June 19, 2017

Hon. John E. Zaruba, County Sheriff
DuPage County
Wheaton, IL  60187

Dear Sheriff Zaruba,

The Office of the County Auditor has completed an audit of the Extradition Account (Account) maintained by the County Sheriff’s Office. The audit consisted of examining the internal controls, records, receipts and disbursements of the Account for the fiscal year ended November 30, 2015. The results of the audit and responses from the County Sheriff are presented herein.

**Summary of Findings**

- All transactions were examined and found to be consistent with the intent of the Account;
- Reimbursements into the Account were processed on a timely basis;
- The Account may not have been reimbursed for transactions which occurred in prior years;
- The agency fund classification for financial reporting purposes may not be appropriate; and,
- The internal controls related to the Account appear to be adequate.

**Background**

The Extradition Account provides advance travel funds to Sheriff’s Deputies transporting individuals outside of the County who are in the custody of the Sheriff’s Office. The Account was established in 2007 through a $10,000 voucher drawn upon the Sheriff’s budget appropriation. Prior to transporting a prisoner, a deputy assigned to this function will request funds to cover the anticipated travel costs, including fuel for the Sheriff’s vehicle, meals and lodging if applicable. In the cases of long distance travel, airfare and rental car expenses are advanced to the deputy. The funds are provided to the deputy through a check drawn upon a non-interest bearing bank account administered by the Sheriff’s Office.

Upon completing the travel, the deputy returns the unspent funds as well as the travel-related receipts to the Account custodian. The unspent funds are deposited back into the Account, while the expenses are submitted to the County accounts payable division for reimbursement from the Sheriff’s extradition account budget appropriation. The reimbursement check issued by the County Treasurer is subsequently deposited into the Account.

As of the end of fiscal year 2015, the Account had a balance of $6,855 and is maintained at a local bank. During FY 2015, $17,736 in receipts were deposited into the Account and $17,330 was disbursed. The Account is included in the County’s fiscal year 2015 Comprehensive Annual Financial Report (CAFR) as an agency fund.
Audit Objectives

The objectives of the audit were to evaluate the procedures related to the processing of Account receipts and disbursements during fiscal year 2015 in order to determine:

1. That internal controls in place at the Sheriff’s Office were adequate to safeguard the funds in the Account;
2. Receipts into the Account were properly documented, recorded and deposited intact and on a timely basis; and,
3. Disbursements from the Account are appropriate and documented.

Audit Procedures

The audit procedures included reviewing pertinent accounting records, banking transactions and other supporting documentation related to the deposit and disbursement of Account funds by the Sheriff’s Office. Interviews were conducted with the County Sheriff and Sheriff’s Office management staff as deemed necessary in order to obtain an understanding of the procedures and internal controls related to the financial transactions of the Account.

The County Auditor examined all banking records and transactions of the Extradition bank account for fiscal year 2015. There were 25 deposits into the Account and 51 checks issued on the Account during the audit period.

Audit Findings and Recommendations

Internal Controls

The County Auditor obtained an overview of the internal controls relative to the Account. It appeared that the internal controls as described were adequate and operating properly. A review of the job roles and personnel involved in the handling of the Account demonstrated that there is adequate segregation of duties within this function.

Although the general procedures of the cash accounting system within the Sheriff’s Office are documented, there were no written procedures detailing the specific tasks involved in the administration and maintenance of the Extradition Account. It is recommended that a procedures manual be developed for this account.

Response to Auditor

The Sheriff’s Office General Orders provides written guidance as to the internal controls and accounting of all cash transactions within the Office. In response to the County Auditor’s audit, the Sheriff’s Office has prepared additional written procedures specific to the Extradition Account.

Bank Deposits

All 25 deposits, consisting of 30 County Treasurer checks, processed into the Account during fiscal year 2015 were examined. Each deposit represented a reimbursement of prior Account expenditures that were submitted to the County’s accounts payable system. There were no material exceptions noted in the recording and accounting of the deposits.

As previously noted, deposits into the Account consist of two components - the unspent advance travel funds returned by the deputy and the reimbursement of actual expenses paid from the County Sheriff’s budget appropriation.
Audit procedures determined that the average time between the issuance of an Account check to a deputy and the deposit of unspent funds was 10 business days. This is considered timely and acceptable given that the variability of travel and that the Account custodian does not make daily deposits.

