroll records we noted that the former Recorder of Deeds was compensated \$326,073 which is \$937 over what was approved by the Winnebago County Board. This overpayment was caused by the former Recorder of Deeds salary in the Munis accounting system being based on 260 work days in a year or 1,040 for the entire term, but the actual work days were 1043 for the entire term.

Recommendation 1:

- During the on-boarding process of a newly elected official we recommend that the salary for Munis accounting purposes be calculated based on the actual grand total of work days for the duration of the term and not based on 260 working days per year.
- On the final paycheck of an elected official's term, the historical compensation paid to that elected official should be reviewed and compared to the original ordinance approved by the Winnebago County Board.

Review of departmental revenues:

The County Recorder's Office generates significant revenues. We have reviewed the revenue activities of the office from 1-1-2020 through 12-1-2020 and noted no unusual transactions in the context of our transition audit.

During our last internal audit of the Recorder's Office dated October 23, 2018 we tested individual cash receipts and thoroughly reviewed the cash receipt and billing processes. During our current transition audit we have noted that certain recommendations involving the cash receipt and billing processes have not been implemented.

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.

Our records indicate that the Recorder's Office was not in custody of any decentralized checking accounts during the time period under audit. Departmental staff also indicated that the Recorder's Office is not in custody of a decentralized account.

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. An off-boarding checklist is used by the Human Resources department 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 checklist 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.

We were provided the completed off-boarding checking for the former Recorder of Deeds. The checklist was done completely and properly. We also contacted external offices such as purchasing and building maintenance to ensure items were returned such as building access cards and purchasing cards.

Review of historical budgetary compliance:

The 2020 fiscal year expenditure budgets associated with the Recorder's Office were well within compliance with amounts established by the Winnebago County Board. Taken as a whole, the expenditure budgets associated with the Recorder's Office were \$206,000 under budget. This positive budget variance was primarily the result of less than expected expenditures relating to 3rd party land records management costs.

Follow-up on previous recommendations:

The Winnebago County Auditor's Office issued an internal audit relating to the Recorder's Office on October 23, 2018 (attached). In that report we provided 8 recommendations. The status of these recommendations are as follows:

- Recommendation 1 (Departmental fees) - **not implemented**
- Recommendation 2 (Cash receipt testing) - implemented
- Recommendation 3 (Internal control evaluation of the cash receipt process) - **not implemented**
- Recommendation 4 (Accounts receivables procedures) - **not implemented**
- Recommendation 5 (Statutory and County Ordinance adherence) - implemented
- Recommendation 6 (Secondary review of departmental expenditures) - implemented
- Recommendation 7 (Rental Housing Fee Fund) - implemented
- Recommendation 8 (Departmental budget adherence) - implemented

Recommendation 1:

We would encourage the current Winnebago County Recorder of Deeds to implement all recommendations from the aforementioned internal audit dated October 23, 2018.

All



Order Dept. 815-633-3066 Toll Free 800-633-3076
Fax 815-633-3077 Toll Free Fax 800-633-3079
PO Box 2758 Rockford, IL 61132-2758
www.midcityop.com

REMIT TO: P.O. BOX 957
Rockford, IL 61105-0957

INVOICE

Invoice Number	Invoice Date	Customer Number	Page
423105-0	06/27/19	78019 30	1

WINN CTY RECORDER
ROOM 405 DEPT RE
404 ELM ST.
ROCKFORD IL 61101-1239

SHIP TO

WINN CTY RECORDER
ROOM 405 DEPT RE
404 ELM ST.
ROCKFORD IL 61101

DEPT: 30
Contact: JILL HINERICHSEN
Phone: 815-319-4339

Transaction	Order Writer	Order Date	Salesperson	Purchase Order	Ship Via	Route	Code
CHARGE	125	06/13/19	901	JENNIFER	Best Method		

Ordered	Shipped	B/O	Bin Loc	Item Number	Description	UM	Unit Price	Amount
14	14			Buyer Name: JENNIFER SEAMAN / 319-4339 LLR54853	CHAIR, MESH, HIB, SWIVEL	EA	169.000	2366.00

*OK for payment
406-42110
Seaman
7-10-19*



104 total items

TERMS: NET 15 DAYS FROM INVOICE DATE

Sub-Total	2366.00
Tax	.00
TOTAL	2366.00

RETURN & SHORTAGE POLICY: Mid-City is not responsible for product shortages on this order if not reported within 4 business days. Products to be returned must be in their original packaging and in saleable condition. Products returned after 30 days from their date of purchase may be subject to a restocking charge.

