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July 8, 2014

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 Wage Garnishment process. The Wage Garnishment audit was initiated through a request from the Comptroller's Office due to their identified concerns with the garnishment operations. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

The scope and objectives of the Wage Garnishment Audit were to assess the record keeping and internal control procedures for fiscal year ending November 30, 2013.

Please refer to the following audit report for the results of the audit. The audit report contains four (4) audit findings. The [Executive Summary](#) provides an overview of the audit with the main finding areas.

We express our appreciation for the cooperation the Comptroller's Office Wage Garnishment Department extended to Julie Stack during the course of our audit. We have discussed our findings with management and would be pleased to discuss our recommendations in greater detail in order to assist the Comptroller's Office Wage Garnishment Department with their implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA
Cook County Auditor

cc: Lawrence Wilson, Comptroller
John Schick, Deputy Comptroller



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Wage Garnishment

Internal Audit Report

Report Date: July 2014

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Julie Stack, Field Auditor V

EXECUTIVE SUMMARY

The Wage Garnishment audit was initiated through a request from the Comptroller's Office due to their identified concerns with the garnishment operations. The Comptroller's Office had implemented some corrective actions, but requested an overall audit on the garnishment operations to identify any other deficiencies or recommendations for improvements. We examined the accounting records and internal controls of the Cook County Comptroller's Wage Garnishment Department for the period ended November 30, 2013.

Illinois law (735 Illinois Compiled Statutes 5) establishes the amount of wages that a creditor can deduct (garnish) from employee's wages for repayment of debts. A wage garnishment or wage deduction is an order sent to the employer by a court or government agency. A wage deduction order requires the employer to withhold a certain amount of wages from the employee's paycheck and then send this money to the creditor. There are different wage deduction rules that apply to different types of debt and there are laws that limit how much of an employee's paycheck creditors can deduct.

The scope and objectives of the Wage Garnishment Audit were to assess the record keeping and internal control procedures for fiscal year ending November 30, 2013.

We noted the following findings in regards to the internal control structure:

- Wage garnishments were stopped or changed without a supporting court order. The Comptroller's Office does not have strong internal controls in place to ensure that wage garnishments cannot be changed or stopped without the appropriate management approval.
- The garnishment amounts are not reconciled each pay period to ensure that the amounts required to be garnished are actually being garnished each pay period and to account for any changes made to existing garnishments.
- There are no system controls or audit trails in place to prevent unauthorized changes, deletions, or delays with wage garnishments.
- The written policies and procedures for the Garnishment Department are outdated and do not include the necessary controls to ensure compliance.

The findings noted were presented and discussed with Management of the Comptroller's Office. Please refer to the [Findings](#) section for more detail on the findings with the management responses, corrective action plans and estimated completion dates.

BACKGROUND

As a result of a ruling by the Illinois Supreme Court, governmental employees are not exempt from actions in garnishment or under the Wage Deduction Act. The procedures established for the deductions from wages of employees and the payments to creditors of the employees are outlined in the following paragraphs.

When a creditor has gone through the Circuit Court and obtains a wage deduction order against a County employee, the Comptroller will receive a wage deduction summons from the Cook County Sheriff and an affidavit for wage deduction order from the Clerk of the Circuit Court. This means that the debt is merged into a judgment against the employee, and based on this judgment the creditor is given a collection remedy to proceed against the wages of the employee in the hands of his employer. Thus, Cook County as an employer is a mere stakeholder for the benefit of the creditor.

When the Comptroller receives the wage deduction summons, he notifies the employee by letter and attaches a copy of the court order. In this letter, he advises the employee that he is required by law to deduct a portion of his future paychecks.

On or before the court date, the Comptroller's office will file an answer to the court order. The court will then issue an order directing the Comptroller to pay either the employee or the creditor.

If the order instructs the Comptroller to pay the creditor, the Comptroller will retain a fee of \$12.00 or 2% of the amount due the creditor, whichever is greater, over and above the amount withheld from the employee's pay, and remit the balance to the creditor. Wage garnishment will continue until paid in full.

