



# Orange County Auditor-Controller Internal Audit



Internal Control Audit:  
Countywide Audit of  
County Business Travel and Meeting Policy -  
Sheriff-Coroner

For the Fiscal Year Ended  
June 30, 2017

Audit Number 1626-H  
Report Date: April 3, 2018



O R A N G E C O U N T Y  
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**ERIC H. WOOLERY, CPA**  
AUDITOR-CONTROLLER



**Transmittal Letter**

**Audit No. 1626-H**

**April 30, 2018**

**TO:** Sandra Hutchens  
Sheriff-Coroner

**SUBJECT:** Internal Control Audit:  
Countywide Audit of County Business Travel and Meeting Policy –  
Sheriff-Coroner

We have completed our audit of internal control of Sheriff-Coroner (OCSD) expenditures governed by the County Business Travel and Meeting Policy for the fiscal year ended June 30, 2017. Our final report is attached for your review.

An **Audit Status Report** is submitted quarterly to the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS) detailing 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 that reads "Eric H. Woolery".

Eric H. Woolery, CPA  
Auditor-Controller

**Attachments**

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- 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
- Jeff Franzen, Administrative Manager II, OCSD Financial/Administrative Services
- Lisa Watanabe, Administrative Manager II, OCSD Financial/Administrative Services
- Linh Vuong, Administrative Manager II, OCSD Financial/Administrative Services
- Karla Lazaridis, Administrative Manager I, OCSD Financial/Administrative Services
- Monique Vansuch, Administrative Manager I, OCSD Financial/Administrative Services
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board
- Macias Gini & O'Connell LLP, County External Auditor



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Sheriff-Coroner  
Audit No. 1626-H*

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# Internal Auditor's Report

**Audit No. 1626-H**

**April 30, 2018**

**TO:** Sandra Hutchens  
Sheriff-Coroner

**FROM:** Eric H. Woolery, CPA  
Auditor-Controller

**SUBJECT:** Internal Control Audit:  
Countywide Audit of County Business Travel and Meeting Policy –  
Sheriff-Coroner

## OBJECTIVES

As part of a Countywide Audit of the County Business Travel and Meeting Policy, we have completed our audit of internal control of Sheriff-Coroner (OCS) expenditures governed by the County Business Travel and Meeting Policy for the fiscal year ended June 30, 2017. We performed this audit in accordance with the FY 2017-18 Audit Plan and Risk Assessment developed by the Auditor-Controller Internal Audit Division and approved by the Audit Oversight Committee (AOC) and Board of Supervisors (BOS) to assist management in evaluating and enhancing internal control and the effectiveness and efficiency of the selected areas under audit. Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Audit Standards Board. Our audit objectives were to:

1. Evaluate operational effectiveness of internal control for expenditures governed by the County Business Travel and Meeting Policy (Travel Policy) to ensure expenditures are complete, accurate, and valid.
2. Determine whether expenditures are made in compliance with the County policy.
3. Review travel and meeting expenditure business processes for efficiency improvement.

## RESULTS

### Objective No. 1

We found that internal control is generally effective to ensure expenditures governed by the Travel Policy are complete, accurate, and valid.

### Objective No. 2

We found that expenditures are generally made in compliance with County policy.

### Objective No. 3

We found that business processes are generally efficient as related to the process of incurring travel and meeting expenditures; however, we noted the following:

**One (1) Control Finding**

Automated purchase requisitions

**Finding No. 1**



# Internal Auditor's Report

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## BACKGROUND

OCSD's mission statement is "The men and women of the Orange County Sheriff's Department are dedicated to the protection of all we serve. We provide exceptional law enforcement services free from prejudice or favor, with leadership, integrity, and respect."

OCSD is a large, multi-faceted law enforcement agency served by approximately 3,800 sworn and professional staff members, and over 800 reserve personnel. The elected Sheriff-Coroner delegates authority to her executive team made up of one Undersheriff, three Assistant Sheriffs, an Executive Director, four Commanders, and one Senior Director who administer the daily activities of the captains and professional staff at the division head level.