Handwritten initials/signature

Invoice



FIDLAR TECHNOLOGIES
350 RESEARCH PARKWAY
DAVENPORT, IA
52806
(563) 345-1200

REMIT TO ONLY:
Fidlar Technologies, INC.
PO Box 3333
Rock Island, IL 61204-3333

Invoice Number: SS6975-IN
Invoice Date: 12/31/2019
Order Number: SS6975
Customer Number: 1720103

Sold Tax
WINNEBAGO COUNTY IL -
RECORDER
404 ELM STREET
ROOM 405
ROCKFORD, IL 61101

Ship To:
WINNEBAGO COUNTY IL - RECORDER
NANCY MCPHERSON
404 ELM STREET / ROOM 405
ROCKFORD, IL 61101

Customer P.O.

Terms
NET 30 DAYS

Item Code	Unit	Ordered	Shipped	Price	Amount
✓ EPSON PRINTER TM-H6000v	EACH	1.00	1.00	800.000	800.00
EPSON PS-180 POWER SUPPLY	EACH	1.00	1.00	35.000	35.00
BLACK USB HUB MALE TO MALE 2M	EACH	1.00	1.00	3.750	3.75

INVOICE REMAINS UNPAID
PLEASE VERIFY RECEIPT AND SCHEDULED PAYMENT

Net Invoice:	838.75
Less Discount:	0.00
Freight:	34.99
Sales Tax:	0.00
Invoice Total	873.74

Invoice

ALL



FIDLAR TECHNOLOGIES
 RESEARCH PARKWAY
 DAVENPORT, IA
 52806
 (563) 345-1200

REMIT TO ONLY:
 Fidar Technologies, INC.
 PO Box 3333
 Rock Island, IL 61204-3333

Invoice Number: SS6923-IN
 Invoice Date: 11/30/2019
 Order Number: SS6923
 Customer Number: 1720103

Sold To:
 WINNEBAGO COUNTY IL -
 RECORDER
 404 ELM STREET
 ROOM 405
 ROCKFORD, IL 61101

OK for payment
406-43190
Seaman
12-5-19

Ship To:
 WINNEBAGO COUNTY IL - RECORDER
 404 ELM STREET
 ROOM 405
 ROCKFORD, IL 61101

Customer P.O.

Terms
 NET 30 DAYS

Item Code	Unit	Ordered	Shipped	Price	Amount
✓ FUJITSU FI-7160 CLR DUPLEX ADF	EACH	5.00	5.00	1,085.000	5,425.00
✓ EPSON PRINTER TM-H6000v	EACH	5.00	5.00	800.000	4,000.00
EPSON PS-180 POWER SUPPLY	EACH	5.00	5.00	35.000	175.00
BLACK USB HUB MALE TO MALE 2M	EACH	5.00	5.00	3.790	18.95

Net Invoice: 9,618.95
 Less Discount: 0.00
 Freight: 147.98
 Sales Tax: 0.00
Invoice Total 9,766.93



FIDLAR TECHNOLOGIES
 350 RESEARCH PARKWAY
 DAVENPORT, IA
 52806
 (563) 345-1200

Invoice

REMIT TO ONLY:
 Fidlar Technologies, INC.
 PO Box 3333
 Rock Island, IL 61204-3333

Invoice Number: SS6890-IN
 Invoice Date: 10/24/2019
 Order Number: SS6890
 Customer Number: 1720103

Sold To:
 WINNEBAGO COUNTY IL -
 RECORDER
 404 ELM STREET
 ROOM 405
 ROCKFORD, IL 61101

Ship To:
 WINNEBAGO COUNTY IL - RECORDER
 404 ELM STREET
 ROOM 405
 ROCKFORD, IL 61101

Customer P.O.

Terms
 NET 30 DAYS

Item Code	Unit	Ordered	Shipped	Price	Amount
✓ FUJITSU FI-7160 CLR DUPLEX ADF	EACH	2.00	2.00	1,085.000	2,170.00
✓ HYPERION 1300G 1D SCANNER, USB	EACH	2.00	2.00	155.000	310.00
✓ HANDHELD SCANNER STAND	EACH	2.00	2.00	22.000	44.00
✓ DYMO LABELWRITER 450 PRINTER	EACH	2.00	2.00	110.000	220.00
✓ DP U4500 USB FINGERPRINT READE	EACH	4.00	4.00	95.000	380.00

OK for payment
 406-43190
 11-5-19
 J. Haman

Net Invoice: 3,124.00
 Less Discount: 0.00
 Freight: 13.00
 Sales Tax: 0.00
 Invoice Total: 3,137.00

ALL ✓

4988-5

Invoice



FIDLAR TECHNOLOGIES
350 RESEARCH PARKWAY
DAVENPORT, IA
52806
(563) 345-1200

REMIT TO ONLY:
Fidlar Technologies, INC.
PO Box 3333
Rock Island, IL 61204-3333

Invoice Number: SS6563-IN
Invoice Date: 3/27/2019
Order Number: SS6563
Salesperson: GREG BACHMAN
Customer Number: 1720103

Sold To:
WINNEBAGO COUNTY IL -
RECORDER
404 ELM STREET
ROOM 405
ROCKFORD, IL 61101

Ship To:
WINNEBAGO COUNTY IL - RECORDER
404 ELM STREET
ROOM 405
ROCKFORD, IL 61101

Customer P.O.

