



OFFICE OF THE COUNTY AUDITOR

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October 11, 2018

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 Arson Task Force 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;
- Disbursements from the Account were properly documented; and,
- The Task Force didn't comply with its guidelines concerning deposits into the account.

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 Fire Arson Task Force is a multi-agency group consisting of police and fire personnel from agencies throughout the County who investigate suspicious fires. The Arson Task Force bank account (Account) was established by the County Sheriff's Office to facilitate transactions related to this group.

As of the end of fiscal year 2017, the Account had a balance of \$6,129 and is maintained in a non-interest bearing demand deposit account at a local bank. During FY 2017, \$965 in

receipts was deposited into the Account and \$639 was disbursed. The Account is included in the County's Comprehensive Annual Financial Report (CAFR) as an agency fund.

The receipts into the Account during FY2017 consisted of fees from participants to attend an annual banquet. The sole disbursement from the Account was to host the annual banquet.

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

There were 3 deposits into the Account and 1 check drawn on the Account during the audit period.

It should be noted that while the Account is administered by the Sheriff's Office, the day-to-day operation is currently overseen by a municipal member of the Task Force. The procedures described relate to the Sheriff's Office during the audit period.

Audit Findings and Recommendations

Internal Controls

The County Auditor obtained an overview of the internal controls relative to the Account. During the audit of the Account's activity for FY2015, it was recommended that the Arson Task Force use a 3-part receipt form to document the receipt of donations, fees, and clothing purchases with one copy provided to the member or donor, one copy provided with deposit documentation, and the third copy retained with Arson Task Force financial records. Sheriff's Office personnel indicated that a receipt book had been obtained and provided to the Commander of the Task Force, however the receipts were not utilized during FY2017.

Additionally, it was recommended that the Arson Task Force formalize in writing its financial policies and procedures. A procedures manual specific to the Task Force was completed and presented to the Arson Task Force Board. These recommendations, including the use of the multi-part receipt form, were included in the Task Force's Standard Operating Procedures, revised February 15, 2017. It appears the guidelines related to the use of receipt forms were not followed.

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 3 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; however,

internal controls could be improved by providing a copy of the receipts for collected fees with the funds for deposit.

Account Disbursements

The one disbursement made from the Account was examined. The disbursement was properly documented and was consistent with the nature of the Account. The check was signed by authorized individuals and there were no single disbursement exceeding \$5,000 that would have required two signatures.

As with the other accounts maintained by the County Sheriff's Office utilizing the QuickBooks accounting software, each transaction referenced the County's general ledger account number in order to facilitate and standardize the reporting of Account activity.

General Ledger

The fiscal 2017 receipt and disbursement activity of the Account was erroneously posted by the Finance Department to the "Demand Deposit - CCC Agency" general ledger account (8500-4810-10002-0000). The Account's cash balance is posted to the "Cash – Other Agency Funds" (8500-4810-10000-0002). This error was corrected through a journal entry in April 2018 so that all activity appears in general ledger account 8500-4810-10000-0002.

It was noted that the financial activity of the Account was aggregated for the year and posted to the general ledger by the Finance Department at year-end. In the previous audit of the Account, the County Auditor recommended that the Finance Department post the Account's activity to the general ledger on a more frequent basis, rather than aggregating the activity at year-end. This recommendation is repeated.

Fund Classification

The County's Comprehensive Annual Financial Report (CAFR) classifies the Account as an agency fund. As defined, an agency fund is used for situations when the government receives and disburses resources in an agency capacity; i.e., held for a third-party. In this case, the Account is properly classified as an agency fund as the funds are held by the County Sheriff for the Arson Task Force.

Summary of Recommendations

- The County Auditor's previous recommendation for the Finance Department to post the financial activity of the Account to the general ledger on a more frequent basis is repeated.
- The County Auditor's previous recommendation to utilize pre-numbered receipts to document the collection of funds by the Task Force operational administrator is repeated.

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

A handwritten signature in cursive script that reads "Bob Grogan".

Bob Grogan, CPA, CFE
County Auditor

#18-25
Attachment

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

OFFICE OF THE COUNTY AUDITOR
 COUNTY SHERIFF CASH ACCOUNT AUDIT - ARSON TASK FORCE
 FISCAL YEAR 2017

	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	TOTAL
BEGINNING BALANCE	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 6,109.27	\$ 5,803.56
TOTAL REVENUE	-	-	-	-	-	-	-	-	-	-	945.00	20.00	965.00
TOTAL EXPENDITURES	-	-	-	-	-	-	-	-	-	-	639.29	-	639.29
ENDING BALANCE	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 5,803.56	\$ 6,109.27	\$ 6,129.27	\$ 6,129.27

REVENUE

46000 - Miscellaneous Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 945.00	\$ 20.00	\$ 965.00
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 945.00	\$ 20.00	\$ 965.00

EXPENSES

52210 - Food and Beverage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639.29	\$ -	\$ 639.29
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639.29	\$ -	\$ 639.29