



Orange County Auditor-Controller Internal Audit



Countywide Audit of Fiduciary Funds:
Sheriff-Coroner

For the Period
July 1, 2014 through June 30, 2015

Audit Number 1519
Report Date: June 8, 2017



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
I N T E R N A L A U D I T

Eric H. Woolery, CPA
Orange County Auditor-Controller

Toni Smart, CPA	Director, Internal Audit
Scott Suzuki, CPA, CIA, CISA	Assistant Director
Lily Chin, CPA, CGMA	Audit Manager II
Michael Steinhaus, CPA, CGMA	Audit Manager I

12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Auditor-Controller Web Site
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1519

June 8, 2017

TO: Sandra Hutchens
Sheriff-Coroner

SUBJECT: Countywide Audit of Fiduciary Funds:
Sheriff-Coroner

We have completed our audit of internal controls over fiduciary funds in the Sheriff-Coroner (OCSD) for the period July 1, 2014 through June 30, 2015. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior quarter and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the AOC and BOS.

Additionally, we will request your department to complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

A handwritten signature in blue ink, appearing to read "Toni Smart".

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

Attachments

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Eric Woolery, Auditor-Controller
Frank Kim, County Executive Officer
Brian Wayt, Executive Director of Administrative Services Command, OCSD
Robert Beaver, Senior Director of Administrative Services Command, OCSD
Noma Crook, Director of Financial/Administrative Services, OCSD
Sharon Tabata, Assistant Director of Financial/Administrative Services, OCSD
Linh Vuong, Cost/Audit Manager, OCSD Financial/Administrative Services
Monique Vansuch, Audit Manager, OCSD Financial/Administrative Services
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor



Table of Contents

***Countywide Audit of Fiduciary Funds:
Sheriff-Coroner
Audit No. 1519***

For the Period July 1, 2014 through June 30, 2015

Transmittal Letter	i
Internal Auditor's Report	
OBJECTIVES	1
RESULTS	1
BACKGROUND	2
SCOPE AND METHODOLOGY	4
Detailed Findings, Recommendations, and Management Responses	
Finding No. 1 – Fiduciary Funds with No Activity Should Be Evaluated (Control Finding)	7
Finding No. 2 – Fiduciary Fund Documents Lacking Required Elements (Control Finding)	8
Finding No. 3 – Policies/Procedures for Fiduciary Funds Need to be Established (Control Finding)	9
Finding No. 4 – Fund Reconciliation Not Performed for Fund 370 (Control Finding)	9
Finding No. 5 – Misclassification of Fund Type for Civil Process Service Fee in Fund 370 (Control Finding)	10
ATTACHMENT A: Report Item Classifications	11
ATTACHMENT B: Sheriff-Coroner Management Responses	12



Internal Auditor's Report

Audit No. 1519

June 8, 2017

TO: Sandra Hutchens
Sheriff-Coroner

FROM: Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

SUBJECT: Countywide Audit of Fiduciary Funds:
Sheriff-Coroner

OBJECTIVES

As part of a Countywide Audit of Fiduciary Funds, we have completed our audit of internal controls over fiduciary funds in the Sheriff-Coroner (OCSA) for the period July 1, 2014 through June 30, 2015. We conducted this audit to ensure fiduciary funds are properly administered and maintained in compliance with County policy, procedures, and fund requirements. Our audit objectives were to:

1. Evaluate internal controls to ensure fiduciary fund transactions are accurate, valid, adequately supported, processed timely, properly recorded, and that fund receipts and disbursements are made in accordance with the established fund purpose and uses.
2. Evaluate internal controls to ensure fiduciary fund reconciliations are accurate, complete, and timely in compliance with County policy and departmental policy.
3. Evaluate for proper segregation of duties and management reviews and approvals related to the administration of fiduciary funds.
4. Determine if administration of fiduciary funds is effective and efficient (e.g., no backlogs, duplication of work, benefit in automating manual process).