Terms
NET 30 DAYS

Item Code	Unit	Ordered	Shipped	Price	Amount
✓ ELITEDESK 705 G4 SFF AMD RYZEN	EACH	28.00	28.00	880.000	24,640.00
✓ SAMSUNG 24" SE650 MONITOR	EACH	28.00	28.00	270.000	7,560.00
✓ PLANAR HELIUM 27" PCT2785 MNTR	EACH	20.00	20.00	519.000	10,380.00
DISPLAY PORT CABLE - 6FT	EACH	20.00	20.00	13.000	260.00

Freight charges are additional and will be reflected on the invoice.

OK for payment
406-43190

Nancy L. Mefferson
4/9/19

Net Invoice:	42,840.00
Less Discount:	0.00
Freight:	1,299.00
Sales Tax:	0.00
Invoice Total	44,139.00

Invoice



FIDLAR TECHNOLOGIES
350 RESEARCH PARKWAY
DAVENPORT, IA
52806
(563) 345-1200

REMIT TO ONLY:
Fidlar Technologies, INC.
PO Box 3333
Rock Island, IL 61204-3333

Invoice Number: SS7399-IN
Invoice Date: 12/30/2020

Order Number: SS7399

Customer Number: 1720103

Sold To:

WINNEBAGO CNTY IL - RECORDER
404 ELM STREET
ROOM 405
ROCKFORD, IL 61101

Ship To:

WINNEBAGO CNTY IL - RECORDER
NANCY MCPHERSON
404 ELM STREET - ROOM 405
ROCKFORD, IL 61101

Customer P.O.

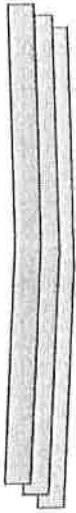
Terms

NO TERMS

Item Code	Unit	Ordered	Shipped	Price	Amount
EPSON PRINTER TM-H6000v	EACH	1.00	1.00	928.000	928.00
BLACK USB HUB MALE TO MALE 2M	EACH	1.00	1.00	0.000	0.00

OK for payment

Net Invoice: 928.00
Less Discount: 0.00
Freight: 22.00
Sales Tax: 0.00
Invoice Total 950.00



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

Winnebago County Recorder's Office Internal Audit

Findings: 8
Recommendations: 8

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
Davey 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/>

October 23, 2018

Nancy McPherson, Winnebago County Recorder
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 Recorder's Office. The primary responsibility of the Recorder's Office is to record, maintain and to retrieve all real estate records, documents and plats of subdivision in Winnebago County.

Our testing window for procedures generally consisted of activity from 1-1-17 to 6-30-2018. The areas examined were as follows:

- Departmental fees
- Cash receipt testing
- Internal control evaluation of the cash receipt process
- Accounts receivable procedures
- Purchasing card activity and policy adherence
- Statutory and County Ordinance adherence
- Secondary review of other departmental expenditures
- Inventory observation and asset tracking
- Recorder's Automation Fund expenditures
- Rental Housing Fee Fund
- Departmental budget adherence
- Decentralized checking accounts
- Accounting software permissions
- Miscellaneous – Comment on GIS fees

Our procedures, comments, findings and recommendations are below:

Departmental fees:

The purpose of this test is to determine if fees charged by the department are appropriate and properly authorized. Fees charged by the Recorder's Office are established by a combination

of Illinois State Statute and County Board Ordinance. To test if the appropriate fees were charged, the County Auditor's Office obtain the following documents:

- Applicable Winnebago County ordinances addressing Recorder fees
- 2014 cost study completed by MGT of America, Inc.
- Recorder departmental fee list
- Detail for 20 randomly selected daily cash receipts (1-1-17 through 6-30-18)

Fees charged by the Recorder are generally established by State Statute, however a certain degree of local discretion is available. For instance, State Statute indicates "The county board may, however, by ordinance or resolution, increase the fees allowed by this Section and collect such increased fees from all person and entities other than officers, agencies, departments and other instrumentalities of the State if the increase is justified by an acceptable cost study showing that the fees allowed by this Section are not sufficient to cover the cost of providing the service."

Winnebago County contracted cost studies in 1999 and 2014 that addressed fees in the Recorder's Office. The County Auditor's Office reviewed the 2014 study and compared the study findings with the County Board ordinances passed in 2015. We noted that the ordinances passed appeared properly supported by a cost study. Fees were also modified slightly in 2018 as a result of a change in State law requiring a "predictable fee schedule".

The County Auditor's office also compared the departmental fee list to the fee list approved by the County Board. We were able to agree all significant fees with the exception of certified copies as discussed in Finding 1.

