



# OFFICE OF THE COUNTY AUDITOR

**Bob Grogan, CPA, CFE**  
*DuPage County Auditor*

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January 30, 2019

Hon. James Mendrick, County Sheriff  
DuPage County  
Wheaton, IL 60187

Dear Sheriff Mendrick:

The Office of the County Auditor has completed an internal 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, 2018. 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;
- Payments were made to individuals without proper IRS reporting; and,
- The internal controls related to the Account appear to be adequate.

## **Objective**

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The County Auditor will perform a series of internal 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 2018 in order to determine if the 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 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.

As of November 30, 2018, the Account had a balance of \$40,664 maintained in a non-interest bearing demand deposit account at a local bank. During fiscal 2018, \$22,385 in receipts

were deposited into the Account and \$48,355 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 a sample of banking records and transactions of the Investigative bank account for fiscal year 2018. 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**

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#### **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.

#### **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. This is a repeat finding.

#### **Bank Deposits**

All deposits processed into the Account during fiscal year 2018 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.

#### **Account Disbursements**

A sample of the 64 disbursements made from the Account were examined. The sampled checks 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.

#### **Disbursements to Contractors**

During December 2017, two disbursements, of \$2,000 and \$1,600, were made to two civilian process servers. These payments are normally paid directly from the Sheriff's budget appropriation, however, in this situation, checks were issued from the Account in order to

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expedite payment to the vendors. Because these payments were not processed through the County accounts payable system, the amounts were not included in the IRS Forms 1099 issued to these individuals. Amended Forms 1099 should be issued to these individuals.

Additionally, unlike the Administrative account which was reimbursed, the Investigative Account was not reimbursed for these transactions. We recommend the Account be made whole from the General Fund.

**Summary of Recommendations**

- 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.
- Amended Forms 1099 should be issued to the vendors paid from the Account.
- The Account should be reimbursed for \$3,600 from the General Fund for payments made to process servers.

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: County Board  
Tom Cuculich, County Administrator  
Paul Rafac, Chief Financial Officer