RESULTS

Objective #1: Our audit found that internal controls are in place to ensure fiduciary fund transactions are accurate, valid, adequately supported, processed timely, properly recorded, and transactions were made in accordance with the established fund purpose and uses, with the following exception. We identified **one (1) Control Finding** to evaluate inactive fiduciary funds and determine if they should be closed-out.

Objective #2: Our audit found that internal controls are in place to ensure fiduciary fund reconciliations are accurate, complete, and timely in compliance with County policy and departmental policy; however, we identified **one (1) Control Finding** in which a fund reconciliation was not performed.

Objective #3: Our audit found that internal controls are in place regarding segregation of duties and management reviews and approvals of fiduciary fund transactions and fund reconciliations.



Internal Auditor's Report

Objective #4: Our audit did not disclose any instances concerning duplication of work or backlogs; however, we did find that documentation for establishing certain fiduciary funds, known as Chart of Accounts (COFAs), was old and had limited information, and written policies and procedures for administering and reconciling certain Department Balance Sheet Account (DBSA) sub-accounts in Fund 348 were not established. We identified **two (2) Control Findings** for OCSA to work with the Auditor-Controller to update the COFAs and establish written procedures for administering and reconciling the DBSAs in Fund 348. Additionally, we identified **one (1) Control Finding** to properly classify civil process service fees recorded in Fund 370 as special revenues.

BACKGROUND

We conducted a Countywide Audit of Fiduciary Funds to ensure funds are properly administered and maintained in compliance with County policy, procedures, and fund requirements. This report is on our audit of selected fiduciary funds administered by the Sheriff-Coroner. We are issuing separate reports for our audits of fiduciary funds in the Clerk-Recorder, County Executive Office, Child Support Services, District Attorney-Public Administrator, Health Care Agency/Public Guardian, OC Community Resources, OC Public Works, Probation, Registrar of Voters, and Treasurer-Tax Collector.

Fiduciary funds are used to account for assets held by the County in a trustee or agency capacity on behalf of outside parties, including employees, individuals, private organizations, or other governments. These funds cannot be used to support the County's programs. Fiduciary funds are to be used and accounted for in accordance with applicable legal requirements; Federal, State, and other governmental regulations; trust agreements, trust indentures, or other fiduciary agreements; and generally accepted accounting principles.

County Accounting Manual (CAM) Procedures F3 – *Requesting Establishment/Deletion of Funds/Agency* and F4 – *Fiduciary Funds* provide the policy, procedures and internal control requirements for establishing and maintaining fiduciary funds. Fiduciary funds are classified as either: 1) Private-Purpose Trust Funds; 2) Pension and Other Employee Benefits Trust Funds; and 3) Agency Funds. For this audit, we are including only select Private-Purpose Trust Funds and Agency Funds as described below:

Public Administration Trust Funds (Fund Class U1) – This type of private-purpose trust fund is used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment.

Agency Funds (Fund Class A5) – This type of agency fund is used by certain County departments to hold various types of cash receipts and deposits in a fiduciary capacity. Disbursements are made from these funds by checks issued by the Auditor-Controller upon requisition of the responsible department.



Internal Auditor's Report

As of June 30, 2015, the Sheriff-Coroner had the following fiduciary funds:

