

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Internal Audit:
Sonoma County Sheriff's Office
Special Appropriation Fund**

For the Fiscal Year Ended
June 30, 2023

Engagement No: 3495
Report Date: October 25, 2023



Erick Roeser

Auditor-Controller-Treasurer-Tax Collector

Assigned Audit Team Staff

Kanchan K. Charan	Audit Manager
Damian Gonshorowski, CPA	Audit Supervisor
Olga Gray, CPA	Auditor-In-Charge

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Executive Summary

As a part of the 2023-2024 Audit Plan, the Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (Internal Audit) audited the internal controls over the Sonoma County Sheriff's Office Special Appropriation Fund.

Based on the work we performed, we found the system of internal controls over the Sonoma County Sheriff's Office Special Appropriation Fund is properly designed and documented guidelines are in place for the Buy Money process. The status of prior audit recommendations is discussed below:

Status of prior audit recommendations:

Recommendation #1: The detective ledgers should be reconciled monthly with cash on hand as required by the Guidelines.

Status: Implemented

The Buy Money Guidelines, published in 2007 were revised in August 2023 and it requires the Investigation Sergeant in charge of the Special Appropriation Fund to perform bi-annual reconciliation of the master ledger. Individual ledgers are to be checked by the Sergeant bi-annually. Currently, the Sergeant in charge performs bi-annual checks/audits of the ledgers maintained by individual detectives and the cash in their possession. This process is documented. We reviewed audits performed for 5/24/2021 and 5/17/2022.

Recommendation #2: Access to the S-drive where the Buy Money folder is located should be restricted to the 14 individuals who have a business purpose to access such information. In addition, access to the file should be reviewed annually.

Status: Implemented

Access to the S-drive was updated since the prior year audit and as of October 2023, ten (10) employees have access to the folder. The Sheriff's Office updated Buy Money Guidelines which requires the Sergeant in charge in cooperation with Sheriff's IT Unit, to audit the access to the Buy Money Ledger annually during the month of June and to remove employees with unnecessary access.

Recommendation #3: The Sheriff's Office should submit vouchers and other supporting documents when requesting replenishment from the ACTTC. The reimbursement amount should not exceed the amount accounted for by vouchers submitted to the ACTTC.

Status: In Process

Going forward a copy of the Ledger with confidential information redacted will be included when requesting replenishment from the ACTTC. The reimbursement amount shall comply with terms set in updated Buy Money Guidelines. The Sheriff's Office submitted a sample of the Ledger to ACTTC for review and we determined that it was sufficient information for purposes of satisfying Government Code Section 29437 and 29438 and our recommendation going forward.

Introduction and Background

Introduction

We audited the internal controls over the Sonoma County Sheriff's Office Special Appropriation Fund. We conducted the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained during this audit provides a reasonable basis for the results, findings, and recommendations contained in our report.

The primary purpose of our engagement is to furnish management independent and objective analyses, recommendations, and other information concerning the activities reviewed. The audit report is a tool to help management identify areas that do not meet the standards and implement improvements.

Background

Section 29430 of the Government Code authorizes the County Board of Supervisors to establish a Sheriff's Special Appropriation Fund. The Sheriff may use the Special Appropriation for expenses incurred in the:

- (a) Investigation of criminal cases,
- (b) Preservation of peace, and
- (c) Suppression of crime.

The Office uses the entire Special Appropriation Fund as "Buy Money". The Special Appropriation Fund's purpose, authorized use, and administrative procedures are detailed in the Office's Buy Money Guidelines. Although the law allows the Special Appropriation Fund to be used for broader purposes as discussed above, the Office's internally developed guidelines restricts the use of the Buy Money primarily to purchase controlled substances or to pay informants in connection with criminal investigations. In emergency situations, authorized use is expanded to include travel or other expenditures directly related to criminal investigations. All payments are made in cash.

Section 29437 of the Government Code states that the sheriff shall file vouchers with the auditor at the end of the fiscal year.

Section 29438 of the Government Code states that the reimbursement shall be made in the same manner as the establishment of the appropriation with the support of the vouchers.

Objective, Scope, Methodology and Results

Objective

Determine whether the County of Sonoma has an adequate system of controls in place to ensure that expenditures from the Sheriff's Special Appropriation Fund are approved with appropriate supporting documentation.

Scope

- A preliminary walkthrough/interview to update our knowledge of the operating environment and to identify changes in laws and regulations, systems personnel, and organization structure.
- A risk analysis to identify significant risks of noncompliance with policies, procedures, or laws; loss or misuse of assets; and inefficiencies in processes.
- A review and evaluation of internal controls designed to ensure compliance with the above requirements and to adequately reduce the risk identified.
- Tests of compliance to gain assurance that the internal control system is functioning as intended and is achieving its design objectives.

Methodology

We reviewed the Buy Money Guidelines and Government Code and performed walkthroughs and reviews of key internal controls. The walkthroughs included reviewing relevant documentation and observation of Sheriff's staff involved in the processes under audit. In addition, testing was performed to ensure that appropriate approval was obtained when detectives used Buy Money and that expenditures adhered to the Guidelines.