Finally, the County Auditor selected 20 daily receipt batches. Each batch generally contained hundreds of individual receipts. We reviewed in detail all 20 daily receipt batches and noted that fees charged to customers agreed the Recorder departmental fee list without exception.

Finding 1:

The 2014 cost study recommended a fee for certified copies of \$17. The County Board approved the \$17 fee in 2015. The Recorder is currently charging \$35.

Recommendation 1:

Fees charged by the Recorder should be consistent with those approved by the County Board. Both the \$17 fee and the \$35 are within the parameters established by State Statute. We recommend the Recorder either charge \$17 for a certified copy or Winnebago County Ordinance be updated to reflect the \$35 currently charged.

Cash receipt testing:

In the previous section we determined that the fees charged for services were appropriate and properly authorized. The objective of our cash receipt testing 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:

- Detail of revenue stamp purchases from 1-1-17 to 6-30-2018.
- Accounting detail for revenue stamp sales from 1-1-17 to 6-30-2018.
- Invoices from 3rd party vendor utilized to archive documents for service periods 1-1-17 to 6-30-18.
- Accounting detail for Automation fund deposits from 1-1-17 to 6-30-2018.
- Document scanning invoices from outside vendor (Fidlar) from 1-1-17 to 6-30-2018.
- Various reports from the Fidlar Idocument software.

Our testing procedures were as follows:

- Compared real estate transfer tax stamp expenditures with the associated revenue. The recorder of deeds or registrar of titles in each county collects the tax through the sale of revenue stamps which counties purchase from the Department of Revenue. The stamps from the Department of Revenue cost Winnebago County .50 for every \$500 of property transferred. The County collects the tax by selling the same stamps for .75 for every \$500 of property transferred.

The cost of the revenue stamps to Winnebago County is reflected in the Miscellaneous County department and totaled \$1,188,480 from 1-1-17 through 6-30-2018. The revenue that was deposited with the Winnebago County Treasurer from 1-1-17 through 6-30-18 was \$1,781,447 which is within our expectations based on the 50% markup.

- Compared document quantity information for vendor scanning and indexing invoices to amounts deposited with the County Treasurer into the General Fund and Recorder's Automation Fund. Fidlar invoices the County monthly for receipting and indexing based on the number of documents recorded. This invoicing process acts similar to a third party confirmation in developing our expectations of County revenue from recording documents.

From the time period 1-1-17 through 6-30-2018 the revenue deposited into the General Fund was within expected revenue based on the number of recorded documents and other items. We were also able to reconcile revenue in the Recorder's

Automation Fund by combining the expected revenue based on the number of recorded documents and miscellaneous revenue from internet access to public records.

- Examined all Munis reversals and unfinished receipts for any unusual transactions or activity. We noted several transactions that were reversed. The reversals all appeared to be clerical errors during the daily bulk cash receipt process which were corrected on the same day.

In our view, our test results and observations appeared to support that the revenue from services provided to customers was deposited in full with the County Treasurer's Office during the time period under examination. We did however have concerns with the actual cash receipt process as discussed in finding 3 that could potentially decrease the reliability of certain data used in this test.

Additionally, our research indicates that certain revenues potentially should be deposited into a different fund than is currently being done.

Finding 2:

55 ILCS 5/5-1106.1 allows the Winnebago County Recorder to collect a fee for "the dissemination of the electronic data in bulk or compiled form". The County Recorder's Office receives approximately \$200,000 - \$250,000 annually from this revenue stream which has historically been **deposited into the Recorder's Automation Fund.**

55 ILCS 5/5-1106.1 states that "the fee must be paid to the county treasurer and deposited into a fund designated as the **County Automation Fund**; except that in counties with a population exceeding 3,000,000, the fee shall be paid into a fund designated as the **Recorder's Automation Fund.**

The position of the County Auditor's Office is that a strong case could be made that the revenues from the sale of electronic data should be deposited into a separate special revenue fund titled "County Automation Fund" which could be used for countywide automation projects rather than restricted the Recorder's Office related expenditures. The revenues from the statutory filing fees should continue to be deposited into the Recorder's Automation Fund.

We presented this issue to the State's Attorney's Office. This issue is currently being reviewed internally within the office. However, the State's Attorney's Office and County Auditor's Office staff have surveyed several Illinois counties and noted varying practices in handling the proceeds from sale of electronic data such as:

- Depositing funds into the General Fund
- Depositing funds into a countywide Automation Fund

- Depositing funds into the Recorder's Automation Fund

Recommendation 2:

We recommend that the proceeds from the sale of electronic data in bulk or compiled form be deposited into a separate fund titled "County Automation Fund" going forward and possibly retroactively. This fund could be used for general automation projects within Winnebago County government.

Additionally, we recommend that County Administration and the County Recorder seek a formal opinion on this issue from the State's Attorney Office.

Internal control evaluation of the cash receipt process:

In the two previous sections we examined the appropriateness of the fees charged to customers and if these fees were properly deposited with the County Treasurer in their entirety.

