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Office of the County Auditor

Shelly A. Banks, C.P.A.

Cook County Auditor

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May 31, 2017

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the inventory managed by Office of the Public Administrator. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

Our objectives for this examination were to determine the adequacy of internal controls over the inventory of non-cash assets from the point they are identified until they are disposed of or liquidated. The scope of our work consisted of gathering, reviewing and testing applicable supporting documentation to reach a conclusion on our objectives.

Please refer to the following audit report for the results of the audit. The audit report contains two (2) recommendations to be implemented by the Office of the Public Administrator with the assistance of the Office of County Auditor. The [Executive Summary](#) provides an overview of the audit with the main recommendation areas.

We express our appreciation for the assistance the Office of the Public Administrator staff extended to our Office during the course of our audit. We have discussed our recommendations with the Office of the Public Administrator staff and would be pleased to assist them with the implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA
Cook County Auditor

cc: David Epstein, Public Administrator



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR
Office of the Public Administrator Inventory Audit

Internal Audit Report

May 2017

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Afaf Qayyum, Field Auditor IV
William Carroll, Audit Supervisor

EXECUTIVE SUMMARY

The function of the Office of the Public Administrator is to protect, probate, and administer the estates of deceased residents of the county that otherwise would remain un-administered due to a lack of available family or a will. Prior to determining if a deceased person has sufficient assets to probate and administer an estate, an investigation into assets of the deceased is conducted.

The Office of the Public Administrator Inventory Audit was designed to determine the adequacy of internal controls over the inventory of non-cash assets from the point they are identified until they are disposed of or liquidated. The scope of our work consisted of gathering, reviewing and testing applicable supporting documentation to reach a conclusion on our objectives.

We presented recommendations to the management of the Office of the Public Administrator (OPA) for which we will assist in developing corrective action plans that will strengthen the internal controls over key processes within the OPA.

Please refer to the [Recommendations](#) Section for more detail regarding recommendations, corrective action plans and estimated completion dates.

BACKGROUND

Pursuant to Section 13-1 of the Illinois Probate Code (755 ILCS 5/13-1), the Public Administrator (PA) for Cook County is a State official who has a fiduciary duty to protect, probate and administer the estates of deceased residents of the county who left no will (and of non-Illinoisans whose estates include assets in the county) that otherwise would remain un-administered due to a lack of available family or designated-by-will executor or administrator.

The OPA collaborates with the County Medical Examiner's Office to arrange for burials. In addition, the OPA protects the estate property from loss or theft, investigates to find assets of the decedent, investigates to find and contact heirs who may be entitled to inherit from the estate, liquidates estate assets as appropriate, pays the debts and taxes of the decedent, and ensures that the appropriate legatees and heirs receive their proper inheritances. When heirs are discovered but cannot be found, their inheritances are deposited with the County Treasurer in their names, and are available for recovery by the heirs within 7 years. Unclaimed inheritances, and estates where there are no heirs or legatees, go to the Cook County Treasury (as an "escheat" under State law).

The assets of the deceased fall into a few categories: cash (checking/savings/retirement accounts), bonds, small valuables (jewelry/coins/stamps/weapons), real estate, goods & chattels, and vehicles. In order to safeguard inventory, the OPA has a vault for small valuables and retains a property manager to monitor real estate and the interior furnished items (classified as goods & chattels). Vehicles are towed and stored with the car auctioning company.

All estates administered by the OPA are supervised by the Circuit Court in the same manner as privately-administered estates and require the service of third-party attorneys, real estate and insurance agents, and property managers.

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of our audit were designed to determine the adequacy of the internal controls over the inventory of non-cash assets from the point they are identified until they are disposed of or liquidated. The objectives included determining if:

- Inventory processes are in accordance with appropriate legislation, policies and procedures.
- Inventory records exist and are accurate and complete.
- Inventory exists and is properly safeguarded.
- Non-cash assets are disposed of or liquidated properly and any proceeds realized are accounted for properly.

RECOMMENDATIONS

Recommendation #1:

There is a lack of segregation of duties within the inventory process. We observed that the same staff member is responsible for storing the inventory items, having the inventory items appraised, receiving the appraisals, receiving the check and documenting the inventory's final sale description.

We recommend that the inventory process be segregated so that the staff member that is responsible for storing the inventory is not also responsible for having the items appraised and receiving the check from the sale of the inventory. Establishing segregation of duties will strengthen the internal controls over the storing and auctioning of the inventory of jewelry, coins and stamps.

Management Response:

The Office of the Public Administrator agrees with this recommendation, and will work with the Auditor to develop controls to better segregate the inventory process.

Estimated Completion Date:

August 31, 2017

Recommendation #2:

Several vendors are used in the process for storing, appraising, securing, maintaining, auctioning, and selling the jewelry, coins, stamps, goods, chattel, vehicles and real estate. The OPA has not established internal controls over the selection of vendors and does not use a competitive bidding process. There are some individual vendor expenses under \$5,000, but the categories of services are over \$5,000. The Cook County Procurement Code (Code) requires a competitive bidding process for procurements greater than \$5,000; however, the Office of the State's Attorney (SAO) issued an opinion regarding OPA's required compliance with the Code. The conclusion of the SAO opinion states: "There is insufficient authority upon which to base a definite conclusion. However, we believe that existing authority best supports the proposition that the Public Administrator is required to comply with the Code only with respect to contracts paid from the County treasury and not those paid from estate assets. While an argument exists that the Public Administrator is subject to the Code with respect to all contracts, we do not believe this argument to be persuasive. Finally, we do not believe that existing authority persuasively supports the proposition that the Public Administrator is not required to comply with the Code under any circumstances."

The Probate Act 755 ILCS 5/13-4 states that the public administrator of the county of which the decedent was a resident, or of the county in which his estate is situated, if the decedent was a nonresident of this State, may take such measures as he deems proper to protect and secure the estate from waste, loss or embezzlement. The OPA earns revenue for the benefit of the County through the award of fees and interest, which are earned as payment for administration of the estates.

With the OPA providing a government service, it is important that the services are provided in a transparent, objective and fair manner to ensure the estate assets are safeguarded and used for the best value of the estate.

We recommend that the OPA establish internal controls that include formal policies and procedures for the selection of vendors in the administration of the estates. Controls should be established to support the vendors selected based on a process that is clearly defined, supported, documented and consistently applied with a review and approval process by management.

Management Response:

The Office of the Public Administrator agrees with the State's Attorney's opinion that the OPA is not required by law to comply with the Cook County Procurement Code with respect to contracts with vendors that are paid from decedents' estate assets. The OPA is appointed by the Circuit Court of Cook County as supervised administrator of decedents' estates pursuant to the Illinois Probate Act. As such, the Illinois Probate Act gives the Public Administrator authority to use estate assets in administering an estate, and the Court approves the use of estate assets to pay vendors performing contracts or services for the benefit of a decedent's estate.

The OPA will confer with the Auditor to develop policies and procedures in its selection of such vendors, but respectfully concurs with the State's Attorney opinion that such contracts are outside the scope of the Cook County Procurement Code.

With respect to contracts the OPA has with vendors that are paid from the OPA's budget directly, the OPA will work with the Auditor to assess our current vendor contracts. As these vendors provide services directly to the OPA and are compensated using the OPA's appropriated funds, the OPA agrees that the Cook County Procurement Code applies and that those relationships should be brought into compliance with it.

Estimated Completion Date:

August 31, 2017