

OFFICE OF THE KANE COUNTY AUDITOR
KANE COUNTY GOVERNMENT CENTER

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MEMORANDUM

DATE: January 25, 2012

TO: Sheriff Pat Perez
Lt. Tom Bumgarner
Karen McConnaughay, County Board Chairman
Members of the Judicial/Safety Committee

FROM: William F. Keck, Auditor

RE: Bank Accounts held by the Sheriff's Office.

Enclosed is the Auditor Office's review of Bank Accounts in Patrol Division from December 2010 to August 2011. Included therein is the Sheriff's response, our conclusion and recommendations.

We wish to thank Lt. Bumgarner for his cooperation during our review.

Sincerely,

William F. Keck
Auditor

CC: David Rickert, Treasurer
Joseph McMahan, State's Attorney
Cheryl Pattelli, Finance Director

Enclosure: Exhibit A

Review of Bank Accounts held by the Sheriff's Office

In the management letter for fiscal year ended November 30, 2010, WRDR LLC CPA's recommended that the county auditor periodically check department level cash accounts. There are fourteen accounts in the Sheriff's Office which are not under the control of the County Treasurer. Twelve of the funds are agency funds and the remaining two funds pertain to the Civil Division. The scope of our examination was for the period of December 2010 to August 2011. The Patrol Division Funds are as follows:

S.W.A.T. (Special Weapons and Tactics):

SWAT is a special force within the Sheriff's Office which is utilized for search and rescue operations. Receipts represent donations from the public and private fundraising events. Disbursements were for equipment and contest prizes awarded from the private fundraiser event receipts.

F.A.T.S. (Fire Arms Training Simulator):

F.A.T.S. is a simulator used for training by Kane County and other police departments. Receipts are donations and from other police departments utilizing the simulator. Disbursements are for equipment and other simulator expenses.

C.O.P. (Community Oriented Policing) and Range:

C.O.P (Community Oriented Policing) and Range accounts were closed in 2009. Monies in each account were transferred to the F.A.T.S. Bank Account.

K-9 Unit:

K-9 Unit is a Police Dog and Deputy Handler Unit used in crime investigations. Receipts represent donations from the public and disbursements are for the Police Dog food, medical and other expenses.

DUI Fund:

Receipts are fines collected by the Circuit Clerk and transferred to the Sheriff. There were no disbursements during the period under review.

Computer Crimes:

Receipts are fines collected by the Circuit Clerk and transferred to the Sheriff. Disbursements were for training expenses during the period under review.

Vehicle Maintenance & Purchase:

Receipts are fines collected by the Circuit Clerk and transferred to the Sheriff. Disbursements would be for maintenance and toward the purchase of Sheriff's vehicles. There were no disbursements during the period under review.

Civil Fees/Civil Operations:

Civil fees are collected by the Sheriff and transferred to the Treasurer on a monthly basis. Civil Operations receipts are citation fees collected by the Circuit Clerk and interest earned on the Escrow Account. Fees collected by the Circuit Clerk are transferred to the Sheriff. The Escrow

Account is no longer earning interest. Disbursements are for supplies, needs of the foreclosure division and implementation of an electronic ticketing system. There were no disbursements from the Civil Operations Account during the period under review.

Escrow:

In foreclosure sales, receipts in an amount greater than the amount owed the financial institution are transferred to the Escrow Account. Disbursements by court order only.

D.E.F. Federal and Local:

Drug Enforcement Funds are distinguished by the source of receipts. Federal represents forfeitures from apprehension by the FBI, ICE and DEA. Local represents forfeitures from the apprehension by the State Police and local police authorities. Disbursements from the Federal Fund may be used for informants and the purchase of materials and supplies used as evidence. Disbursements from the Local Fund are for the purchase of equipment used in drug enforcement.

Chancery:

Chancery Fund is used for foreclosure sales by the Sheriff. Receipts are proceeds from sales net of transfers to the Escrow Account. Disbursements are payments to financial institutions holding the mortgage, legal fees, and any other closing expense. A judge's court order is required for disbursements.

Finding #1:

Under the FDIC Transaction Account Guarantee Program, non-interest bearing accounts will be fully insured for funds deposited in participating banks. The bank used by the Sheriff is a participant in the program which ended June 30, 2010. Unless the program is extended and there is continued participation by the bank the Chancery Account funds are not fully collateralized.

- **Sheriff's Response:** Bank verified that program has been extended and the bank is still a participant (Exhibit A).

Finding #2:

Disbursement checks issued to persons and law firms which have not been cashed and are stale dated as follows:

<u>Year</u>	<u>Number of Checks:</u>
2008	17
2009	11
2010	15
2011	1 (dated 2-15-11)

Conclusions and Recommendations:

Cash Receipts:

There appears to be a proper segregation of duties in the receipt of monies, preparation of the deposit, delivery of deposit to bank, obtaining receipted deposit slips and reconciliation of the bank account. Receipts are usually deposited daily. Under circumstances when daily depositing is not possible, receipts are locked in a safe until deposited on the following business day.

Cash Disbursements:

There appears to be a proper segregation of duties in the approval of disbursements, preparation of checks, signed by an authorized check signer and mailed to the vendor or internal transfer between accounts. The supply of unissued checks is stored in a locked file cabinet.

Other:

No apparent numeric control over receipts and disbursements. We recommend that pre-numbered receipt documents be utilized. We also recommend that a check register be utilized which identifies checks issued in numeric sequence.

Sheriff's office has received confirmation from the bank that the FDIC Transaction Account Guarantee Program is still in effect during 2011. The fund balance in the Chancery Account on August 31, 2011 was over \$2,000,000. This represents increased foreclosure sales in Kane County and is too large a sum outside the control of the Treasurer's Office. We recommend that this be discussed with the State's Attorney Office regarding any legal issues with such a transfer. If there is a legal opinion approving the transfer, then the amount of the transfer should be discussed with the Treasurer's Office in order to have collateralization of the funds.

Stale dated checks have been discussed with the State's Attorney Office and there needs to be action taken to remove stale dated checks from the accounting records.



January 10, 2012

Kane County Sheriff

RE: Deposit Accounts and FDIC Insurance Coverage

To Whom It May Concern,

Please accept this letter as confirmation that all of the accounts under Kane County Sheriff held with The PrivateBank are FDIC insured until December 31, 2012 as they are not receiving any interest on the accounts.

This information can be found on the FDIC website,
<http://www.fdic.gov/deposit/deposits/dis/index.html>

Feel free to contact me with any other questions regarding FDIC coverage.

Kind Regards,

Jennifer Guerri
Associate Managing Director
630.762.6453