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. To accomplish this objective, we physically observed a cradle to grave cash receipt for a document fee in the County Recorder's Office.

Finding 3:

We noted the following conditions with the current cash receipt process:

- Cash collection at the customer counter is completed using a manual process
- No permanent electronic accounting entry is created at the point of sale
- Receipts are handwritten and are not electronically produced
- No cash registers are used so there is no reliable ability to reconcile daily cash collections in total
- A single clerk enters the manually produced cash receipt data in the accounting / I-DOC system at some point that same day after the sale has been completed and the customer has left. The same clerk also has custody of all customer recorded documents, cash and checks during this process.

Recommendation 3:

- Several other Winnebago County offices use the Munis accounting system at the point of sale. We recommend that the County Recorder consider implementation of this practice.

Implementation of this point would create a permanent accounting record at the point of sale and effectively make misappropriation of cash or checks significantly more difficult compared to current system. Additionally, electronic receipts could be generated.

- A potential alternative would be to consider having clerks working the counter use the I-DOC system at the point of sale to enter cash receipts and generate receipts. This would also create a permanent accounting record at the point of sale. However we not familiar with the security and permissions available with this system.
- Restrict the clerk that enters cash receipts in the accounting / I-DOC system from having custody of customer cash and checks at all points during the receipt process.

Accounts receivables procedures:

Revenue that is billed and then subsequently received is a significant revenue source in the Recorder's Office. The two significant categories of accounts receivable are as follows:

- Subscription services for online records and prints
- Document recording fee revenue primarily from title companies and municipalities

Finding 4:

The County Auditor's Office reviewed the accounts receivable balances as of June 30th, 2018 the associated procedures and noted the following conditions:

- Internal controls associated with the billing and receivable process are poor. The three incompatible core functions of billing, recording and depositing funds are all performed by the same person.
- There is a high volume of accounting activity necessary to track document recording fee revenue receivable. The accounting activity (billings and receipts) is currently being tracked by one individual using an excel schedule.

- The accounts receivable excel document for recording fee revenue indicated a balance due to the County of approximately \$125,000 as of June 30th, 2018. The Recorder's Office was unable to produce a detailed listing of the composition of the entire receivable balance.
- The Recorder's Office bills approximately 60 subscribers monthly for online access to records and prints made. No receivable list is maintained to track billings and receipts for subscriptions.

Recommendation 4:

We have 3 recommendations relating to the accounts receivable process as follows:

- Develop a starting balance for all receivable balances including subscriptions and investigate any old outstanding amounts if they are able to be identified.
- Utilize an appropriate software package to issue and record billings and to track receipts. The countywide Munis accounting software should be considered.
- Segregate the incompatible duties of billing, recording and depositing in the accounts receivable process.

Purchasing card activity and policy adherence:

The County has established a purchasing card program which allows employees to utilize a County issued credit card 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 6-30-18. Our observations are as follows:

- Access to purchasing card use is appropriately limited to the Recorder (\$2,000 limit) and the Deputy Recorder (\$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 only minor deviations consisting of 4 occurrences of a cardholder omitting the required initials on the supporting invoices or receipts.

- All purchases conducted by the Recorder's Office from 1-1-17 through 6-30-18 utilizing the County credit card appear to be for a legitimate business purpose.

Statutory and County Ordinance adherence:

The County Auditor's Office examined any large purchases and contracts that may be subject to the guidelines established in the County Purchasing Ordinance or by Illinois State Statute. We noted one large multi-year contract for imaging, indexing and electronic access to documents that was entered into unilaterally by the current Recorder. The term of this contract also extends past the term of the current Recorder. We consulted with the State's Attorney's Office on two primary questions:

- Does the County Recorder have the authority to unilaterally enter into a contract as described above without County Board approval?
- Does the County Recorder have the authority to unilaterally enter into a contract as described above for a term that extends past the term of the current Recorder?

Finding 5:

Based on input from the State's Attorney's Office and our own research we have concluded that County Recorder does possess the authority to unilaterally enter into a no-bid contract without the approval of the County Board. However this authority does not extend past the term of the current elected office holder.

To remedy this issue, the State's Attorney's office has recently worked with the vendor to prepare a revised contract which limits the duration of the agreement to be within the current Recorder's term.

Recommendation 5:

While State Illinois Statute exempts certain elected county office holders from being subject to the County Purchasing Ordinance approved by the County Board, in many cases we wouldn't recommend it. Our recommendations in regards to large purchases in the Recorder's Office are as follows:

- Work with vendor to revise contract so that the term of the agreement does not extend past the term of the current elected office holder. (completed)
- Submit all contracts to the State's Attorney's Office for review prior to ratification.

- Consider utilizing the Purchasing Office for all major purchases even though not required by Illinois State Statute.
- Consider conforming to the County Purchasing Ordinance for the next renewal of the imaging and indexing contract. This would require an open bid process with approval of the County Board.

