



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 Jail Sedentary Account (Sedentary Account) maintained by the County Sheriff's Office. The internal audit consisted of examining the internal controls, records, receipts and disbursements of the Sedentary Account as well as the associated Inmate Account for the fiscal year ended November 30, 2018. The results of the audit are presented herein.

Results

- All transactions that were examined were found to be consistent with the intent of the Sedentary Account;
- Significant disbursements from the Sedentary Account were properly documented;
- Transactions have not been recorded to enable the identification of individual inmate balances; and,
- The internal controls related to the Sedentary Account could be improved.

Objective

The objectives of the audit were to evaluate the procedures related to the processing of Sedentary Account receipts and disbursements during fiscal year 2018 in order to determine:

- The amounts are properly received and recorded, and that they are deposited intact, and on a timely basis;
- Disbursements are made for allowable purposes, are properly authorized, recorded, and supported by appropriate documentation; and,
- The aggregate of individual inmate accounts, the reconciled bank account balance of the Sedentary Account, and the County's general ledger for the audit period are all in agreement.

Background / Audit Scope

When an individual is arrested and detained in the county jail, an account may be established by the Sheriff to account for any funds the individual has on-hand. A software program is used by the Sheriff to monitor the individual inmate balances which are combined in the Jail Inmate checking account administered by the County Sheriff.

While detained at the jail, funds can be added to an inmate's account to purchase items from the jail commissary. Generally, at the time an inmate is released, a check for the balance of their individual inmate account is drawn on the Jail Inmate checking account. There are occasions when the release occurs at a time when the staff is not present to issue a check. In these situations, a check from the Jail Inmate account is mailed to the inmate's last known address.

In 2016, the County Auditor performed an internal audit of the Jail Inmate checking account. The audit identified an internal control risk in that a significant number of inmate accounts within the checking account were inactive and the overwhelming majority of these accounts had balances less than \$50. The Auditor recommended that these inactive accounts be "swept" to a new bank account pending the distribution of the funds. At that time, on January 31, 2017, the Sheriff established the new Sedentary Account consisting of the inactive inmate account balances.

Current practice in the Sheriff's Office is to void a check issued from the Jail Inmate account if it has not been transacted after six months and to transfer the amount of the check from the Jail Inmate account to the Sedentary Account. After a payment has been voided, Sheriff's Office staff will attempt to reissue a check to a released inmate for the balance on account if requested. In the cases where former inmates have returned to the County Jail, any balances remaining in the Sedentary Account for that inmate are transferred back to the Jail Inmate account.

The County Sheriff uses a positive pay program with the bank to reduce the potential for fraudulent checks to be issued. However, in December 2017, the original Sedentary Account was closed because of repeated fraudulent check activity. The balance of the old account was transferred to a new checking account at the same bank. This report summarizes the activity in both accounts for fiscal year 2018.

As of the end of fiscal year 2018, the Sedentary Account had a balance of \$45,794 maintained in a non-interest bearing demand deposit account at a local bank. During FY 2018, \$65,940 in receipts was deposited into the Sedentary Account and \$53,044 was disbursed. The Sedentary Account is included in the County's general ledger and the 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 Sedentary 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 Jail Inmate Account and Sedentary Account.

The County Auditor examined banking records and transactions of the Sedentary Account for fiscal year 2018 and identified 104 transfers into and 682 disbursements from the Sedentary Account during the audit period.

Audit Findings and Recommendations

Internal Controls

The County Auditor obtained an overview of the internal controls relative to the Sedentary Account. It appeared that the internal controls as described could be improved. Two part-time contractors are responsible for administering the Commissary Account, Jail Inmate Account and the Sedentary Account. Among their responsibilities are:

- Preparing checks written on the Sedentary Account;
- Signing checks for account disbursements less than \$500 and co-signing checks above \$500;
- Transferring funds between the Sedentary Account and the Jail Inmate Account;
- Reconciling the Sedentary Account bank statement and accounting records;
- Maintaining the Sedentary Account receipt and disbursement documentation;

An internal control weakness exists because many of these tasks are incompatible with a proper segregation of duties. The County Auditor recommends that the duties related to the administration of these accounts be assigned among different individuals so that no one person has sole responsibility for the custody, recording, and authorization of inmate funds and transactions. A positive compensating control is that the bank reconciliations for the bank accounts are reviewed by Sheriff's Office supervisory personnel.

While a procedures manual exists for the inmate accounting system, the specific duties relative to the administration of the various account overseen by the staff is not fully documented. It is recommended that a procedures manual be prepared for the Inmate Account and Sedentary Account administration.

Bank Deposits

There were 104 transfers into the Sedentary Account during the audit period consisting primarily of transfers of inactive inmate balances from the Inmate Account. The audit noted that there were also reversals of payments which were rejected from the positive pay system. A sample of 16 deposits processed into the Sedentary Account were agreed to the bank statements of the Sedentary Account and either the Inmate Account or the Commissary Account. Further, 12 transfers into the Account were agreed to activity within the individual inmates' accounts. All sampled items were consistent with the nature of the account and there were no exceptions.

Account Disbursements

There were 531 checks issued from the Sedentary Account during the audit period. Audit procedures were performed on a sample of 46 checks. With the exception of one check greater than \$500 which did not have the 2 signatures required by the Sheriff's policy, no significant exceptions were found. There were 144 checks voided during Fiscal 2018. Audit procedures found no significant exceptions related to the voided checks.

There were 265 transfers of amounts from the Sedentary Account to the Inmate Account, representing balances for inmates who were readmitted to the jail. Audit procedures were performed on 19 of these transfers, noting that appropriate support was attached to the transfer documentation. No significant exceptions were noted.

Bank Statement Reconciliation

Audit procedures identified no significant exceptions related to the bank statement reconciliations for the Sedentary Account bank account. The Sedentary Account bank statement reconciliations are reviewed by a supervisory individual without deposit or disbursement responsibility.

During the Auditor's review of the bank statement reconciliations, it was noted that numerous checks remained on the outstanding check list longer than six months. It is recommended that reconciling items are reviewed and resolved or voided on a monthly basis.

Sedentary Inmate Account Reconciliation

When the Sedentary Account was opened, the transactions were not specifically identified in the accounting system to the individual inmate. Therefore, it is not possible to reconcile the total cash on hand to the individual inmate balances. During the audit, procedures were established to enable the identification of the inmates in current and future transactions. As time allows, it is recommended that previously recorded transactions be coded to identify the specific inmate. When all transactions are properly coded, it is recommended that the monthly reconciliation procedures include steps to verify that the bank account balance agrees to the total of the individual inmate accounts.

Closed Account

The original Sedentary Account was closed in December 2017 due to repeated fraudulent activity, and the remaining bank balance was transferred to the current account. There remains a negative balance of approximately \$9,000 in the QuickBooks account of the original account, representing old outstanding checks. These checks should be voided and appropriate adjustments should be made in the inmates' records.

Summary of Recommendations

- The duties related to the administration of the Sedentary Account should be assigned to specific individuals in order to provide adequate segregation of duties.
- The Sheriff's Office should prepare a procedures manual regarding the administration of the Sedentary Account.
- Outstanding checks should be voided on a timely basis and the inmate accounts adjusted.
- As time permits, Sheriff's Office staff should examine old transactions to code them for the individual inmates. Subsequently, the inmate account balances should be reviewed for accuracy and independently reconciled on a monthly basis to the Sedentary Account bank balance.

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", with a long horizontal flourish extending to the right.

Bob Grogan, CPA, CFE
County Auditor

#19-15

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