



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 Murder / Violent Offender Against Youth 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;
- The internal controls related to the Account appear to be adequate; and,
- The Account may be misclassified in the County's external financial reports.

Objective

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 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 Murder and Violent Acts Against Youth (Murder / VOAY) Registration Act requires that violent offenders register in the jurisdiction in which they intend to reside. The offenders pay a \$20 initial registration fee with annual renewals of \$10 which are required to be deposited into the Murderer and Violent Offender Against Youth Registration Fund. The fees are to be used by the County Sheriff for "official purposes."

As of the end of fiscal year 2018, the Account had a balance of \$365 maintained in a non-interest bearing demand deposit account at a local bank. During FY 2018, 3 deposits totaling \$40 in receipts were deposited into the Account. There were no disbursements. 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 for fiscal year 2018 Account activity. 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.

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.

General Ledger

The Account is maintained in the County's general ledger as an agency fund and transactions are posted to the general ledger by the Finance Department annually. The journal entry recording the \$40 of deposits was posted to the general ledger incorrectly. The general ledger balance of the Account on November 30, 2018 of \$285 does not agree to the reconciled bank balance as of November 30, 2018. It is recommended that the Sheriff's Office request the Finance Department correct the entry.

In order that the general ledger more accurately reflect the funds that are held in external accounts, it is suggested that the Finance Department post the transaction activity on a monthly basis. This is a repeat internal audit finding.

Fund Classification

The Account is presented in the County's most recent Comprehensive Annual Financial Report (CAFR) as an agency fund. As defined, an agency fund classification is 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.

The Murder / VOAY fees are 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 the appropriate Account designation for financial reporting purposes. This is a repeat internal audit finding.

Bank Deposits

All 4 deposits processed into the Account during fiscal year 2018 were agreed from the QuickBooks file to the bank statements. The deposits were made by a Sheriff's Office Deputy

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who is not involved in the accounting or collection of the funds. All deposits were consistent with the nature of the account.

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. This is a repeat internal audit recommendation.
- The Finance Department should correct the \$40 journal entry for the annual transactions so that it agrees to the reconciled bank balance.
- The Finance Department should consider posting the Account transactions to the general ledger on a monthly basis. This is a repeat internal audit recommendation.

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

#18- 120

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