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

For the Fiscal Year Ended
June 30, 2017
Eric H. Woolery, CPA
Orange County Auditor-Controller

Scott Suzuki, CPA, CIA, CISA  Director of Internal Audit
Michael Dean, CPA, CIA, CISA  Audit Manager II
Gianne Acosta  Senior Auditor
Monica McCoy  Auditor II

Special Assistance Provided by:
Jimmy Nguyen, CISA, CFE  IT Audit Manager II
Scott Kim, CPA, CISA  IT Audit Manager I

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

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

April 30, 2018

Audit No. 1626-H

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.

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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*Countywide Audit of County Business Travel and Meeting Policy – 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 (OCSD) 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 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
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 consueetees.

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.
• **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**

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Title</th>
<th>Total Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>0900</td>
<td>Food</td>
<td>$9,423,465</td>
</tr>
<tr>
<td>2400</td>
<td>Special Departmental Expense</td>
<td>7,097,868</td>
</tr>
<tr>
<td>2600</td>
<td>Transportation and Travel – General</td>
<td>3,570,098</td>
</tr>
<tr>
<td>2700</td>
<td>Transportation and Travel – Mtgs &amp; Conferences</td>
<td>1,337,698</td>
</tr>
<tr>
<td>2601</td>
<td>Private Auto Mileage</td>
<td>59,829</td>
</tr>
</tbody>
</table>

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.
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.
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.
ATTACHMENT A: Report Item Classifications

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

<table>
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<th>Critical Control Weaknesses</th>
<th>Significant Control Weaknesses</th>
<th>Control Findings</th>
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<tr>
<td>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 <strong>Critical Control Weaknesses</strong> brought to its attention immediately.</td>
<td>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. <strong>Significant Control Weaknesses</strong> require prompt corrective actions.</td>
<td>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. <strong>Control Findings</strong> are expected to be addressed within our follow-up process of six months, but no later than twelve months.</td>
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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
    Administrative Services Command

DATE: March 28, 2018

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

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