Fund	Fund Class	Name/Date Established	Purpose	FY 14/15 Receipts/Disbursements	Fund Balance at 6/30/15
310	A5	Sheriff Court Operations – North Civil Established: April 1985	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$150	\$47,778
312	A5	Sheriff Court Operations – West Civil Established: April 1985	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$2,607
313	A5	Sheriff Court Operations – Harbor Civil Established: April 1985	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$55	\$16,407
315	A5	Sheriff Court Operations – South Civil Established: April 1985	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Total Receipts: \$0 Total Disbursements: \$155	\$190
317	A5	Sheriff Court Operations – Central Civil Established: April 1985	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$832	\$12,473
348	A5	Sheriff (Sheriff-Coroner) Established: April 1985	Collections and deposits of Coroner Bureau's Decedent unclaimed funds; funds due to other agencies; funds to be redistributed; holding of refundable deposits. Note: This fund consists of 23 DBSA sub-accounts.	Receipts: \$11,773,321 Disbursements: \$12,289,732	\$1,351,619
370	A5	Sheriff-Court Operations – Special Collections Established: Mar 1991	Special Fund for civil process fees and vehicle inspection fees.	Receipts: \$1,486,093 Disbursements: \$200,000	\$10,004,233
371	A5	Parking Citation Collections Established: Sept 1993	Collection of parking citations and parking fees.	Receipts: \$0 Disbursements: \$0	\$64,272
375	A5	Central Sheriff Crt Ops – MACS (Court Operations – Marshal's Automated Civil System) Established: Feb 1984	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$0
376	A5	North Sheriff Crt Ops – MACS Established: Oct 1999	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$0
377	A5	West Sheriff Crt Ops – MACS Established: Oct 1999	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$0



Internal Auditor's Report

Fund	Fund Class	Name/Date Established	Purpose	FY 14/15 Receipts/Disbursements	Fund Balance at 6/30/15
378	A5	Harbor Sheriff Crt Ops – MACS Established: Oct 1999	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$0
379	A5	South Sheriff Crt Ops – MACS Established: Oct 1999	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$0
387	A5	Sheriff Court Operations – North CAS (Civil Administration System) Established: Nov 2011	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$0
388	A5	Sheriff Court Operations – West CAS Established: Nov 2011	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$0
389	A5	Sheriff Court Operations – Harbor CAS Established: Nov 2011	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$9,468,853 Disbursements: \$9,602,657	\$558,950
390	A5	Sheriff Court Operations – South CAS Established: Nov 2011	Collections and deposits from civil case plaintiffs and defendants; funds are used to pay off civil judgments along with county fees for the collection services.	Receipts: \$0 Disbursements: \$0	\$0
391	A5	Sheriff Court Operations – Central CAS Established: Nov 2011	Collections and deposits from civil case plaintiffs and defendants; funds are “used” to pay off civil judgments along with county fees for the collection services.	Receipts: \$15,291,525 Disbursements: \$17,567,860	\$1,857,518

Note: For our detailed testing of controls, we selected Fund 348 – *Sheriff (Sheriff-Coroner)* and Fund 391 – *Sheriff Court Operations – Central CAS* to test a sample of disbursements and selected Fund 370 – *Sheriff-Court Operations – Special Collections*, Fund 391– *Sheriff Court Operations – Central CAS* and select DBSAs from Fund 348 – *Sheriff (Sheriff-Coroner)* for testing of the fund reconciliations as of June 30, 2015. Because we only performed testing on select fiduciary funds, **it is important that the Sheriff-Coroner determine if the findings and recommendations contained in this report are applicable to other fiduciary funds under its administration.**

SCOPE AND METHODOLOGY

Our audit of internal controls over fiduciary funds administered by the Sheriff-Coroner was performed to ensure fiduciary funds are properly administered, safeguarded, and maintained in compliance with County policy, procedures, and specific fund requirements for the period from July 1, 2014 through June 30, 2015. Our audit included inquiry, auditor observation, and limited testing for assessing the adequacy of internal controls, and compliance with established County and departmental procedures. We limited our scope for our Countywide Audit of Fiduciary Funds to select Public Administration Trust Funds (Fund Class U1) and Agency Funds (Fund Class A5).



Internal Auditor's Report

Scope Exclusions. We did not include the following fund classes in our Countywide Audit of Fiduciary Funds. These will be considered for future audits based on our risk assessment and audit planning process:

- Unapportioned Tax and Interest Funds (Fund Class A2)
- Pension Trust & Other Employee Benefits (Fund Class P1, P2, P3, P4, P5, P6)
- OCDA Redevelopment private purpose trust fund (Fund Class U2)

FOLLOW-UP PROCESS

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **First Follow-Up Audit** will generally begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **Second Follow-Up Audit** will generally begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. We bring to the AOC's attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. Such open issues appear on the AOC agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your department should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed form to facilitate our review.

