



# OFFICE OF THE COUNTY AUDITOR

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*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 Sheriff's Administrative 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 period from December 1, 2017 through 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;
- Disbursements from the Account were properly documented;
- The agency fund classification for financial reporting purposes may not be appropriate;
- The Account includes \$2,000 of donated funds in excess of the imprest balance;
- 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 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 the audit period 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**

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In 1978, a bank account was established under the administration of County Sheriff Richard P. Doria through a \$2,500 voucher drawn upon the Sheriff's budget appropriation. The purpose of the account, known as the RPD Account, was to facilitate the processing of small

transactions when advance funds were required for training seminars, miscellaneous travel costs and day-to-day operations. The expenses would subsequently be submitted to the County's accounts payable system for reimbursement from the Sheriff's budget. During 2016, the account title was changed to its current name and a nominal balance of \$5,000 was established.

As of November 30, 2018, the Account had a balance of \$6,584 and is maintained in a non-interest bearing demand deposit account at a local bank. During the audit period, deposits totaling \$8,828 in receipts were deposited into the Account. 19 payments totaling \$6,659 cleared the Account. 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 a sample of transactions of the Account for audit period ended November 30, 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**

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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.

#### **Bank Deposits**

All 13 deposits processed into the Account during the audit period, consisting of 12 County Treasurer checks and 1 receipt of a contribution from a retailer, were examined. The deposits were made by a Sheriff's Office Deputy who is not involved in the accounting or collection of the funds. The deposits of County Treasurer deposits were consistent with the nature of the account and had sufficient supporting documentation.

A \$2,000 donation was received from Wal Mart to be used for the Sheriff's Safety Saturday expenses. In previous years, such contributions were provided to the Sheriff's Office as gift cards and used to purchase supplies for the event. Prior to the receipt of the donation, the Sheriff's Office consulted with the County Auditor as to the best method to account for the funds. It was suggested to deposit the funds into the Administrative Account and use it to pay for expenses related to Safety Saturday with the stipulation that these expenses would not be reimbursed through the Sheriff's budget. As a result, the balance in the Account will exceed the imprest balance of \$5,000 until the point where the \$2,000 donation is fully disbursed. The account balance currently reconciles to the \$7,000 balance.

Audit procedures were performed to determine that the reimbursements were deposited on a timely basis. The longest delay between issuance of a check and deposit into the Account was 19 days. It should be noted that the County Treasurer's check issuance date may not be indicative of when the check was actually received by the County Sheriff's Office, therefore the actual delay cannot be conclusively determined.

#### **Account Disbursements**

All 19 disbursements made from the Account were examined. The disbursements were properly documented and were consistent with the nature of the Account. The majority of disbursements from the Account were for seminar registrations, membership dues or travel reimbursements, with the average check amount being approximately \$370.

Each disbursement made from the Account was subsequently submitted to the County's accounts payable system for reimbursement and was recommended for payment by the County Auditor's Office. All disbursements were found to be properly authorized and accounted for. 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 Reports (CAFR) have traditionally classified 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. It is the opinion of the County Auditor that because the Account was originally funded through an appropriation from the County Sheriff's budget in the General Fund, the funds are not being held in an agency or fiduciary capacity. 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 finding.

#### **Disbursements to Contractors**

During December 2017, two disbursements, of \$1,600 each, 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 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.

#### **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.

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".

Bob Grogan, CPA, CFE  
County Auditor

#18- 121

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