



OFFICE OF THE COUNTY AUDITOR

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January 31, 2019

Hon. James J. Mendrick, County Sheriff
DuPage County
Wheaton, Illinois 60187

Dear Sheriff Mendrick,

As a result of your election to the office of County Sheriff, my Office has completed an internal audit of the fixed assets and non-capitalized computer equipment assigned to the custody of the Sheriff's Office (Office). The audit consisted of examining the internal controls and records related for a sample of fixed assets and computer equipment as of November 30, 2018. A separate internal audit report was issued for the vehicles assigned to the County Sheriff's Office.

Results

- Five assets assigned to the custody of the Sheriff's Office according to the Finance Department's fixed asset records could not be located.
- Two computers on the County Sheriff's inventory records could not be located.
- Six fixed assets were missing their property control tags.
- Three fixed assets had an incorrect property control tag affixed.
- None of the 54 computers sampled from the County Sheriff's inventory records are assigned property control numbers and none displayed any form of County identification.

Objective

The County Auditor performed a series of internal audit procedures to evaluate the internal controls regarding the administration of fixed assets and computer equipment assigned to the custody of the County Sheriff's Office. The objectives of the audit included verifying that the items identified as being in the custody of the Office were actually located within the Office, determining that the records accurately reported all assets acquired by the Office and reviewing the internal controls related to the maintenance and operation of assets and computer equipment assigned to the Office.

Background / Audit Scope

In accordance with a system of properly designed internal controls, whenever there is a change in the management of a County office or department, the County Auditor typically performs an audit of the fixed assets and non-capital computer equipment assigned to that department. Due to the large amount of equipment under the command of the County Sheriff, the County Auditor decided to perform a separate internal audit on the vehicles/rolling stock. This audit report includes internal audit procedures performed on the non-automotive capital assets as well as the computer-related equipment.

The County's financial policy requires capitalizing property having an acquisition value of \$5,000 and above and maintaining an annual inventory of capital assets. The Finance Department is responsible for maintaining the records for the County's fixed assets. Periodically, property control (asset) tags are issued to departments by the Finance Department for tangible items such as equipment and vehicles.

Control over the acquisition and disposition of capital assets occurs through the accounts payable transaction process and fixed asset transfer/disposal forms used by the operating departments to notify the Finance Department of changes in an asset's location. It has been noted in other internal audits performed by the County Auditor that the Sheriff's Office has acquired equipment from non-appropriated funding sources which are not processed through the County's accounts payable system. In general, this type of equipment is not included in the County's fixed asset records, although it has been recommended that the County Sheriff advise the Finance Department when these items are acquired.

On an annual basis, the Finance Department requires the operating departments to confirm the physical existence of the assets assigned to the departments' custody by verifying the assets to the inventory report provided by the Finance Department. The departments are instructed to note any changes in the asset's location or description on the report and to return the report to the Finance Department. When applicable, these notations are entered into the fixed asset record system and the fixed assets are updated accordingly.

The County Sheriff also maintains an inventory listing of the computer equipment in their custody. This listing is separate from the computer inventory records maintained by the Information Technology Department for most County computer equipment.

Thirty-nine fixed assets representing approximately 20% of the Office's fixed assets as recorded by the Finance Department were examined by the County Auditor. An additional twenty fixed assets not included in the initial sample were selected from a visual examination to determine whether these items were properly accounted for.

In addition, thirty-five pieces of computer equipment representing approximately 10% of the Office's non-capitalized computer-related equipment as recorded by the Sheriff's Office were examined by the County Auditor. An additional nineteen items not included in the initial sample were selected from a visual examination to determine whether these items were properly accounted for. The audit procedures involved reviewing records, analyzing payment transaction reports for fixed asset acquisitions subsequent to the Finance Department's records, and interviewing personnel.

Audit Findings and Recommendations

Fixed Assets

As part of the County's fixed asset records administered by the Finance Department, fixed assets are added to the records by purchases which flow through the accounts payable system. Assets acquired by the Sheriff's Office which are not processed through the accounts payable cycle may not be recognized. The Finance Department will remove items from the records upon being notified by the Sheriff's Office. The record maintained by the Finance Department is the one utilized by the County for financial reporting purposes.

The internal audit procedures discovered several inconsistencies between the Finance Department fixed asset records and the sampled fixed assets observed at the Sheriff's Office. A detailed listing of these exceptions will be provided to both the Sheriff's Office and the Finance Department under separate cover.

Assets Not Located

There were 8 fixed assets chosen from the records which were not located. Of these, 3 assets were disposed in 2017 or 2018 with the proper supporting documentation provided to the County Auditor. The remaining 5 assets, with a total acquisition cost of nearly \$140,000, could not be located. It is recommended that the Sheriff notify the Finance Department to have these 5 assets removed from the fixed asset records.