MANAGEMENT'S RESPONSIBILITIES FOR INTERNAL CONTROLS

In accordance with the Auditor-Controller's County Accounting Manual Section S-2 *Internal Control Systems*: "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls..." Control systems shall be continuously evaluated by management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our Internal Control Audit enhances and complements, but does not substitute for the Sheriff-Coroner's continuing emphasis on control activities and self-assessment of control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment.



Internal Auditor's Report

Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the Sheriff-Coroner's operating procedures, accounting practices, and compliance with County policy.

The Auditor-Controller Internal Audit Division is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations.

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by the personnel of the Sheriff-Coroner during our audit. If you have any questions regarding our audit, please contact me directly at (714) 834-5442, or Scott Suzuki, Assistant Director at (714) 834-5509.



Detailed Findings, Recommendations, and Management Responses

Finding No. 1 – Fiduciary Funds with No Activity Should Be Evaluated (Control Finding)

Criteria

CAM F-4, *Fiduciary Funds*, Section 2.7.2 states that a fiduciary fund, which is no longer required by a department or agency, should be closed in accordance with County of Orange Accounting Manual Procedures F-3, *Requesting Establishment/Deletion of Funds/Agencies*.

CAM F-3, Section 2.6.1 states that funds/agencies no longer required and which were originally created by request to the Auditor-Controller and County Executive Office (CEO) must be deleted by a letter to the Auditor-Controller, signed by the department/agency head, with a copy to the appropriate CEO analyst, explaining the reasons for deletion of the fund/agency. The Auditor-Controller will obtain CEO concurrence on all fund/agency deletions.

Details

Our audit found that as of June 30, 2015, certain fiduciary funds have a balance but have had no activity, and certain funds have a zero balance and were never used.

Of the 18 total fiduciary funds, the following 14 funds are inactive. Six had trust fund balances ranging from \$190 to \$64,272, and the remaining eight funds had zero balances as of June 30, 2015:

- Fund 310 – Sheriff-Coroner Operations – North Civil, \$47,778
- Fund 312 – Sheriff-Coroner Operations – West Civil, \$2,607
- Fund 313 – Sheriff-Coroner Operations – Harbor Civil, \$16,407
- Fund 315 – Sheriff-Coroner Operations – South Civil, \$190
- Fund 317 – Sheriff-Coroner Operations – Central Civil, \$12,473
- Fund 371 – Parking Citation Collections – \$64,272
- Fund 375 – Central Sheriff Crt Ops – MACS
- Fund 376 – North Sheriff Crt Ops – MACS
- Fund 377 – West Sheriff Crt Ops – MACS
- Fund 378 – Harbor Sheriff Crt Ops – MACS
- Fund 379 – South Sheriff Crt Ops – MACS
- Fund 387 – Sheriff Court Operations – North CAS
- Fund 388 – Sheriff Court Operations – West CAS
- Fund 390 – Sheriff Court Operations – South CAS

We also found that the following two DBSA's in Fund 348 were closed; however, one DBSA still has a balance of \$912 as of June 30, 2015, and one with zero balance still exists in the General Ledger:

- Fund 348-9200-SH18 – RNSP Forfeiture Activity, zero balance
- Fund 348-9200-SH31 – Joyful Child Foundation Fund, \$912

Recommendation No. 1:

Sheriff-Coroner evaluate these inactive fiduciary funds and DBSA sub-accounts, and determine if they should be closed-out if no longer needed for current operations.



Detailed Findings, Recommendations, and Management Responses

Sheriff-Coroner Management Response:

Concur; Sheriff-Coroner is evaluating inactive fiduciary funds and DBSA accounts and will coordinate with AC General Ledger staff to close out the accounts that are no longer needed.

