



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 vehicles 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 vehicles and equipment as of November 30, 2018.

Results

- Of the 41 vehicles sampled, 1 vehicle could not be located.
- The vehicle title for 1 truck could not be located.
- There are significant variances between the vehicle records maintained by the County Sheriff, the Division of Transportation (DOT) fleet system and the County's fixed asset records.
- The DOT fuel records list 16 non-employees associated with the Sheriff's Office who are authorized to dispense fuel at the County's service station.
- The method to account for vehicles not acquired through the County's procurement process needs to be strengthened.
- The aggregate value of the assets attributable to Sheriff's Office vehicles on the fixed asset records may be understated.

Objective

The County Auditor will perform a series of internal audit procedures to evaluate the internal controls regarding the administration of vehicles and equipment assigned to the custody of the County Sheriff's Office. The objectives of the audit include 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 vehicles acquired by the Office and reviewing the internal controls related to the maintenance and operation of vehicles 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 assigned to that department. Due to the number of vehicles operated by the County Sheriff's Office, it was decided to perform a separate audit on the vehicles and rolling stock equipment. Additional internal audit procedures will be performed on the non-automotive capital assets and computer-related equipment and a separate report will be issued on these items.

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.

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 DuPage County Division of Transportation administers the gasoline and vehicle maintenance services for the vehicles operated by the Sheriff's Office. A separate record is kept for each vehicle as well as the individuals who are authorized to fuel the vehicles. These records were utilized by the County Auditor to verify vehicle and operator information.

The County Sheriff also maintains an inventory listing of the vehicles they operate. This listing differs from the one maintained by the Finance Department in that it includes several additional vehicles not acquired through the normal accounts payable process.

Forty-one vehicles representing approximately 20% of the Office's vehicles reported on DOT fleet vehicle records, were examined by the County Auditor. An additional twenty-five vehicles 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. All three inventory listings were used during the audit procedures.

Audit Findings and Recommendations

Vehicle Records

There are three sets of records maintained for vehicles operated by the Sheriff's Office. As part of the County's fixed asset records administered by the Finance Department, vehicles are added to the records by purchases which flow through the accounts payable system. Vehicles 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 through the use of a fixed asset disposal form. The record maintained by the Finance Department is the one utilized by the County for financial reporting purposes.

The Division of Transportation maintains a record of vehicles and equipment assigned to the Sheriff's Office through their inclusion in the fuel and maintenance system administered by DOT. This record is generally more inclusive than the fixed asset records as it comprises purchased vehicles as well as those acquired through other methods – this was the record used by the County Auditor to derive the audit sample. Finally, the Sheriff's Office maintains a separate set of records on the vehicles under their command.

The internal audit procedures discovered several significant inconsistencies between the three sets of records. For example, the Finance Department fixed asset records do not include some undercover and unmarked vehicles that appear on the DOT and Sheriff's records. Within these three lists, a comparison noted several discrepancies between the vehicle identification numbers (VIN), vehicle assignment numbers and descriptions. It is recognized that the nature of law enforcement activities may preclude the disclosure of certain vehicles operated by the Sheriff's Office, however it is suggested that the Office perform a review of the listings and attempt to reconcile the differences. This process is an important aspect of internal controls to ensure the uniform, consistent and accurate reporting of equipment assigned to the custody of the Sheriff's Office.

Disposed Vehicles

There were 5 vehicles in the original sample of 41 which could not be physically observed. During 2018, 4 of these vehicles were deemed too costly to repair and were sent to a salvage yard. These cars were included on a listing of salvage vehicles prepared by DOT. The disposition of 1 vehicle, a 2008 Nissan, could not be determined as no records were provided to document its whereabouts.

The maintenance of the multiple sets of vehicle records which are not in agreement is an internal control risk. In the case of the 5 sample vehicles which were not observed, fixed asset disposal forms prepared by the Sheriff's Office were completed for only 3 cars. At the time of the audit, the status of these 5 disposed vehicles on the respective records is shown below.

| <u>Vehicle Number</u> | <u>Disposal Form</u> | <u>DOT Records</u> | <u>Finance Records</u> | <u>Sheriff Records</u> |
|------------------------------|-----------------------------|---------------------------|-------------------------------|-------------------------------|
| S-50 | Yes | Removed | Included | Destroy |
| S-159 | No | Removed | Included | Not Listed |
| S-170 | Yes | Included | Included | Destroy |
| S-300 | Yes | Included | Not Listed | Destroy |
| S-319 | No | Included | Not Listed | Destroy |

While the records maintained by the County Sheriff accurately reflect the status of the 5 disposed vehicles, there are inconsistencies between that list and the records administered by the Finance Department and DOT. Because the Finance Department generally posts disposals to the fixed asset records on an annual basis, differences attributed to timing are to be expected.

