To: Dr. Barbara Hanek, DVM, Animal Care and Control Administrator  
Laura Flammion, Operations Manager

From: Bob Grogan, CPA, CFE  
County Auditor

Subject: Animal Care Bank Reconciliation and Deposit Verification – December 2017  
#18-04

Date: February 8, 2018

The Office of the County Auditor has completed an audit of the Animal Control deposit procedures and credit card bank accounts. Audit procedures were performed to review the internal controls and assess the timeliness of the deposits and the accuracy of the credit card bank reconciliations performed by Animal Control for the month of December 2017.

Results

- Credit card receipts of $35,542.86 collected in November 2017 were deposited with the County Treasurer in December 2017.
- The transfer of credit card receipts to the County Treasurer for the month of November was reduced by the $1,000 balance maintained at Illinois National Bank.
- It is recommended that a journal entry be made to establish the Illinois National Bank account in the Lawson ERP general ledger;
- It was noted that cash and checks received at the Animal Shelter were deposited with the County Treasurer on a timely basis; and,
- There were internal control weaknesses identified in the cash handling process.

Objective

The County Auditor will perform a series of audit procedures designed to evaluate the internal controls over certain bank accounts outside the control of the County Treasurer. A review was performed to determine if the reconciliations of the Animal Control credit card accounts were timely and accurately performed. Additional procedures were performed to assess the timeliness of deposits of funds from cash transactions with the Treasurer.

Background / Audit Scope

The DuPage County Animal Care and Control Department (Animal Control) accepts cash, checks and credit cards as forms of payment for the various fees and services provided.
The funds generated from these fees and services are deposited with the County Treasurer and credited to the Animal Control special revenue fund. The cash and checks are retained in a secure location at the Animal Shelter pending transport to the Treasurer’s Office.

The credit card payments are processed through the Global Payments service bureau and deposited into a non-interest-bearing clearing account at the Illinois National Bank (INB). The INB account maintains a $1,000 balance and was initially established with funds withheld from credit card receipts. The credit card processing fees are deducted from the INB account and paid to Global Payments each month. On a daily basis, credit card receipts are swept from the INB account to an interest-bearing account at the Illinois Funds – which is a local government investment pool administered by the Illinois State Treasurer. The credit card receipts remain on deposit with the Illinois Funds until an authorization to transfer funds to the County Treasurer is initiated by Animal Control. As of December 31, 2017, the balance on hand with The Illinois Funds was $7,442.

This limited scope internal audit was designed to test if the bank reconciliations of the INB account and the Illinois Funds account were performed on a timely basis and reviewed by an individual independent of deposit and disbursement activities. The procedures included verifying that the transactions affecting the bank accounts were appropriate and the transfer of funds to the County Treasurer were made on a timely basis. The Auditor also reviewed the cash/check transactions processed by Animal Control to determine that they were deposited with the County Treasurer on a timely basis.

**Audit Findings**

**Timeliness of Cash Deposits**
During the audit period, it was noted that deposits of cash and checks with the County Treasurer were more timely than in previous months. No receipts were deposited more than three business days after receipt.

It is recommended that every effort be made to process deposits of cash and checks daily. In order to maintain proper segregation of duties, the deposit should be performed by someone other than the person preparing the deposit records.

**Transfer of November 2017 Credit Card Receipts**
Animal Control maintains an account at Illinois National Bank (INB) with a $1,000 balance into which credit card receipts are temporarily deposited before being transferred to the Illinois Funds account. This transfer occurs daily without intervention from Animal Control. The $1,000 balance in the INB account originated from credit card receipts withheld from the initial transfer transaction.

As recommended in the December 12, 2017 memo concerning the audit of the November Bank Reconciliation and Deposits, $35,542.86, representing November 2017 collections, was transferred from the Illinois Funds account to the County Treasurer. This amount is $1,000 less than the actual November credit card receipts (net of interest income and service charges).
It is recommended that the Finance Department create a journal entry for fiscal 2017 to establish the $1,000 INB bank account on the general ledger, recognizing the source of the funds as Registration Fee revenue. Review of the balances sheet and journal entries indicate this entry has not yet been posted.

**Error in Recording Deposits**

Animal Control maintains a Revenue Log spreadsheet which summarizes each day’s receipts by revenue type and by payment type. The Revenue Log is used in audit procedures to agree the transaction detail to the deposits recorded in the general ledger. It was noted that for the amount deposited on December 5, the Revenue Log was $200 less than the general ledger cash deposit. This amount represents $200 cash received for Pet Population Fund on December 1, 2017. It is recommended that the Revenue Log be corrected and that the spreadsheet be modified with a formula to ensure that the total on the deposit slip equals the sum of the components entered in the Revenue Log.

**Timeliness of Credit Card Deposits**

Audit procedures were performed to review the timeliness of transferring the credit card receipts from The Illinois Funds account to the County Treasurer. This transfer is initiated by the Animal Control staff member responsible for maintaining the accounting records. The November credit card receipts were transferred to the County Treasurer on December 18, 2017. Animal Control management and staff are to be commended for prioritizing the timely reconciliation and transfer of these funds.

**Reconciliation of Credit Card Accounts**

For the previous several months, bank reconciliations have been prepared monthly, consistent with previous audit recommendations.

An internal control weakness was noted in that the reconciliations of the credit card accounts are made by the same staff member who initiates the transfer of the funds from The Illinois Funds account to the Treasurer. To ensure proper segregation of duties, it is recommended that a different staff member has the responsibility for initiating the transfers.

**Audit Recommendations**

- It is recommended that cash and checks be deposited with the County Treasurer daily. The deposit should be performed by a staff member not involved with preparing the deposit records;

- It is recommended that the $1,000 INB bank account be established on the general ledger.

- It is recommended that credit card receipts on account at The Illinois Funds be deposited by the end of the first week in the month following the activity;

- The bank accounts should be reconciled by a staff member not involved in the recording of transactions; and,
• The bank transfer from the Illinois Funds to the County Treasurer should be performed by a supervisory staff member not involved with the bank reconciliation process.

If you have any questions, please contact me.

cc: Brian Krajewski, Chairman, Animal Care and Control Committee
    Tom Cuculich, County Administrator
    Paul Rafac, CFO