Finding No. 2 – Fiduciary Fund Documents Lacking Required Elements (Control Finding)

Criteria

CAM F-3, *Requesting Establishment/Deletion of Funds/Agencies*, Section 2.3 states:

“The AIT or request letter must contain the following information: (A) The legal authority for establishing the new fund or agency; (B) If no legal authority, the policy/administrative reason or other authority for establishing the fund or agency; (C) Whether or not the fund or agency is a budgeted fund or agency, and if available, the Activity Code to be used for this budget; (D) A description of the revenue sources for the fund or agency, and the uses of the fund or agency; (E) Any expiration date for the fund or agency; (F) Whether the fund will earn its own interest, or if it does not, which other fund should receive the interest earned on balances in the new fund (this does not apply to new agencies); (G) If the fund will not earn its own interest, the reason for the redirection of interest: legal or contractual provision, or management decision; (H) The specific account codings and dollar amounts or appropriations and estimated revenues to be established for the fund or agency, if the fund or agency is being established pursuant to 2.2.3 above; (I) The responsible controlling department for the new fund or new agency; and (J) For funds with separate cash accounts, the planned disposition of any residual account balances when the fund is closed. Include legal or other authority for the distribution.”

Details

COFAs are documents used to establish or modify various funds in the County. Our audit found COFAs were not available for Funds 348 and 370. The Sheriff-Coroner provided memos from 1985 and 1991 that established or updated the fiduciary funds, which occurred prior to the implementation of the Auditor-Controller’s policy. Because these funds were established prior to the existing policy, the memos lack certain elements as required by the policy, such as citing legal or other authority for fund distributions, expiration dates, whether it is interest bearing, and the planned disposition of any account residual balances when the fund is closed.

Auditor-Controller General Accounting is responsible for establishing and maintaining COFA documents. They are aware of the fact that some of the fund establishment documents are old and lack the required elements. Currently, if a department/agency requests a revision to a COFA that is not in the current format, the Auditor-Controller will require them to use the current COFA format that includes all required elements. We were informed by Auditor-Controller General Accounting that it is a goal to eventually have all COFAs in the current format. Our audit did not note any other issues arising from the old COFAs.

The absence of complete written fiduciary fund documentation increases the risk of misunderstandings and miscommunication regarding rights, responsibilities, and authorized uses for the department or agency holding the fiduciary funds in a trustee capacity.

Recommendation No. 2:

The Sheriff-Coroner work with the Auditor-Controller to ensure that all fiduciary fund accounts are fully supported with complete written documentation including determining which COFAs can be updated.



Detailed Findings, Recommendations, and Management Responses

Sheriff-Coroner Management Response:

Concur; the COFA's for Fund 348 and Fund 370 have been completed (Attachments 1 and 2 respectively) and will be submitted to Auditor-Controller General Accounting.

Finding No. 3 – Policies/Procedures for Fiduciary Funds Need to be Established (Control Finding)

Criteria

Policies and procedures should be updated to reflect current processes to ensure consistency in work by current and new staff members.

Details

Sheriff-Coroner's office uses the Department Balance Sheet Account (DBSA) to separate monies held in Fund 348 – *Sheriff (Sheriff-Coroner)*. Our audit found that written policies and procedures for administering the following DBSA sub-accounts were not established:

- 348-9200-SH01 – Jail-Cashiering Trust
- 348-9200-SH02 – Larceny Trust
- 348-9200-SH03 – Bail and Fine Trust
- 348-9200-SH04 – Fingerprint Trust
- 348-9200-SH05 – Unclaimed Property Trust
- 348-9200-SH07 – Coroner's (Decedent) Trust
- 348-9200-SH17 – Peter Cyn Law Enforcement-Hazardous
- 348-9200-SH20 – Nuclear Preparedness Plan-San Onofre Nuclear Generating Station
- 348-9200-SH25 – Emergency Management Grant Program
- 348-9200-SH28 – Intake/Release Center (IRC) Stadium Parking Deposits
- 348-9200-SH31 – Joyful Child Foundation (note: inactive/no longer used)
- 348-9200-SH33 – Justice Assistance Grant (JAG)
- 348-9200-SH34 – Proactive Methamphetamine Laboratory Investigation Team (PROACT)
Meth Lab – Asset Forfeiture

Written desk procedures will help ensure fiduciary funds are processed in accordance with Sheriff-Coroner management's expectations.