It is strongly recommended that the Sheriff's Office work with the Finance Department and DOT to coordinate the recordkeeping so that an accurate listing can be maintained.

Vehicle Titles

The County Sheriff's office retains the titles for vehicles under their command. Internal audit procedures were performed on a sample of vehicles to determine that the County had titles to the vehicles and that the information on the titles was accurate. The titles for 61 of the 66 sampled vehicles were located in the Sheriff's files. A title was not located for an International 4700LP truck while the other 4 vehicles were exempt due to their classification as para-military vehicles. The Sheriff should contact the Secretary of State to obtain a title for the International truck.

The audit procedures identified a Ford F150 truck where the VIN observed on the truck did not agree to the VIN on the title. It is suggested that the Sheriff notify the Secretary of State to correct the title.

Division of Transportation Fuel Records

Audit procedures were performed to ensure that only current authorized employees of the Sheriff's Office are approved to dispense fuel for County vehicles at the County's service station. A total of 177 individuals associated with the Sheriff's Office were assigned fuel cards according to DOT records. Sixteen of the individuals on the list are not employed by the Sheriff.

- 3 individuals separated employment during October and November 2018
- 2 individuals retired in 2017
- 1 individual is employed by another law enforcement agency
- 10 individuals were not identified by the County Auditor

The audit procedures did not include examining the fuel dispensing records to determine whether any activity occurred for these individuals. It is recommended that the County Sheriff notify DOT to immediately deactivate the gas cards assigned to the 5 individuals who are no longer employed by the Sheriff's Office. The Sheriff should review the 11 other individuals authorized to dispense fuel to determine whether they should retain their status. It was also noted that there were several inconsistencies between the names on the DOT records and the employee's name. These should be corrected in order to prevent confusion when examining the status of employees on the list.

Vehicles Obtained Through Other Means

Over the past several years the Sheriff has acquired numerous vehicles through means outside of the normal County procurement process. Some of the ways that these vehicles are obtained include vehicle seizures, purchases made from funds administered by the Sheriff's Office, donated items or vehicles obtained through federal surplus property. While the Sheriff's Office should be commended on utilizing methods to acquire law enforcement property at a reduced cost to the taxpayers, this has resulted in some of the equipment not being properly recorded. Additionally, the nature of use for some vehicles acquired by the Sheriff's Office may necessitate frequent turn-over in order to protect the anonymity of the equipment. In these situations, it is more appropriate to account for the transactions as an expense rather than a capital asset having an expected useful life exceeding a year.

Audit procedures were unable to trace some sample items selected from the DOT records to either the Sheriff's vehicle listing or the fixed assets records. Among these items were 2 Harley Davidson Road King motorcycles and several SWAT vehicles acquired from the federal government. Although these vehicles were physically observed and verified to the DOT records, their omission from the Sheriff's records and/or the Finance Department's fixed asset records is

an internal control weakness.

The criteria to maintain accurate custodial records of the SWAT vehicles is set forth in the Federal Surplus Property agreement applicable when the vehicles were acquired. During the performance of the audit procedures, there was some difficulty encountered in locating an AM General HMMVW ("Humvee") that was selected for inclusion in the audit sample. Eventually the vehicle was found in a County garage buried under containers, boxes and numerous other debris. Given the state of the vehicle, its operational readiness appeared questionable. It is recommended that the Sheriff address the future deployment of the vehicles in its operations to determine if they should be returned to the Defense Reutilization and Marketing Office or remain with the Sheriff.

Summary of Recommendations

- The Sheriff's Office should work with the Division of Transportation and Finance Department to coordinate the vehicle inventory to increase the accountability and accuracy of the records.
- Information regarding vehicles acquired outside of the normal procurement process, as well as those vehicles that are disposed or traded-in, should be shared with the Finance Department for updating the fixed asset records.
- The Sheriff should contact the Secretary of State to obtain a title for the International truck. Additionally, the Secretary of State should be notified of the correction to the VIN for the Ford truck.
- The names of the individuals authorized to dispense fuel for Sheriff's vehicles should be examined with any corrections submitted to DOT.

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

Sincerely,

OFFICE OF THE COUNTY AUDITOR



Bob Grogan, CPA, CFE
County Auditor

cc: County Board
Thomas Cuculich, County Administrator
Paul Rafac, Chief Financial Officer
Christopher Snyder, Director of Transportation

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