Property Control Tags

There were 6 sampled assets that were missing their property control tags and 3 assets that had the incorrect property control tag affixed. Additionally, there were 2 sampled items that had been issued tags that were not yet affixed to the assets. The Sheriff should request replacement property control tags for the 9 assets from the Finance Department and affix the 2 issued tags to the assets.

Fixed Asset Records

There were 21 sampled items that had an incorrect or missing serial number in the fixed asset records maintained by the Finance Department. There were also 3 assets observed in use at the Sheriff's Office that were not found in the fixed asset records. The Sheriff should contact the Finance Department to correct and update the fixed asset records for these items. It is also recommended that the Sheriff carefully review the annual Fixed Asset affidavit listing and contact the Finance Department if any discrepancies or omissions are identified.

Non-Capitalized Computer Equipment

The computer inventory records were taken from the ManageEngine software used by the Sheriff's Office. The software tracks when a computer last logs into the Sheriff's computer domain and reports the computer name assigned by the Sheriff's information technology (IT) staff, the model, and serial number. The software does not provide the physical location of the equipment and does not track computers that have not logged in for more than 90 days. In addition, none of the computer equipment maintained by the Sheriff's Office are assigned property control numbers and no property control tags or other identifying labels are affixed to the equipment. The inventory records for the Sheriff's Office included 374 items of which 20 were virtual servers that were excluded from the audit. The records included servers, laptops, tablets, and desktop computers. There were no printers listed in the records and the IT staff stated that they do not track printers.

There are several internal control weaknesses associated with this system of tracking computer equipment including the lack of property control tags and labels identifying the equipment as the property of the DuPage County Sheriff. Further, the inability to track the location of all equipment, including those items which may be inactive or haven't logged in within 90-days, hinders the Sheriff's ability to effectively manage distributed equipment.

The County Auditor met with representatives from the County's Information Technology Department and the Sheriff's Information Technology staff in January 2018 to address these control weaknesses. It was discussed that the County's IT Department would look into obtaining licenses and user ID's for the Sheriff's IT staff to utilize the new computer inventory tracking system that the County is currently implementing (Dude Solutions/Insight inventory system). The system provides a means to monitor the equipment's location as well as the capability to assign inventory numbers and add printers to the records. The IT Department also provided information to the Sheriff's Office on sourcing property control tags to be placed on equipment. This will enable the Sheriff's Office to better track and manage its large computer equipment inventory.

Computer Equipment Not Located

There were 2 sampled items of computer equipment which were not located. Of these, one is believed to have been disposed, however no supporting documentation was found. It is recommended that the Sheriff remove these 2 computers from the computer equipment inventory records. The Sheriff should also maintain a list of all equipment disposed through electronics recycling.

Computer Equipment Inventory Records

There were 4 items that had a missing serial number in the computer equipment inventory records maintained by the Sheriff's Office. There were also 3 computers observed in the Sheriff's Office that were not found in the inventory records. The Sheriff should correct and update the computer inventory records for these items. It is also recommended that the Sheriff's Office prepare a list of all computer equipment that is not maintained through the ManageEngine software and consider entering it into the new computer tracking system.

Summary of Recommendations

- The County Sheriff should notify the Finance Department to remove the 5 assets from the fixed asset records which could not be located.
- The 3 fixed assets observed by the County Auditor at the Sheriff's Office which do not appear on the records should be added to the fixed asset system.
- Fixed assets acquired from non-appropriated accounts maintained by the Sheriff's Office should be included in the Finance Department's fixed asset records.
- The Finance Department should be contacted to provide 9 replacement property control tags.
- The property control tags issued for 2 fixed assets should be affixed to the items by the Sheriff's Office.
- The fixed asset records should be updated to reflect the incorrect or missing information noted on 21 sampled items.
- The Sheriff's computer records should be updated to include 3 items located during the audit; removal of 2 items which could not be located; and, add the serial numbers to 4 computers.

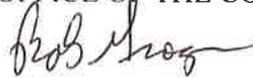
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- The Sheriff's Office is encouraged to utilize the newly implemented computer equipment inventory system acquired by the County's Information Technology Department.
- Property control tags identifying the equipment as County property should be placed on the computer equipment. It is recommended that the tags be printed with an identification number that can be used with the inventory system to provide a means for the Sheriff's Office to maintain positive control over the items.

I would like to express my appreciation to the staff members of the Sheriff's Office, Finance Department, and Information Technology Department for the assistance provided during this internal audit.

Sincerely,

OFFICE OF THE COUNTY AUDITOR



Bob Grogan, CPA, CFE
County Auditor

#18-133

cc: County Board
Thomas Cuculich, County Administrator
Paul Rafac, Chief Financial Officer
Donald Carlsen, Chief Information Officer