Recommendation No. 3:

The Sheriff-Coroner ensure policies and procedures for DBSAs in Fund 348 are established to reflect the current process of administering and reconciling the funds.

Sheriff-Coroner Management Response:

Concur; written desk procedures have been prepared for Trust Fund Reconciliation (Attachment 3).

Finding No. 4 – Fund Reconciliation Not Performed for Fund 370 (Control Finding)

Criteria

CAM F-4, *Fiduciary Funds*, Section 2.6.5, states that departments and agencies are responsible for reconciling, at least monthly, each fiduciary fund balance per the department's or agency's



Detailed Findings, Recommendations, and Management Responses

subsidiary ledger records or other detailed records to the Auditor-Controller's General Ledger balance shown for the fiduciary fund. The reconciliation should be performed by a person having no other fiduciary fund responsibilities. The reconciliations must identify the differences between the department's or agency's detail or subsidiary records and the General Ledger balance of the fund, the reasons for those differences, and the planned disposition of any reconciling items.

Details

Sheriff-Coroner did not complete a monthly fund reconciliation for Fund 370 – Sheriff-Court Operations-Special Collections fund. This fund holds the civil process fees processed through the Civil Administration System with periodic disbursement to supplement the cost of implementing or maintaining the equipment deemed necessary. The system generates a fee report and a journal voucher is processed to record the fees. The fund may not have been reconciled since the fees are primarily the inflow with occasional outflow, to supplement equipment cost.

Recommendation No. 4:

The Sheriff-Coroner ensure a monthly reconciliation is performed for Fund 370 in accordance with CAM F-4.

Sheriff-Coroner Management Response:

Concur; Staff have been advised to complete a monthly reconciliation of Fund 370 in a timely manner.

Finding No. 5 – Misclassification of Fund Type for Civil Process Service Fee in Fund 370 (Control Finding)

Criteria

Governmental accounting is organized and operated on a fund basis. For financial reporting purposes, government entities report governmental, proprietary, and fiduciary funds of financial activities meeting the criteria of using the funds. A Special Revenue Fund is a governmental fund used to collect money that is designated for a specific purpose. An Agency Fund is a fiduciary fund used to hold monies in a custodial capacity.

Details

Fund 370 is established to receive civil process service fees governed by Government Codes 26731, 26746, 26746.1 for the Sheriff Court Operations. These codes authorize the Sheriff's Court Operations to use the fees to supplement the costs of implementation, maintenance, and purchase of auxiliary equipment furnishings deemed necessary for the administration of the civil process. These civil process fees are designed for a specific purpose and should be recorded as special revenues; however, they are recorded in Fund 370 which is an Agency Fund.

Recommendation No. 5:

The Sheriff-Coroner work with Auditor-Controller's office to properly classify Fund 370, that holds the civil process fees designated for specific purpose, as a Special Revenue Fund.

Sheriff-Coroner Management Response:

Concur; Trust Fund 370 will be converted to a Special Revenue Fund and will be budgeted in first Quarter FY 2017-18.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit findings and recommendations, we will classify audit report items into three distinct categories:

▶ **Critical Control Weaknesses:**

These are Audit Findings or a combination of Auditing Findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the Department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

▶ **Significant Control Weaknesses:**

These are Audit Findings or a combination of Audit Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.

