



OFFICE OF THE COUNTY AUDITOR

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June 19, 2017

Hon. John E. Zaruba, County Sheriff
DuPage County
Wheaton, IL 60187

Dear Sheriff Zaruba,

The Office of the County Auditor has completed an audit of the Investigative 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, 2015. The results of the audit and the Sheriff's responses are presented herein.

Summary of Findings

- All transactions were examined and were found to be consistent with the intent of the Account;
- All deposits had sufficient supporting documentation;
- Disbursements from the Account were properly documented; and,
- The agency fund classification for financial reporting purposes may not be appropriate.

Background

The Investigative Account (Account) was established to account for transactions related to DuPage County Sheriff's Office non-drug related investigations, education, and enforcement. Grant reimbursements and the County's share of seized funds distributed according to state and federal guidelines are deposited into the Account. Disbursements are made to support non-drug undercover operations and investigative activities.

As of the end of fiscal year 2015, the Account had a balance of \$19,717 and is maintained in a non-interest bearing demand deposit account at a local bank. During FY 2015, \$830 in receipts was deposited into the Account and \$11,958 was disbursed. The Account is included in the County's Comprehensive Annual Financial Report (CAFR) as an agency fund.

Audit Objectives

The objectives of the audit were to evaluate the procedures related to the processing of Account receipts and disbursements during fiscal year 2015 in order to determine:

1. That internal controls in place at the Sheriff's Office were adequate to safeguard the funds in the Account;
2. Receipts into the Account were properly documented, recorded and deposited intact and on a timely basis; and,
3. Disbursements from the Account are appropriate and documented.

Audit Procedures

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 Investigative bank account for fiscal year 2015. There were 4 deposits into the Account and 34 checks drawn on the Account during the audit period.

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. The written procedures were obtained from the County Sheriff's General Orders which list the policies in administering the cash accounts maintained by the Sheriff. These procedures are general in nature and apply to all accounts. It is suggested that more detailed instructions be developed for those accounts having a specialized nature, such as the Investigative Account.

A review of the bank statements noted that the reconciliations were performed on a timely basis and reviewed by Sheriff's Office supervisory staff.

Response to Auditor

A procedures manual specific to the Investigative Account has been completed.

Bank Deposits

All 4 deposits processed into the Account during fiscal year 2015 were examined. These deposits were comprised of grant reimbursements for the undercover purchase of alcohol and tobacco and the return of unused monies from undercover or investigative activities.

The deposits prepared by the account custodian were made by a Sheriff's Office Deputy who is not involved in the accounting or collection of the funds. All deposits were consistent with the nature of the account and all deposits had sufficient supporting documentation.

It was noted that the grant reimbursement checks received by the account custodian for deposit into the Account lacked adequate information to identify the corresponding Account disbursement. The account custodian appropriately does not prepare the grant reimbursement requests; rather they are prepared by Sheriff's Office administrative staff and submitted to the County's Accounts Payable Division of the Finance Department for processing.

It is recommended that the grant reimbursement requests include the Account check number in the description that is entered into the Accounts Payable system to facilitate the matching of grant reimbursement checks to the corresponding Account disbursements.

Response to Auditor

The number on the check written from the Account is currently included when the voucher is submitted to accounts payable for reimbursement.

Account Disbursements

All 34 disbursements made from the Account were examined. All of the disbursements were properly documented and were consistent with the nature of the Account. The checks were signed by an authorized individual and one disbursement exceeding \$5,000 had the required two signatures.

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 undercover, investigative, and educational activities. The nature of the Account may be better described as a special revenue fund. It is recommended that the County's Finance Department re-examine how the Account is classified for purposes of the external financial reporting.

Further, the Sheriff should consider providing the receipt and disbursement activity using the general ledger account codes and descriptions.

Response to Auditor

The classification of the Account for financial reporting purposes is at the discretion of the Finance Department. The County's account codes will be utilized when entering Investigative Account transactions into QuickBooks.

Summary of Recommendations

- While a general policy exists for the processing of Account funds, the Sheriff should develop more detailed procedures to reflect the unique nature of this account. ***A procedure manual written specifically for the Investigative Account has been completed.***
- Reimbursements to the Account from the County should include the check number(s) of the Account's disbursement in the description when the voucher is submitted to the

Finance Department. *The check number is currently included on the voucher when seeking reimbursement from the Sheriff's budget appropriation.*

- The County's Finance Department should reconsider whether the Account is properly classified as an agency fund in the County's CAFR. *This is subject to the discretion of the Finance Department.*
- Account transactions maintained in QuickBooks should be coded to the same revenue and expenditure accounts used for the County's general ledger system. *This is currently being done.*

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

RTG:pwb
Attachment
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