Secondary review of 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 statute, County 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 Recorder’s Office 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 Winnebago County Recorder’s Office from 1-1-17 through 6-30-18. Our observations are as follows:

- Invoice approval permissions are as follows:
 - Recorder – Unlimited
 - Deputy Recorder - \$15,000
 - Administrative Assistant -\$15,000
- Invoices are well documented, appropriately authorized by departmental personnel according to the guidelines set by the County Recorder and appear to be for a valid County purpose.
- Revenue received from Fidlar for electronic document searches is being recorded improperly as a reduction to expense.

Finding 6:

As discussed in our cash receipt testing section, the County Recorder is receiving revenue for electronic access to records. Some of this revenue is billed and collected by the Recorder and some is collected by the County’s imaging and indexing vendor (Fidlar) and a portion remitted back to the County in the form of credits. These credits are charged as a reduction of expense by the County. This practice distorts the true nature of the activity between the County and the vendor.

Recommendation 6:

Credits for electronic access revenue from Fidar should be classified as revenue. As noted in finding 2, we believe this revenue should be deposited into a newly created fund called designated as the County Automation Fund.

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 Recorder's Office, the County Auditor's Office generated a report from the Munis accounting software searching for all historical asset purchases in excess of \$500 from October 2011 through May 2018. Our population consisted of 28 computers.

During our unannounced inventory observation the Recorder's Office staff were able to quickly identify all 28 computers for our visual inspection.

Recorder's Automation Fund Expenditures

The Recorder's Automation Fund currently receives \$9.50 for the recording of any real estate related document. The breakout of the \$9.50 fee per document is as follows:

- \$8 - Recorder's Automation
- \$.50 - Recorder's Automation
- 1\$ - Recorder's Geographic Information System

The acceptable uses of these funds are follows:

Recorder's Automation related revenue - (1) for a document storage system to provide the equipment, materials and necessary expenses incurred to help defray the costs of implementing and maintaining such a document records system and (2) for a system to provide electronic access to those records.

Recorder's Geographic Information Systems related revenue - to defray the cost of implementing or maintaining the county's Geographic Information System and to defray the cost of providing electronic access to the county's Geographic Information System records.

The County Auditor's Office reviewed the activity in the Recorder's Automation Fund from 1-1-2017 to 6-30-2018. In our opinion, the expenses paid from the Recorder's Automation were appropriate.

The 2018 budget in the Recorder's Automation Fund includes a \$300,000 transfer to the General Fund. On the surface, a \$300,000 transfer to the General Fund appears to be potentially outside the permissible use of the fund. However, the underlying nature of the transaction is to reimburse the General Fund for permissible expenses originally paid in the General Fund.

The 2019 budget was formulated and approved to only directly charge expenditures to the Recorder's Automation Fund which is appropriate in our opinion.

Rental Housing Fee Fund

As required by statute, the County Recorder collects \$9 surcharge for the recording of any real estate related document. This \$9 surcharge is deposited into the Rental Housing Fee Fund on a daily basis. The Recorder is required to turn over the monthly collections from the \$9 surcharge to the Illinois Department of Revenue by the 15th day of the following month. The County Auditor's Office reviewed the activity in the Rental Housing Fee Fund from 1-1-17 to 6-30-18. During our testing period we noted that the \$9 fee appeared to be properly collected, deposited and turned over to the Illinois Department of Revenue on or prior to the 15th of the following month.

Finding 7:

There is currently a \$50,000 negative fund balance in the Rental Housing Fee. Since this fund is used only to collect a surcharge which is remitted monthly to the Illinois Department of Revenue, the accrual basis fund should generally be zero or close to zero.

Examination of the historical fund activity indicates that in fiscal year 2011 and several years prior, the County budget included an allocation of approximately \$10,000 in Recorder personnel costs. We believe this allocation has resulted in the current negative fund balance of approximately \$50,000.

Recommendation 7:

The aforementioned allocations of \$10,000 had the impact of reducing personnel costs in the General Fund. We recommend a one-time transfer be made from the General Fund to the Rental Housing Fee Fund in the amount of approximately \$50,000 to reverse the impact of the personnel allocations in fiscal years 2011 and prior.

We presented this issue to the Winnebago County Finance Director who initiated a transfer to correct this issue. As indicated in Finding 8, we recommend a housekeeping budget amendment be requested to appropriate funds for this transfer.