OCSD is comprised of the following Commands:

1. **Administrative Services Command** – provides financial, budget, contract administration for law enforcement services, payroll, building maintenance and construction management, information systems, evidence storage and other business services. Provides centralized, coordinated communications systems for all local public safety agencies and general government agencies.
2. **Custody Operations Command** – provides jail functions and custodial services to sentenced inmates, including housing, record keeping, recreation, food services, commissary, and correctional programs offering a variety of life skills.
3. **Professional Services Command** – provides personnel, media relations and record keeping to support department operations; conducts law enforcement training; reviews and enhances department policies; improves safety; reduces liability; assists injured employees in recovery and return to work; provides bailiffing for all Superior Courts; staffing of holding facilities; security; arrest warrant enforcement; civil process service and enforcement; and transportation of mental health conservatees.
4. **Field Operations & Investigative Services Command** – provides patrol services to all unincorporated areas and to 17 independent entities; manages Airport, North, Southeast and Southwest Operations and Homeland Security; investigates public offenses and crime violations; provides emergency management and preparedness.

## County Business Travel and Meeting Policy

On January 26, 2016, the Board of Supervisors approved Resolution 16-010, the "County Business Travel and Meeting Policy," to ensure the County's resources are spent in a manner that maximizes and provides full accountability of those resources, and provides for reasonable and equitable reimbursement of expenses incurred by individuals while on County business travel.

## Payment/Reimbursement Methods

Business Travel and Meeting expenditures are made and claimed through a variety of payment types:

- **Revolving Cash Fund/Petty Cash** – Expenditures paid by cash or check for supplies, travel, and certain services.
- **Revolving Cash Fund/Travel Cash Advances** – Cash advances made prior to travel and for reimbursement of incurred travel expenses.



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- **Mileage & Other Expenses Claims** – Employee incurs travel costs, submits reimbursement claim, and is reimbursed through payroll.
- **County Cal-Cards** – Credit card transactions using department funds for business related purchases.
- **Procurement & Contracted Services** – Contract with travel company for department travel needs.

## Accounting for County Business Travel and Meeting Expenditures

These expenditures are recorded in various object codes, along with other non-travel expenditures (e.g., 0900 food includes inmate meals), in the County’s General Ledger. The object code, title, and amount recorded for the fiscal year ended June 30, 2017 are listed below:

**Table 1. Expenditures by Object Code**

Object Code	Title	Total Expenditures
0900	Food	\$9,423,465
2400	Special Departmental Expense	7,097,868
2600	Transportation and Travel – General	3,570,098
2700	Transportation and Travel – Mtgs & Conferences	1,337,698
2601	Private Auto Mileage	59,829

Source: CAPS+ Data Warehouse

## Prior Audit Activity

We have not issued any audit reports for OCSD with a similar scope within the last ten years.

## SCOPE AND METHODOLOGY

Our audit scope was limited to internal control over Travel Policy expenditures for the fiscal year ended June 30, 2017. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions. In addition, we performed various computer-assisted audit techniques (CAAT) with Cal-Card data obtained from the County’s vendor, US Bank, to identify (1) potential duplicate payments, (2) potential inappropriate payments (payments made on weekends and holidays), (3) employee/cardholder matches, and (4) exceeded purchase limits.

## Scope Exclusions

Our audit scope did not include a review of controls over information systems used to process travel transactions.

## FOLLOW-UP PROCESS

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the AOC and the 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.



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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 will 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 RESPONSIBILITY FOR INTERNAL CONTROL**

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 are 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 OCSD'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. 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 OCSD'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 at the Sheriff-Coroner during our audit. If you have any questions regarding our audit, please contact me directly at (714) 834-2456, or Scott Suzuki, Director of Internal Audit, at (714) 834-5509.





