



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 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, 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; and,
- The agency fund classification for financial reporting purposes may not be appropriate.

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

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 or state drug-related investigations are distributed by state agencies and deposited into the Account. Disbursements are made to support undercover operations and drug enforcement activities enforcement expenditures in coordination with state agencies.

As of the end of fiscal year 2018, the Account had a balance of \$69,523 and is maintained in a non-interest bearing demand deposit account at a local bank. During FY 2018, \$22,495 in receipts were deposited into the Account and \$3,025 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 all banking records and transactions of the State Drug Traffic Prevention 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.

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

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

The 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. One deposit of State Forfeited Funds was coded to Miscellaneous income, instead of State Portion Fund Seizure.

Account Disbursements

The three disbursements were properly documented and consistent with the nature of the Account. The checks were signed by an authorized individual and there were no disbursements exceeding \$5,000 that would have required two signatures.

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 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 contact the Finance Department to clarify the Account classification as an agency fund 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,

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