Effective January 1, 1992, maximum wages subject to collection, for any work week shall not exceed the lesser of (1) 15% of the gross disposable earnings for that week or (2) the amount by which disposable earnings for a week exceed 45 times the Federal Minimum Hourly Wage (735 ILCS 5/12-803). Disposable earnings are those that are left after legally required deductions have been subtracted. These garnishment restrictions do not apply to bankruptcy court orders and debts due for federal and state taxes.

Federal and state tax levies and bankruptcy deductions are handled by the Comptroller's office. A 2% processing fee is charged on these deductions.

The court orders for child support deductions state a specific amount to be withheld from each paycheck. A processing fee of \$2.50 is withheld each pay period for a child support deduction, above the amount withheld for the court order.

AUDIT SCOPE AND OBJECTIVES

Our objectives were designed to assess the record keeping and internal control procedures of the Cook County Comptroller Wage Garnishment Department for the fiscal year ended November 30, 2013 in order to reach a conclusion on our audit objectives. Our objectives were the following:

- To determine that there are written policies and procedures in place to establish proper controls and support the wage garnishment process.
- To determine if the wage garnishment process is operating in the most effective and efficient manner.
- To verify there is proper documentation to support the employee's garnished amount.
- To obtain a reasonable assurance that wage garnishments are completed accurately and correct documentation is maintained.
- To determine that controls are in place to prevent unauthorized changes, deletions or delays with wage garnishments.

FINDINGS

Finding #1:

Wage garnishments were stopped or changed without a supporting court order. The Comptroller's Office does not have strong internal controls in place to ensure that wage garnishments cannot be changed or stopped without the appropriate management approval. It was found that staff in the Garnishment Department are able to stop and start garnishments in the payroll system without proper court order documentation. Previous to October 2013, unwritten policy allowed an employee to be able to request that their wage garnishments be temporarily stopped. The Garnishment Department employee would note in the employee's folder "Per Employee's Request" to support the stopped garnishment. The process of stopping wage garnishments without a court order can lead to the County being liable to creditors who are owed payments.

The Comptroller's Office held training with staff to enforce that the stopping of wage garnishments without a court order and management approval is not allowed.

Recommendation

We recommend that in addition to the training held by the Comptroller's Office, the Comptroller's Office improve their internal controls and update their written policies and procedures to provide safeguards so that wage garnishments cannot be stopped or changed without the proper approval and court order documentation.

Additional internal controls to implement would include the following:

- When a garnishment is changed or stopped, the court order should be initialed by the staff person making the change in the system as well as initialed by the wage garnishment supervisor.
- Reconciliations should be performed each pay period to identify any discrepancies with garnishments (see finding #2).
- The procedures should include written consequences if a wage garnishment staff person stops or changes a garnishment without the proper documentation and approval (see finding #4).
- All policies should be reviewed with the staff and signed by the garnishment staff to ensure a clear understanding and enforcement of compliance with the policies (see finding #4).

- It should be explored as to whether additional edits or alerts can be implemented in the new payroll system to prevent unauthorized changes to garnishments (see finding #3).

Management Response

Management agrees with the finding. The Comptroller's Office will continue to conduct periodic training to ensure staff are kept up to date on garnishment matters. The Comptroller's Office did create an internal payroll procedure manual which includes the garnishment process in FY 2013 to address a FY 2012 external audit finding and maintains a comprehensive system user manual for the garnishment staff. Starting in FY 2014, the appropriate staff member signs, dates, and emails all stop orders and releases to the supervisor for review and to ensure they're processed accurately and in a timely manner. The Comptroller's office is updating the garnishment procedures to ensure duties are properly segregated and documented between staff and supervisors, bi-weekly reconciliations and reviews are performed and documented in a timely manner to address any potential issues, and staff disciplinary matters are addressed according to the Bureau of Human resources disciplinary process. In addition, the garnishment procedures and user manual will be submitted to the staff for review and a signed acknowledgment upon approval by the Bureau of Human Resources in conjunction with corresponding collective bargaining agreement. In conjunction with the current payroll upgrade project, the Comptroller's Office is working with the County's ERP and external vendor team to implement software controls to prevent unauthorized changes to garnishments.

