



OFFICE OF THE 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 Sex Offender Account (Account) maintained by the County Sheriff's Office. The internal 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

- All transactions were examined and were found to be consistent with the intent of the Account;
- Significant disbursements from the Account were properly documented;
- An underpayment was made to State agencies during 2018;
- The agency fund classification for financial reporting purposes may not be appropriate; 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 2018 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

Illinois compiled statutes prescribe the requirements for registering an individual as a sexual offender. Generally, "The sex offender or sexual predator shall register with the sheriff in the county in which he or she resides or is temporarily domiciled for a period of time of 3 or more days in an unincorporated area or, if incorporated, no police chief exists." Per the statute, the

initial registration fee and the annual renewal fee are \$100 each and is to be paid to the agency having jurisdiction.

The County Sheriff retains \$35 of this fee with the remainder split between the Illinois State Treasurer, Illinois State Police and Illinois Attorney General. According to the statute, the portion of the fee due to these agencies is to be remitted within 30 days of collection from the registrant. The statute notes that the funds collected in the Account “shall be retained and used by the registering agency for official purposes.”

As of the end of fiscal year 2018, the Account had a balance of \$9,903 and is maintained in a non-interest bearing demand deposit account at a local bank. During FY 2018, 39 deposits totaling \$5,795 in receipts were deposited into the Account. Six payments totaling \$4,412 were 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 banking records and transactions of the Sex Offender bank account for fiscal year 2018. 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.

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 39 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

All 6 disbursements made from the Account were examined. The disbursements were properly documented. The checks were signed by an authorized individual, and there were no disbursements exceeding \$5,000 that would have required two signatures.

Illinois compiled statutes pertaining to the sexual offenders and predators registration and annual renewal fee do not provide clear guidance as to the types of expenditures the funds can be used for. According to the statute, the funds collected in the account “shall be retained and used by the registering agency for official purposes.” Other than the mandated disbursements of a portion of the registration fees to State agencies, disbursements were for training, equipment and

office supplies. The nature of the disbursements from the account appear to be consistent with the source of the funds.

Statutory Disbursements

It was previously noted that according to the statute, the \$100 Sex Offender registration and annual renewal fees collected by the County Sheriff shall be remitted to the agencies listed below as follows:

- \$5 – Illinois State Treasurer
- \$30 – Illinois Attorney General
- \$30 – Illinois State Police

The Sheriff's Office has made these payments to the agencies annually, based on total receipts in the prior calendar year. The 2018 disbursements based on the 2017 registration fees received were calculated incorrectly, causing the payments to be short by a total of \$65. It is recommended that consideration be given to adjusting the 2019 payment to reflect the prior underpayment.

A previous internal audit performed by the County Auditor noted that the remittances to the State agencies were not made within the timeframe prescribed by the statutes. Discussion with Sheriff's Office personnel indicated that the preference of the State agencies, as well as the common practice amongst the law enforcement community, was to remit the fees in aggregate on an annual basis. The Sheriff's Office provided correspondence to the County Auditor documenting this preference.

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. Because the assets of an agency fund are associated with a third-party obligation, the assets equal the liabilities and there is no equity. Accordingly, receipts and expenditures such an account are not classified as such, rather they are considered additions and deductions.

While the Account holds funds collected from sexual offender registrants pending the disposition of the fee to other state agencies (see below), \$35 of each registration is statutorily required to be used by the County Sheriff for "official purposes." For this reason, the functional nature of the Account is more closely related to a special revenue fund classification – "used to account for the proceeds of specific revenue sources legally restricted to expenditures for specific purposes." It is recommended that consideration be given to determining whether the current Account designation as an agency fund for financial reporting purposes is appropriate.

Summary of Recommendations

- It is recommended that consideration be given to determining whether the current Account designation as an agency fund for financial reporting purposes is appropriate.
- It is recommended that consideration be given to adjusting the 2019 payment to reflect the prior underpayment.

Hon. James Mendrick, County Sheriff

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January 30, 2019

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 black ink, appearing to read "Bob Grogan". The signature is fluid and cursive, written over a white background.

Bob Grogan, CPA, CFE
County Auditor

#18- 117

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