



OFFICE OF THE COUNTY AUDITOR

Bob Grogan, CPA, CFE
DuPage County Auditor

421 N. County Farm Road
Wheaton, Illinois 60187
(630) 407-6075
FAX: (630) 407-6076
www.dupageco.org/auditor

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 Law Enforcement Justice 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 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;
- Significant disbursements from the Account were properly documented;
- The agency fund classification for financial reporting purposes may not be appropriate; and,
- The internal controls related to the Account appear to be adequate.

Objective

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 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 DuPage County Sheriff's Office receives funding from agencies within the U.S. Department of the Treasury and the U.S. Department of Justice which are used to supplement local costs of law enforcement concerning drug and other laws. During 2017, the Department of the Treasury performed a review of the Sheriff's Office compliance regarding funds received from the Treasury Department in connection with the Sheriff's Office participation in federal law enforcement cases. One of the findings from the review was the requirement that funds received

from the Treasury Department may not be combined with funds from other sources. In order to comply with the federal regulations, the Drug Traffic Prevention Account – Federal was renamed the Federal Law Enforcement Treasury Account (Treasury Account). At the same time, in August 2017, The Law Enforcement Justice Account was opened with a nominal deposit of \$1.00. The purpose of the Account to administer the receipts and disbursements of US Justice Department Equitable Sharing Funds for both narcotic and non-narcotic cases. Previously, the Drug Traffic Prevention Account combined funds from both the Treasury Department and the Justice Department.

As of the end of fiscal year 2018, the Account had a balance of \$1,434 maintained in a non-interest bearing demand deposit account at a local bank. During FY 2018, an electronic funds transfer (EFT) receipt of \$6,383 was deposited into the Account. One payment of \$4,950 was disbursed. 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 transactions of the Justice bank account for fiscal year 2018. Procedures included verifying that the disbursement was reasonable, the deposit was made in a timely manner, and that reconciliations were performed and independently reviewed in a timely manner.

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.

Fund Classification

The County's Comprehensive Annual Financial Report (CAFR) classifies 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. In this case, the agency fund classification for financial reporting purposes may not be appropriate. Although the funds are held and administered outside of the County Treasurer's Office, the funds are not being held in a fiduciary capacity for a third party; rather, the County Sheriff has use of the funds for prescribed activities. The nature of the Account may be better described as a special revenue fund.

Bank Deposits

The EFT transaction into the Account during fiscal year 2018 was examined. The transfer was received from the US Justice Department. These funds are received as determined by the Justice Department based on each Law Enforcement unit's direct participation in a law enforcement effort.

Account Disbursements

The single disbursement made from the Account was examined. The disbursement was properly documented and consistent with the nature of the Account. Justice Department funds are to be used for law enforcement purposes, including the purchase of law enforcement equipment. The check was signed by two authorized individuals.

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.

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

#19-19

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