

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, 2020

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Erick Roeser

Auditor-Controller-Treasurer-Tax Collector

Assigned Audit Team Staff

Kanchan K. Charan	Audit Manager
Damian Gonshorowski, CPA	Audit Supervisor
Vanessa Thomas	Auditor-In-Charge

Table of Contents

	<u>Page</u>
Executive Summary	1
Introduction and Background	2
Objective, Scope and Methodology	3
Results and Current Audit Findings	4
Prior Audit Observation and Staff Acknowledgment	6
Appendix A- Report Item Risk Classification	7

Executive Summary

As a part of the 2019-2020 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, except as discussed below:

Current audit findings:

- 1) Monthly Monitoring: The Buy Money Guidelines, published in 2007, require the Investigations Sergeant in charge of the Special Appropriation Fund to perform a monthly reconciliation between the ledgers maintained by individual detectives and the cash in their possession. Currently, this reconciliation is not being performed. The Sergeant indicated he performs ad hoc reviews of his detective ledgers.

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

- 2) Access control: Currently the Master Ledger and the detective ledgers are kept on the Sheriff's S-drive in the Buy Money Folder under Investigation. Information Technology best practices state access should be limited to least privileged. The Sheriff's IT unit ran a report which showed 73 employees have access to the folder. The Sergeant stated 14 employees should have access to this folder.

Recommendation: 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 of prior audit observations and recommendation:

Observation #1: The Sheriff's Office maintains a properly approved voucher and other supporting documents for each Buy Money transaction. These documents, however, are never submitted to the Auditor-Controller-Treasurer-Tax Collector (ACTTC) as required by the Government Code Section 29437 and 29438.

Recommendation: 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: Not Implemented

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 Special Appropriation for fiscal year 2019/2020 was \$15,000.

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 and Methodology

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 and Current Audit Findings

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.

Current Audit Findings

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.

Management Response #1:

The Sheriff's Office agrees with this recommendation and will re-train staff on these Guidelines immediately.

Results and Current Audit Findings

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.

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.

Management Response #2:

The Sheriff's Office agrees with this recommendation and will develop a procedure to regularly review access and limit accordingly. The Investigations Bureau requires flexibility on the number of individuals with access to the Buy Money folder, as promotion and turnover occur regularly. The Investigations Bureau Lieutenant will work with the Sergeant to review staff who need access. They will then work with the Sheriff's IT Unit to determine the best way to control access to the folder. Only the appropriate staff will be given passwords and allowed to access those spreadsheets.

Prior Audit Observation and Staff Acknowledgment

Prior Audit Observation:

Observation #1:

The Sheriff's Office maintains a properly approved voucher and other supporting documents for each Buy Money transaction. These documents however, are never 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.

Status:

Not Implemented

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".

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 Findings 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 Findings:**
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.

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 weakness findings will be followed up between six months and one year of the date of the report