▶ **Control Findings:**

These are Audit Findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Sheriff-Coroner Management Responses

ORANGE COUNTY SHERIFF'S DEPARTMENT EXTERNAL MEMO



TO: Director Toni Smart, CPA
Orange County Internal Audit Department

FROM: Sheriff-Coroner Sandra Hutchens *S Hutchens*

DATE: May 17, 2017

RE: Sheriff-Coroner Management Responses on Confidential Draft Report No. 1519

In response to your request dated March 30, 2017, attached are our responses to the recommendations for the Countywide Audit of Fiduciary Funds Sheriff Coroner Draft Report No. 1519.

If you have any questions, please contact Monique Vansuch, Audit Manager at (714) 834-3201 or Director Noma Crook, Financial/Administrative Services Division at (714) 834-6681 for further assistance.

cc: Executive Director Brian Wayt, Administrative Services Command
Senior Direct Robert Beaver, Administrative Services Command
Director Noma M. Crook, Financial/Administrative Services Division
Sharon Tabata, Assistant Director, Financial/Administrative Services Division
Lisa Watanabe, Financial Officer, Financial/Administrative Services Division
Jeff Franzen, Financial Operations Manager, Financial/Administrative Services Division
Linh Vuong, Cost/Audit Manager, Financial/Administrative Services Division
Monique Vansuch, Audit Manager, Financial/Administrative Services Division





Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Sheriff-Coroner Management Responses (cont.)

**Sheriff-Coroner
Countywide Audit of Fiduciary Funds
Responses for Draft Report, Audit No. 1519**

Finding No. 1 - Fiduciary Funds with No Activity Should Be Evaluated (Control Finding)

Recommendation No. 1:

Sheriff-Coroner evaluate these inactive fiduciary funds and DBSA sub-accounts, and determine if they should be closed-out if no longer needed for current operations.

Sheriff-Coroner Management Response:

Concur; Sheriff-Coroner is evaluating inactive fiduciary funds and DBSA accounts and will coordinate with AC General Ledger staff to close out the accounts that are no longer needed.

Finding No. 2 - Fiduciary Fund Documents Lacking Required Elements (Control Finding)

Recommendation No. 2:

The Sheriff-Coroner work with the Auditor-Controller to ensure that all fiduciary fund accounts are fully supported with complete written documentation including determining which COFAs can be updated.

Sheriff-Coroner Management Response:

Concur; the COFA's for Fund 348 and Fund 370 have been completed (Attachments 1 and 2 respectively) and will be submitted to Auditor-Controller General Accounting.

Finding No. 3 - Policies/Procedures for Fiduciary Funds Need to be Established (Control Finding)

Recommendation No. 3:

The Sheriff-Coroner ensure policies and procedures for DBSAs in Fund 348 are established to reflect the current process of administering and reconciling the funds.

Sheriff-Coroner Management Response:

Concur; written desk procedures have been prepared for Trust Fund Reconciliations. (Attachment 3)

Finding No. 4 – Fund Reconciliation Not Performed for Fund 370 (Control Finding)

Recommendation No. 4:

The Sheriff-Coroner ensure a monthly reconciliation is performed for Fund 370 in accordance with CAM F-4.

Sheriff-Coroner Management Response:

Concur; Staff have been advised to complete a monthly reconciliation of Fund 370 in a timely manner.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: Sheriff-Coroner Management Responses (cont.)

**Sheriff-Coroner
Countywide Audit of Fiduciary Funds
Responses for Draft Report, Audit No. 1519**

Finding No. 5 – Misclassification of Fund Type for Civil Process Service Fee in Fund 370 (Control Finding)

Recommendation No. 5:

The Sheriff-Coroner work with Auditor-Controller's office to properly classify Fund 370, that holds the civil process fees designated for specific purpose, as a Special Revenue Fund.

Sheriff-Coroner Management Response:

Concur; Trust Fund 370 will be converted to a Special Revenue Fund and will be budgeted in first Quarter FY 2017 – 18.