



OFFICE OF THE COUNTY AUDITOR

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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 Investigative 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, 2017. The results of the audit are presented herein.

Results

- All transactions were examined and were found to be consistent with the intent of the Account; and,
- The internal controls related to the Account appear to be adequate.

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. The objectives of the audit were to evaluate the procedures related to the processing of Account receipts and disbursements during fiscal year 2017 in order to determine if internal controls in place at the Sheriff's Office were adequate to safeguard the funds in the Account, that receipts were properly documented, recorded and deposited intact and in a timely manner, and that disbursements were appropriate and documented.

Background / Audit Scope

The Investigative Account (Account) was established to account for transactions related to DuPage County Sheriff's Office non-drug related investigations, education, and enforcement. Grant reimbursements and the County's share of seized funds distributed according to state and federal guidelines are deposited into the Account. Disbursements are made to support non-drug undercover operations and investigative activities.

During Fiscal 2017, as a result of procedures performed by the US Department of the Treasury, \$122,367, representing US Treasury Equitable Sharing funds which had been deposited into the Account during Fiscal 2017, were transferred to a new bank account

established and administered by the Sheriff's Office. Beginning in September, 2017, US Treasury funds received for both narcotic and non-narcotic cases have been maintained in the Federal Law Enforcement Treasury Account (Treasury Account).

As of the end of fiscal year 2017, the Account had a balance of \$66,633 maintained in a non-interest bearing demand deposit account. During FY 2017, \$185,666 in receipts was deposited into the Account and \$183,353 was disbursed. The Account is included in the County's Comprehensive Annual Financial Report (CAFR) as an agency fund.

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 Investigative bank account for fiscal year 2017. Procedures included verifying that deposits were made in a timely manner, and that reconciliations were performed and independently reviewed in a timely manner.

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 bank statements noted that the reconciliations were performed on a timely basis and reviewed by Sheriff's Office supervisory staff.

Bank Deposits

All deposits processed into the Account during fiscal year 2017 were examined. The deposits were made by a Sheriff's Office Deputy who is not involved in the accounting or collection of the funds. All deposits were consistent with the nature of the account and had sufficient supporting documentation.

General Ledger

During 2017, some general ledger activity of the Account was incorrectly posted by the Finance Department to the "Demand Deposit - CCC Agency" general ledger account (8500-4890-10002-0000), while the beginning balance is in the "Cash - Other Agency Funds" general ledger account (8500-4890-10000-0002). This discrepancy was adjusted in April 2018.

Account Disbursements

All 45 disbursements made from the Account were examined. The 43 checks issued were properly documented and were consistent with the nature of the Account. The checks were signed by an authorized individual and disbursements exceeding \$5,000 had the required two signatures.

The 2 transfers from the account were made to establish new bank accounts under the Sheriff's control to segregate funds received from the US Treasury Department and the US Justice Department, respectively. These transfers appear proper, and documentation was provided to support the amount transferred to the Sheriff's Treasury Account. It is

recommended that when transfers or other unusual transactions occur that they be documented in the files with a memo signed by an authorized signer.

Fund Classification

The County's 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. In this case, the agency fund classification for financial reporting purposes may not be appropriate. Although the funds are held and administered outside of the County Treasurer's Office, the funds are not being held in a fiduciary capacity for a third party rather the County Sheriff has use of the funds for prescribed undercover, investigative, and educational activities. The nature of the Account may be better described as a special revenue fund. It is recommended that the County's Finance Department re-examine how the Account is classified for purposes of the external financial reporting.

Summary of Recommendations

- It is recommended that when transfers or other unusual transactions occur, a memo with supporting documentation is signed by an authorized signatory and maintained in the files.
- It is recommended that consideration be given by the Finance Department to determining whether the current Account designation as an agency fund for financial reporting purposes is appropriate.

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

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cc: Grant Eckhoff, Chairman, Judicial and Public Safety Committee
Tom Cuculich, County Administrator
Paul Rafac, Chief Financial Officer