



# OFFICE OF THE COUNTY AUDITOR

**Bob Grogan, CPA, CFE**  
*DuPage 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 State Drug Traffic Prevention 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**

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- All transactions were examined and were found to be consistent with the intent of the Account;
- Significant disbursements from the Account were properly documented; and,
- The agency fund classification for financial reporting purposes may not be appropriate.

## **Objective**

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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**

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The State Drug Traffic Prevention Account (Account) was established to account for transactions relating to DuPage County Sheriff's Office drug-related investigations, education and enforcement. The County's share of funds seized during local, state, or federal drug-related investigations are distributed by state and federal agencies and deposited into the Account. Disbursements are made to support undercover operations and drug enforcement activities enforcement expenditures in coordination with state agencies.

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 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.

As of the end of fiscal year 2017, the Account had a balance of \$50,052 and is maintained in a non-interest bearing demand deposit account at a local bank. During FY 2017, \$20,408 in receipts were deposited into the Account and \$2,000 were disbursed. There were 6 deposits into the Account and 1 check drawn on the Account during the audit period.

The Account is included in the County's Comprehensive Annual Financial Report (CAFR) as an agency fund.

### **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.

The accounting staff uses QuickBooks software to maintain the accounting records and assigns the County's general ledger account codes when recording the Account's transactions. It was noted that in two instances the revenue and expenses codes assigned to the transactions in QuickBooks were incorrect, these are detailed below.

#### **Bank Deposits**

The 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. Within the QuickBooks software, one deposit of state forfeited funds was incorrectly coded to the miscellaneous income account instead of the state portion fund seizure account.

#### **Account Disbursements**

During the year, one disbursement of \$2,000 was made from the Account. The disbursement was properly documented and consistent with the nature of the Account. The check was signed by an authorized individual and there were no disbursements exceeding \$5,000 that would have required two signatures. The disbursement was coded to the QuickBooks operating supplies account; a more appropriate account is the other professional services account.

#### **General Ledger**

A review of the general ledger transaction activity identified Account transactions that were incorrectly posted by the Finance Department to the "Demand Deposit - CCC Agency" account (8500-4851-10002-0000), while the beginning balance is in the "Cash - Other Agency

Funds" account (8500-4851-10000-0002). This error was corrected in April 2018 to remove the activity within the 8500-4851-10002-0000 account.

### **Fund Classification**

As noted in a previous audit of the Account, 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 drug enforcement and education activities. The nature of the Account may be better described as a special revenue fund. It is recommended that the County's Finance Department examine how the Account is classified for purposes of the external financial reporting.

### **Summary of Recommendations**

- It is recommended that the Sheriff's Office discuss with the Finance Department about reclassifying the Account as a special revenue account in the County's Comprehensive Annual Financial Report.

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,



Bob Grogan, CPA, CFE  
County Auditor

#18-26

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 - STATE DRUG TRAFFIC PREVENTION ACCOUNT  
 FISCAL YEAR 2017

	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	TOTAL
BEGINNING BALANCE	\$ 31,643.59	\$ 31,643.59	\$ 31,643.59	\$ 38,643.59	\$ 38,643.59	\$ 41,495.79	\$ 45,995.79	\$ 45,995.79	\$ 45,995.79	\$ 43,995.79	\$ 43,995.79	\$ 49,804.37	\$ 31,643.59
TOTAL REVENUE	-	-	7,000.00	-	2,852.20	4,500.00	-	-	-	-	5,808.58	247.64	20,408.42
TOTAL EXPENDITURES	-	-	-	-	-	-	-	-	2,000.00	-	-	-	2,000.00
ENDING BALANCE	\$ 31,643.59	\$ 31,643.59	\$ 38,643.59	\$ 38,643.59	\$ 41,495.79	\$ 45,995.79	\$ 45,995.79	\$ 45,995.79	\$ 43,995.79	\$ 43,995.79	\$ 49,804.37	\$ 50,052.01	\$ 50,052.01

REVENUE

46000- Miscellaneous Income	\$ -	\$ -	\$ 7,000.00	\$ -	\$ -	\$ 4,500.00	\$ -	\$ -	\$ -	\$ -	\$ 5,000.00	\$ 247.64	\$ 16,747.64
41404 - State portion Fund Seizure	-	-	-	-	2,852.20	-	-	-	-	-	808.58	-	3,660.78
TOTAL	\$ -	\$ -	\$ 7,000.00	\$ -	\$ 2,852.20	\$ 4,500.00	\$ -	\$ -	\$ -	\$ -	\$ 5,808.58	\$ 247.64	\$ 20,408.42

EXPENSES

52200 - Operating Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000.00	\$ -	\$ -	\$ -	\$ 2,000.00
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000.00	\$ -	\$ -	\$ -	\$ 2,000.00