Audit procedures were performed to determine that the expense reimbursements submitted to the County were deposited on a timely basis. On average, the reimbursement checks issued by the County Treasurer were deposited into the Account 29 business days after the check issuance date to the deputy. Because the Account functions as an imprest account, the timely processing of the reimbursement checks is necessary to replenish the operating cash. The Sheriff’s Office should be commended on the timely turnaround of these transactions.

**Account Disbursements**

All 51 disbursements made from the Account were examined to ensure that the payments were properly authorized, recorded and documented. All disbursements from the Account were for extradition-related travel with the largest check issued from the Account in the amount of $750. Each disbursement made from the Account was subsequently submitted to the County’s accounts payable system for reimbursement and was recommended for payment by the County Auditor’s Office. All disbursements were found to be properly authorized and accounted for. All checks were signed by authorized individuals and there were no single expense exceeding $5,000 which would have required two signatures.

**Bank Reconciliations**

Audit procedures were performed to review the bank statements, check registers and any other bank account documentation to determine that the proper controls are in place relative to the accuracy, performance and timely review of the bank reconciliations. It appeared that the bank reconciliations were properly prepared on a timely basis and reviewed by Sheriff’s Office command staff. The examination of the bank information indicated that there were no unusual transactions affecting the Account.

**Fund Classification**

The County’s fiscal year 2015 Comprehensive Annual Financial Report (CAFR) classifies the Account as an agency fund. As defined, an agency fund accounts for situations when the government receives and disburses resources in an agency capacity; i.e. held for a third-party. Because the assets of an agency fund are associated with a third-party obligation, the assets equal the liabilities and there is no equity. Accordingly, receipts and expenditures within the Account are not classified as such, rather they are considered additions and deductions.

It is the opinion of the County Auditor that because the Account was originally funded through an appropriation from the County Sheriff’s budget in the General Fund, the funds are not being held in an agency or fiduciary capacity. Although the funds in the Account are not maintained by the County Treasurer, the funds would be returned to the General Fund if the Account were to be closed. It is recommended that consideration be given to determining whether the current Account designation as an agency fund for financial reporting purposes is appropriate.

**Response to Auditor**

*The Sheriff’s Office expects the County’s Finance Department and external financial auditors to examine the classification and designation of the Extradition Account for external financial reporting purposes.*

**Imprest Fund Accounting**

The Account functions as an imprest fund account. The accounting records are maintained by the Account custodian using the QuickBooks accounting software. Accounting for imprest funds generally
requires setting a nominal balance and reconciling the transactions to that balance. In this situation, the nominal balance of the Extradition Account should be $10,000. It is suggested that the Sheriff set the nominal balance of the Account at $10,000 and use the available capability within QuickBooks to balance to that amount. This process would allow the Sheriff’s Office custodian to be able to determine the exact amount of outstanding/unreimbursed items as well as highlighting any discrepancies in the processing of the transactions. If desired, the County Auditor’s Office can assist the Sheriff’s Office in setting up this system.

As previously noted, the Account was established in 2007 with a $10,000 check drawn on the County Sheriff’s budget appropriation. The ending balance of the Account at November 30, 2007 was $4,501 and has generally ranged between $5,000 and $6,000 since that time. The difference between the initial funding and the subsequent balances has not been determined and is outside of the scope of this audit. It is possible that expenses were incurred by the Account in prior years that were not submitted for reimbursement. The County Auditor will be performing a follow-up audit in conjunction with the Sheriff’s Office to determine the nature of the difference.

Response to Auditor
The Sheriff’s Office reviewed Extradition Account transactions processed over several years and was unable to determine the nature of the discrepancy. It is likely that personnel previously assigned to the Account’s administration did not request a reimbursement of expenses from the Sheriff’s budget appropriation. The Sheriff concurs with the County Auditor’s recommendation and has processed a voucher from the Sheriff’s extradition travel budget appropriation in the amount of $2,064.11 to bring the Account up to the $10,000 nominal balance.

Summary of Recommendations

- A procedures manual should be prepared that provides detailed instructions on the specific tasks involved in the administration and maintenance of the Account. As noted above, the County Sheriff has prepared detailed procedures specific to the Extradition Account.

