



OFFICE OF THE COUNTY AUDITOR

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To: Robert Berlin, DuPage County State's Attorney

From: Bob Grogan, CPA, CFE *BG*
County Auditor

Subject: State's Attorney's Drug Forfeiture Bank Account
#18-59

Date: November 14, 2018

The Office of the County Auditor has completed a limited scope audit of the DuPage County State's Attorney's Office (SAO) State Drug Forfeiture bank account (bank account) held in the custody of the County Treasurer's Office. Audit procedures were performed to review the recording of the transactions in the County's general ledger system from fiscal years 2014 through 2017.

Results

- The bank account balance is approximately \$313,700 too high because cash representing grant matching funds was never moved from the SAO bank account to the appropriate grant fund bank account;
- Equitable Sharing Funds from the U.S. Department of the Treasury and the U.S. Department of Justice are co-mingled in the bank account with the State drug forfeiture funds contrary to federal program guidance; and,
- The general ledger posting for several State's Attorney's accounts is inaccurate.

Objective

The County Auditor was contacted by the State's Attorney's Office to investigate an apparent discrepancy between the cash balance in the bank account as shown on the bank statement and the balance reflected in the internal records maintained by the State's Attorney's Office.

Background / Audit Scope

The DuPage County State's Attorney's Office (SAO) receives funds from the State of Illinois for participation in narcotic and money laundering cases as well as the U.S. Department of Treasury and the U.S. Department of Justice for participation in various

federal law enforcement cases. The custodial maintenance of these funds and the use of the money is prescribed by Illinois statute and federal guidelines. In accordance with the statutes, the County Treasurer established a non-interest bearing checking account at a local bank for the administration, deposit, and disbursement of the State funds. Over time, funds received from the federal government have also been maintained in this account. The cash balance of the bank account is approximately \$1.1 million.

In the County's general ledger, the activities are recorded in the following accounting units:

<u>Company</u>	<u>Accounting Unit</u>	<u>Description</u>
1400	6530	State Money Laundering 1424
1400	6540	Federal Forfeiture 1417
1400	6550	State Drug Forfeiture 1418
1400	9151	State Money Laundering 1424 – Balance Sheet
1400	9152	Federal Forfeiture 1417 – Balance Sheet
1400	9153	State Drug Forfeiture 1418 – Balance Sheet

The SAO also maintains a separate internal accounting record of the activity for each funding source and compares the transactions and balances to the general ledger on a regular basis.

During this reconciliation process, the SAO noted differences between the amount shown in one of the general ledger balance sheet cash accounts (1400-9153-10000-3953) corresponding to the bank account. The SAO obtained a copy of the relevant bank account statement which showed a significant discrepancy between the SAO's accounting records and the bank statement balance.

According to the SAO's internal accounting records, the bank statement cash balance was \$313,767.00 higher than the combined total of the three funding sources. The SAO contacted the County Auditor's Office to research this difference.

This limited scope internal audit was designed to compare the activity in the Office's internal records to those in the ERP system to identify the discrepancy. The limited scope audit was not intended to address internal controls or the propriety of expenditures of funds, and therefore provides no assurance to individual transactions.

Audit Findings and Recommendations

Bank Account Overstated by \$313,627

The majority of the discrepancy between the SAO's accounting records and the bank account balance of \$313,627 was identified by the SAO as matching funds requested by the SAO to be transferred from the State Drug Forfeiture account to grant funds.

FY2014	\$ 70,321
FY2015	74,567
FY2016	82,077
FY2017	<u>86,662</u>
Total	\$313,627

Although the transactions were posted to the general ledger by the Finance Department, the actual cash transfers from the DuPage County State's Attorney's State Drug Forfeiture bank account (general ledger cash code 3953) to the grant fund bank account never occurred. As a result, the cash in the SAO bank account is overstated and the cash in the bank account containing the grant funds is understated by the amount of the matching funds.

It is recommended that \$313,627 representing the **cash** requested by the SAO as matching funds from 2014 through 2017 be transferred from the State's Attorney's Office bank account (cash code 3953) to the County Treasurer bank account affiliated with the grant account.

General Ledger Posting

The matching fund amounts were posted to the general ledger by the Finance Department each year as a credit (decrease) to the generic State Drug Forfeiture Demand Deposit cash account (1400-6550-10000-0000) and as a debit to the respective Grant Fund cash account. The generic cash account currently has a credit (negative) balance of \$1,019,484. According to the general ledger, the balance in the SAO cash account corresponding to the actual bank account (1400-6550-10000-3953) is approximately \$1,119,485. Because the general ledger transactions were not posted to the cash account associated with the bank account (account 10000-3953 rather than 10000-0000), the County Treasurer was able to reconcile the general ledger cash balance to the amount shown on the bank statements.

In addition to the cash transfer noted above, it is recommended that the Finance Department adjust the general ledger records to eliminate the negative balance in the generic demand deposit account (1400-6550-10000-0000) account so that the cash balance in the accounting unit is represented by the account associated with the bank account (1440-6550-10000-3953).

Compliance with Federal Guidelines

The State's Attorney's bank account contains funds received from the State as well as the U.S. Department of Treasury and the U.S. Department of Justice. Requirements for the Equitable Sharing programs of the Department of Justice states, "The state or local participating law enforcement agency must. . . not co-mingle Department of Justice equitable sharing funds with funds from any other source. Corrective measures must be taken if this occurs." (*Department of Justice Guide to Equitable Sharing for State and Local Law Enforcement Agencies*). Guidance from the Department of the Treasury is similar. It is recommended that separate bank accounts be established by the County Treasurer for the funds from both the Department of the Treasury and the Department of Justice. The current balances of the funds from these sources should be identified and transferred into the newly established accounts.

If you have any questions, please contact me.

cc: Gwen Henry, County Treasurer
Paul Rafac, Chief Financial Officer