Results

The Property Crimes Investigation Unit has an adequate system of controls in place to ensure expenditures from the Sheriff's Special Appropriation Fund are approved with appropriate supporting documentation.

Internal audit found documented guidelines in place for the Buy Money process. Detectives were using the Buy Money in accordance with the guidelines, obtaining proper documentation, and approvals. We did not note any exceptions in the sample of transactions we tested.

Status of Prior Audit Findings

Prior Audit Findings (Audit Report Dated July 7, 2020):

Finding #1: Monthly Reconciliation of Buy Money: Risk Classification C: Control Finding

The Sergeant responsible for the oversight of the Special Appropriation Fund does not reconcile the detective ledgers to the cash they have in their possession monthly as required by the Buy Money Guidelines published in 2007 (Guidelines). He, however, performs ad hoc reviews of the detective ledgers, the results of which are not documented. Without performing the reconciliation monthly, as required by the Guidelines, discrepancies in cash, if any, will not be discovered in a timely manner. However, the risk of material loss is low: the detectives generally have between \$500 and \$1,000 cash in their possession at any point in time.

Recommendation #1:

The detective ledgers should be reconciled with cash on hand as required by the Guidelines.

Status: Implemented

The Buy Money Guidelines, published in 2007 were revised in August 2023 and it requires the Investigation Sergeant in charge of the Special Appropriation Fund to perform bi-annual reconciliation of the master ledger. Individual ledgers are to be checked by the Sergeant bi-annually. Currently the Sergeant in charge performs bi-annual checks/audits of the ledgers maintained by individual detectives and the cash in their possession. This process is documented. We reviewed audits performed for 5/24/2021 and 5/17/2022.

Finding #2: Buy money ledger user access: Risk Classification C: Control Finding:

Currently, the Master Ledger for Buy Money and the detective ledgers are maintained in Excel spreadsheets and kept on the Sheriff's S-drive in the Buy Money folder under Investigations. The Sheriff's IT Unit ran a report showing who has access to the folder and found that 73 employees have access. When discussed with the Sergeant, it was determined that only 14 employees should have access to this folder.

Employees should only have access to the information required to complete their assigned duties.

The risk of unauthorized changes and misuse of information increases when access to information is provided to individuals who do not have a business need to access such information.

Status of Prior Audit Findings (continue)

Recommendation #2:

The Sheriff's Office should restrict access to the Buy Money folder to the 14 individuals who need to access that information to complete their assigned duties. Employees who have access to the Buy Money folder should be reassessed annually. Access could be controlled using passwords and the Excel read only feature or other methods as deemed appropriate by Sheriff's IT Unit.

Status: Implemented

Access to the S-drive was updated since prior year audit. The Sheriff's IT unit ran a report which showed 20 employees have access to the folder. According to the Sergeant in charge only 10 employees should have access to this folder, and it is in the process of being updated due to current retirements and promotions. After the update, the IT unit ran a report which showed 10 employees have access to the folder. The Sheriff's Office updated the Buy Money Guidelines in August 2023 which requires Sergeant in charge in cooperation with Sheriff's IT audit the access to the Buy Money Ledger annually during the month of June and removing unnecessary access.

Status of Prior Audit Observation and Staff Acknowledgment

Prior Audit Observation (Audit Report Dated September 16, 2014):

Observation #1:

The Sheriff's Office maintains a properly approved voucher and other supporting documents for each Buy Money transaction. These documents, however, are not submitted to the ACTTC as required by the Government Code Section 29437 and 29438.

Recommendation #1

The Sheriff's Office should submit vouchers and other supporting documents when requesting replenishment from the ACTTC. The reimbursement amount should not exceed the amount accounted for by vouchers submitted to the ACTTC.

Management Response:

Due to regular turnover within fiscal and operational staff, this recommendation was not implemented after the previous audit. However, the Sheriff's Office will implement this process moving forward. For future requests, a copy of the Master Ledger with confidential information redacted will be included when requesting replenishment from the ACTTC. Please note that the reimbursement amount may exceed the amount accounted for by vouchers if a major investigation needs a large sum for a big "buy".

Status: In Process

Going forward a copy of the Ledger with confidential information redacted will be included when requesting replenishment from the ACTTC. The reimbursement amount shall not exceed the amount accounted for by vouchers submitted to the ACTTC. However additional draws may be requested to fund special operations. The Sheriff's Office submitted a sample of the Ledger to ACTTC for review and we determined that it was sufficient information for purposes of satisfying government code section and our recommendation going forward.

Staff Acknowledgment:

We would like to thank the management and staff of the Sheriff's Office for their time, information, and cooperation throughout the review.

Appendix A – Report Item Risk Classification

For purposes of reporting our audit findings and recommendations, we classify audit report items into three distinct categories to identify the perceived risk exposure:

- **Risk Classification A: Critical Control Weakness:**
Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.
- **Risk Classification B: Significant Control Weakness:**
Audit findings or a combination of Control Weaknesses that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.
- **Risk Classification C: Control Weakness:**
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 Weaknesses are expected to be addressed within our follow-up process of six months, but no later than twelve months.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weaknesses will be followed up between six months and one year of the date of the report.