Departmental budget adherence

The Winnebago County Board appropriates an annual budget for the Recorder's Office in the General Fund and in the Recorder's Document Storage Fee Fund (Automation Fund). The department has historically demonstrated excellent budget adherence. Historical expenditures as a percentage of appropriations are as follows:

General Fund:

- FY 2015 - 99.1%
- FY 2016 - 99.0%
- FY 2017 - 90.2%

Recorder's Document Storage Fee Fund (Automation Fund):

- FY 2015 - 62.8%
- FY 2016 - 56.2%
- FY 2017 - 85.7%

Finding 8:

Fiscal year 2018 is not closed at the time of the audit report but it appears the Recorder's Office will incur approximately the following budget overages:

- General Fund – Supplies and Services overage by approximately \$2,000 (personnel budget dollars are available to offset overage)
- General Fund – Transfers overage of \$51,600 (to address issue in finding #7 to fund correction of prior year activity in the Rental Housing Fee Fund)
- Recorder's Document Fee Fund (Automation Fund) – Supplies and Services overage of approximately \$70,000 (overage is only due to timing differences between fiscal years of a major multi-year imaging project)

Recommendation 8:

We recommend that County Recorder present a budget amendment to the County Board to address any 2018 budget overages.

Decentralized checking accounts

The County Auditor's Office made inquiries into the departmental use of decentralized accounts outside the County Treasurer. The department currently doesn't maintain any such accounts.

The department formerly maintained a checking account solely for the purpose of paying dues and memberships. Documentation was provided to the County Auditor's Office that indicated that this account had been closed on 3-17-17. Only 2 transactions occurred in the account from 1-1-17 to 3-17-17 which included a payment for a membership and closing out the residual balance. The County Auditor noted that the residual balance in the account was deposited in the County General Fund.

Accounting software 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 many County employees in several departments possessed Munis rights that were significantly in excess of their job requirements. County Administration has since responded by correcting the excessive Munis rights and also implementing a process for granting user rights.

As part of this internal audit, the County Auditor's Office requested the detailed individual user rights directly from the Department of Information Technology for all employees of the County Recorder's Office.

There are currently 4 employees in the Recorder's Office with Munis access. After reviewing the job responsibilities for these 4 employees, we noted that the current Munis access granted appears appropriate.

Miscellaneous – Comment on GIS Fees

In 2004 the County Board approved Ordinance No. 2004-CO-8 establishing a "Geographic information system maintenance fee" of \$9 filing of every instrument, paper, or notice. In Winnebago County this fee is assessed on approximately 40,000 or more documents annually. This fee is collected by the County Recorder and in accordance with State Statute "must be

used solely for the equipment, materials, and necessary expenses incurred in implementing and maintaining a Geographic Information System and in order to defray the cost of providing electronic access to the county's Geographic Information System records.”

It is possible that the current \$9 fee is not recovering all the eligible costs to provide the geographic information system. We noted that several other Counties have increased this fee to as high as two or three times the current fee charged by Winnebago County. We recommend that Winnebago County Administration consider evaluating these fees with an appropriate cost study.



COUNTY OF WINNEBAGO

Office of the County Auditor

County Administration Building
404 Elm Street, Room 201
Rockford, Illinois 61101

WILLIAM D. CROWLEY
County Auditor
Phone (815) 319-4206
bcrowley@wincoil.us

March 12, 2019

To: Nancy McPherson, Winnebago County Recorder
Marilyn Hite Ross, Winnebago County State's Attorney
Frank Haney, Winnebago County Board Chairman
Carla Paschal, Winnebago County Administrator

From: William D. Crowley, Winnebago County Auditor

RE: Winnebago County Recorder Automation Fund Meeting

As a follow up to my letter dated February 7, 2019 (attached) a meeting was hosted by the State's Attorney's Office to discuss the recommendations contained in the letter. The meeting was attended by the County Recorder, State's Attorney, County Board Chairman, County Administrator and the County Auditor.

I believe the following items were unanimously agreed upon by all parties present at our meeting:

- 55 ILCS 5/5-1106.1: mandates that "the fee must be paid to the county treasurer and deposited into a fund designated as the County Automation Fund: except in counties with a population exceeding 3,000,000, the fee shall be paid into a fund designated as the Recorder's Automation Fund." Therefore, certain revenue streams currently being deposited into the Recorder's Automation Fund are more appropriately deposited into a countywide automation fund and the General Fund and that several steps as indicated below are required to comply with the Statute.
- Pursuant to 55 ILCS 5/5-1106.1 a fund designated as the "County Automation Fund" will be created effective April 1, 2019. This fund should be used only for countywide automation projects such as the maintenance and advancement of the countywide IT infrastructure.
- The following activity currently being recorded in the Recorder's Automation Fund will be recorded in the County Automation Fund beginning on April 1, 2019.
 - Subscription revenue relating to the use of the Laredo database with the exception of print revenue
 - Associated expenses of subscription revenue billed to the County as "Laredo Usage" by a Fidar Technologies.
 - 3rd party revenue sharing dollars received by the County Recorder from Fidar Technologies in the form of invoice credits with the exception of print revenue if it can be separately identified by the vendor. As indicated below print revenue should be recorded in the General Fund.
- The following activity currently being recorded in the Recorder's Automation Fund will be recorded in the General Fund beginning on April 1, 2019:

It is our mission to provide high quality services and promote a safe community for all people in Winnebago County.