Estimated Completion Date

Management estimates to complete the corrective action plan to address this finding by 10/31/14.

Finding #2:

The garnishment amounts are not reconciled each pay period to ensure that the amounts required to be garnished are actually being garnished each pay period and to account for any changes made to existing garnishments. Without a reconciliation, errors or activity could occur in the system and go undetected, i.e. as identified in finding #1. The audit also identified instances where the garnishments were stopped for legitimate reasons, but there was no justification in the garnishment file to support the change.

Recommendation

We recommend that the Comptroller's Office perform a reconciliation each pay period to verify that the wage garnishment amounts are accurate. A database could be maintained on all the garnishments and updated with electronic files from the payroll system. The reconciliation could be performed through receiving an electronic file from payroll each pay period and loading into the database to run against the wage garnishments. The garnished payroll amounts would be compared against the required wage garnishments, and any discrepancies detected would require a justification and support documentation, i.e. court order, LOA, terminated employment, etc.

Management Response

Management agrees with the finding. Starting in FY 2014, the Comptroller's Office garnishment supervisor is performing bi-weekly reconciliations by comparing each transaction contained on the current bi-weekly payroll deduction report to the previous bi-weekly report to ensure that each deduction was made successfully and to address any potential issues with staff or vendors in a timely manner. Upon completion of the bi-weekly reconciliation, the garnishment supervisor signs, dates and maintains reconciliation files for record keeping purposes. In conjunction with the current payroll upgrade project, the Comptroller's Office is planning to work with the County Auditor and the County's ERP and external vendor team to automate the reconciliation process during FY 2014.

Estimated Completion Date

Management estimates to complete the corrective action plan to address this finding by 11/30/14.

Finding #3:

There are no system controls or audit trails in place to prevent unauthorized changes, deletions, or delays with wage garnishments. The FMIS/JD Edwards payroll system does not have the proper controls to ensure that the user making changes is consistently tracked in the system. Ineffective or incomplete system controls can lead to inaccurate information, fraudulent activity and reduced efficiencies.

Recommendation

We recommend with the new payroll system that the Comptroller's Office strengthen system controls to identify which employee made the changes to the garnishment record and to control the changes that can be made by user access rights and edit checks in the system.

Management Response

Management agrees with the finding. In conjunction with the current payroll upgrade project, the Comptroller's Office is working with the County's ERP and external vendor team to ensure the proper setup and maintenance of system internal controls, user system access rights, security access reports and a user historical audit trail in the upgraded payroll system.

Estimated Completion Date

Management estimates to complete this corrective action plan to address this finding by 7/31/14 or upon completion of the payroll upgrade project.

Finding #4:

The written policies and procedures for the Garnishment Department are outdated and do not include the necessary controls to ensure compliance. Outdated policies and procedures can lead to deficiencies in controls, misunderstanding in carrying out job responsibilities and prevent management from having the proper leverage in enforcing the policies and procedures.

Recommendation

We recommend the policies and procedures manual be updated for the Garnishment Department. The policies & procedures manual should include the internal controls detailed in findings #1-3 and should be acknowledged by staff through a signed certification statement. Keeping policies and procedures up to date will establish the internal controls, ensure a clear understanding of the duties and responsibilities and help limit the errors and irregularities that may occur with wage garnishment entries.

Management Response

Management agrees with the finding. The Comptroller's Office did create an internal payroll procedure manual which includes the garnishment process in FY 2013 to address a FY 2012 external audit finding and maintains a comprehensive system user manual for the garnishment staff. Starting in FY 2014, the Comptroller's office is updating the garnishment procedures to ensure internal controls are in place and duties are properly segregated between staff and supervisors. The supervisors are performing bi-weekly reconciliations and reviews in a timely manner to address any potential issues. The garnishment procedures and user manual will be submitted to the staff for review and signed acknowledgment upon approval by the Bureau of Human Resources in conjunction with corresponding collective bargaining agreement. The Comptroller's Office plans to conduct an annual review and update of the garnishment procedures on an on-going basis.

Estimated Completion Date

Management estimates to complete this corrective action plan to address this finding by 10/31/14.