- Consideration should be given by the Finance Department to reclassifying the Account’s current designation as an agency fund for external financial reporting.

- The nominal balance of the Account should be set at $10,000 and that QuickBooks accounting software be utilized to balance the Account to that amount. As noted, the County Sheriff initiated a voucher from the Sheriff’s FY17 extradition travel budget line item to bring the nominal balance of the Extradition Account to the $10,000 balance.

I want to express my sincere appreciation for the generous assistance provided by your Office and your staff. If you have any questions, please contact me.

Sincerely,

OFFICE OF THE COUNTY AUDITOR

Bob Grogan, CPA, CFE
County Auditor
### OFFICE OF THE COUNTY AUDITOR

#### COUNTY SHERIFF CASH ACCOUNT AUDIT - EXTRADITION ACCOUNT

#### CASH BALANCE - REVENUES AND EXPENDITURES - FISCAL YEAR 2015

<table>
<thead>
<tr>
<th>ACCOUNT NUMBER</th>
<th>DECEMBER</th>
<th>JANUARY</th>
<th>FEBRUARY</th>
<th>MARCH</th>
<th>APRIL</th>
<th>MAY</th>
<th>JUNE</th>
<th>JULY</th>
<th>AUGUST</th>
<th>SEPTEMBER</th>
<th>OCTOBER</th>
<th>NOVEMBER</th>
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<tr>
<td>BEGINNING BALANCE</td>
<td>$6,448.04</td>
<td>$6,288.60</td>
<td>$5,670.75</td>
<td>$6,277.36</td>
<td>$7,231.44</td>
<td>$4,651.97</td>
<td>$5,986.85</td>
<td>$6,572.86</td>
<td>$7,258.39</td>
<td>$5,982.05</td>
<td>$6,599.01</td>
<td>$6,981.85</td>
<td>$6,448.04</td>
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<tr>
<td>TOTAL REVENUE</td>
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<td>$1,632.15</td>
<td>$2,216.61</td>
<td>$1,954.08</td>
<td>$120.53</td>
<td>$1,534.88</td>
<td>$2,486.01</td>
<td>$1,485.53</td>
<td>$657.36</td>
<td>$1,816.96</td>
<td>$2,032.84</td>
<td>$358.92</td>
<td>$17,736.43</td>
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<td>TOTAL EXPENDITURES</td>
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<td>$2,250.00</td>
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<td>$1,000.00</td>
<td>$2,700.00</td>
<td>$200.00</td>
<td>$1,900.00</td>
<td>$1,000.00</td>
<td>$1,933.70</td>
<td>$1,200.00</td>
<td>$1,650.00</td>
<td>$486.25</td>
<td>$17,329.95</td>
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<tr>
<td>ENDING BALANCE</td>
<td>$6,288.60</td>
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<td>$6,981.85</td>
<td>$6,854.52</td>
<td>$6,854.52</td>
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### REVENUE

| RETURN OF UNEXPENDED EXTRADITION ADVANCE | $1,088.85 | $545.00 | $1,364.56 | $295.69 | $120.53 | $830.57 | $657.11 | $378.95 | $180.00 | $784.81 | $695.95 | $45.60 | $6,987.62 |
| REIMBURSEMENT OF EXTRADITION EXPENSES | $151.71 | $1,087.15 | $852.05 | $1,658.39 | $- | $704.31 | $1,828.90 | $1,306.58 | $477.36 | $1,032.15 | $1,316.89 | $313.32 | $10,748.81 |
| TOTAL | $1,240.56 | $1,632.15 | $2,216.61 | $1,954.08 | $120.53 | $1,534.88 | $2,486.01 | $1,485.53 | $657.36 | $1,816.96 | $2,032.84 | $358.92 | $17,736.43 |

### EXPENSES

| EXTRADITION EXPENSES | $1,400.00 | $2,250.00 | $1,610.00 | $1,000.00 | $2,700.00 | $200.00 | $1,900.00 | $1,000.00 | $1,933.70 | $1,200.00 | $1,650.00 | $486.25 | $17,329.95 |
| TOTAL | $1,400.00 | $2,250.00 | $1,610.00 | $1,000.00 | $2,700.00 | $200.00 | $1,900.00 | $1,000.00 | $1,933.70 | $1,200.00 | $1,650.00 | $486.25 | $17,329.95 |