COUNTY OF WINNEBAGO

Office of the County Auditor

County Administration Building
404 Elm Street, Room 201
Rockford, Illinois 61101

WILLIAM D. CROWLEY
County Auditor
Phone (815) 319-4206
bcrowley@wincoil.us

- Subscription revenue relating to prints
- 3rd party revenue sharing relating to prints
- Any expenditures associated with providing for equipment and supplies for subscriber prints
- The balance in the Recorder's Automation Fund as of September 30, 2018 was \$1,039,360. To correct the retroactive activity between the Recorder's Automation Fund and the County Automation Fund it was agreed to be reasonable to allocate 50% or \$519,680 to each fund.
- The Recorder's Automation Fund will continue to collect \$9.25 per document recording as authorized by Illinois State Statute and Winnebago County Board Ordinance.

Implementation of the above items will require the following actions:

- Preparation and presentation of a budget amendment to be completed by the County Administrator by April 1, 2019.
- Accounting related modifications to be completed by the Finance Director in consultation with the County Recorder and the Deputy County Auditor by April 1, 2019.

Finally, I would like to recognize the County Recorder for her efficient use of the Recorder's Automation Fund in advancing the document recording function in Winnebago County that allows for significant resources to remain available for other projects. Additionally, the County Recorder should be commended for entering into advantageous revenue producing agreements with 3rd parties that can be used to offset some of the cost of maintaining the countywide IT infrastructure.

Please let me know if you have any questions or comments at 815-319-4206 or bcrowley@wincoil.us.



COUNTY OF WINNEBAGO

Office of the County Auditor

County Administration Building
404 Elm Street, Room 201
Rockford, Illinois 61101

WILLIAM D. CROWLEY
County Auditor
Phone (815) 319-4206
bcrowley@wincoil.us

February 7, 2019

To: Marilyn Hite Ross, Winnebago County State's Attorney

From: William D. Crowley, Winnebago County Auditor

RE: Winnebago County Recorder Automation Fund

My office has issued an internal audit of Winnebago County Recorder's Office. In our report dated October 23rd, 2018, we noted that the County Recorder's Office is receiving annual revenue of approximately \$200,000 - \$250,000 from the sale of compiled electronic data and prints. This revenue is currently being deposited into the Recorder's Automation Fund.

55 ILCS 5/5-1106.1 addresses the issue of revenue from the sale of electronic data in bulk or compiled form and states that "the fee must be paid to the county treasurer and deposited into a fund designated as the County Automation Fund; except that in counties with a population exceeding 3,000,000, the fee shall be paid into a fund designated as the Recorder's Automation Fund."

I believe this statutory language indicates that in Winnebago County the proceeds from the sale of electronic data and prints received by the County Recorder should be deposited into a fund titled County Automation. Acceptable uses for this fund would then include countywide automation projects rather than being restricted solely to Recorder's Office automation related expenses which is the case with the Recorder's Automation Fund.

You asked me to provide a series of proposed steps to be considered to address this issue. My recommendations are as follows:

- Create a new accounting fund titled "County Automation Fund".
- Deposit all future proceeds relating to sale of compiled electronic data and prints into the newly created fund. Continue to deposit the appropriate recording fee into the Recorder's Automation Fund.
- Transfer 50% of the September 30th, 2018 fund balance in the Recorder's Automation Fund into the newly created County Automation Fund. The September 30th, 2018 fund balance in the Recorder's Automation Fund was \$1,039,361 and is currently under audit. This transfer will require a budget amendment to be approved by the County Board.
- Administration may choose to specifically identify individual accounting activity to reclass from October 1, 2018 to current but isn't necessarily recommended.

It is our mission to provide high quality services and promote a safe community for all people in Winnebago County.



COUNTY OF WINNEBAGO

Office of the County Auditor

County Administration Building
404 Elm Street, Room 201
Rockford, Illinois 61101

WILLIAM D. CROWLEY
County Auditor
Phone (815) 319-4206
bcrowley@wincoil.us

We are recommending a 50/50 opening fund balance allocation between the Recorder's Automation Fund and the County Automation Fund based on the following:

- The Recorder's Office processes a high volume of revenue transactions therefore making it difficult and time consuming to retroactively investigate all receipt activity and determine the proper fund.
- The projects that have been historically funded from the Recorder's Automation Fund could have hypothetically been funded from either the Recorder's Automation Fund or the County Automation Fund had it existed. Therefore, specific allocation of the historical expenditures between the two funds is impossible.
- Our 50/50 proposed fund balance allocation provides for corrected balances of \$519,680 in each fund. We believe this is a reasonable compromise that allows the Recorder's Office maintain sufficient resources to fund the needs of the office and also provides for substantial resources for the County Board to address countywide automation project needs.

Please let me know if you have any questions or comments at 815-319-4206 or bcrowley@wincoil.us.