# Detailed Findings, Recommendations, and Management Responses

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## Business Process and Internal Control Strengths

Business process and internal control strengths noted during our audit include:

- ✓ OCSD maintains a well-written, comprehensive departmental policy and procedure regarding travel. The policy and procedure provides step-by-step directions on requesting and processing travel related expenditures and was developed based on the Travel Policy.
- ✓ All OCSD Cal-Card holders have pre-set single purchase and 30-day purchase limits.
- ✓ Travel expenditures are approved via requisition before an expenditure is made.
- ✓ Practices exist to obtain approval of travel and reimbursement of related expenditures.
- ✓ Expenditures for business meeting meals are pre-approved by the department head.
- ✓ Travel per diem rates are verified against GSA rates by date and location.
- ✓ OCSD maintains internal records documenting County business travel and related expenses.

The following area is where we believe business travel and meeting expenditure processes and internal control should be enhanced:

## Finding No. 1 – Automated Purchase Requisitions (Control Finding)

Before travel occurs, a manual travel requisition form is initiated by the traveler and approved by the Division Commander, with final approval provided by Executive Command. Many departments have implemented the County's automated requisition system referred to as OC Expediter, which could replace manual requisitions. OC Expediter is a routing-based requisition software tool and an invoice tracking system that is used to process and approve requisitions, as well as monitor available or remaining contract balances to avoid contract overruns. OCSD has considered, but has not yet implemented, OC Expediter.

Automating the purchase requisition preparation and approval processes would help minimize errors, expedite the requisition process, and would leave a transaction audit trail that would document and retain each transaction's activity.

### Recommendation No. 1:

We recommend OCSD implement an automated purchase requisition system, such as OC Expediter.

### Sheriff-Coroner Management Response:

**Concur.** We are coordinating with OCIT to pursue implementation of Expediter. They are currently designing an application solely for OCSD due to the sensitivity of our data.



# 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:

<b>Critical Control Weaknesses</b>	<b>Significant Control Weaknesses</b>	<b>Control Findings</b>
<p>These are audit findings or a combination of audit 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 <b>Critical Control Weaknesses</b> brought to its attention immediately.</p>	<p>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. <b>Significant Control Weaknesses</b> require prompt corrective actions.</p>	<p>These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. <b>Control Findings</b> are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>



# Detailed Findings, Recommendations, and Management Responses

## ATTACHMENT B: Sheriff-Coroner Management Response

### ORANGE COUNTY SHERIFF'S DEPARTMENT EXTERNAL MEMO

**TO:** Director Scott Suzuki  
Auditor Controller, Internal Audit

**FROM:** Executive Director Brian Wayt *B. Wayt*  
Administrative Services Command



**DATE:** March 28, 2018

**RE:** Draft Report Reply for Countywide Audit of County Business Travel and Meeting Policy #1626-H

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Enclosed is the Sheriff-Coroner Department's response to the Draft Report - Countywide Audit of County Business Travel and Meeting Policy, Audit #1626-H. If you have any questions, please contact Monique Vansuch, Audit Manager, at (714) 834-3201 or Noma Crook at (714) 834-6681 for further assistance.

c: Senior Director Robert Beaver, Administrative Services Command  
Director Noma Crook, Financial/Administrative Services Division  
Sharon Tabata, Assistant Director, Financial/Administrative Services Division  
Jeff Franzen, Financial Operations Manager, Financial/Administrative Services Division  
Linh Vuong, Cost/Audit Manager, Financial/Administrative Services Division  
Karla Lazaridis, Administrative Manager I, Financial/Administrative Services Division  
Monique Vansuch, Audit Manager, Financial/Administrative Services Division





# Detailed Findings, Recommendations, and Management Responses

## ATTACHMENT B: Sheriff-Coroner Management Response (cont.)



**CONFIDENTIAL DRAFT REPORT-NOT FOR PUBLIC DISTRIBUTION**

### Detailed Findings, Recommendations, and Management Responses

#### ATTACHMENT B: Sheriff-Coroner Management Response

Concur; We are coordinating with OCIT to pursue implementation of Expediter. They are currently designing an application solely for OCSD due to the sensitivity of our data.