



INTERNAL AUDIT DEPARTMENT



Internal Control Audit: Sheriff-Coroner Fee-Generated Revenue

For the Year Ended September 30, 2021

Audit No. 2121
Report Date: September 15, 2022

Number of Recommendations

- 0** Critical Control Weaknesses
- 0** Significant Control Weakness
- 1** Control Finding

OC Board of Supervisors

CHAIRMAN DOUG CHAFFEE
4th DISTRICT

VICE CHAIRMAN DONALD P. WAGNER
3rd DISTRICT

SUPERVISOR ANDREW DO
1st DISTRICT

SUPERVISOR KATRINA FOLEY
2nd DISTRICT

SUPERVISOR LISA A. BARTLETT
5th DISTRICT



INTERNAL AUDIT DEPARTMENT

Internal Control Audit:
Sheriff-Coroner Fee-Generated Revenue

September 15, 2022

AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of Sheriff-Coroner's (OCSD) fee-generated revenue process for the year ended September 30, 2021.
RESULTS	<ul style="list-style-type: none">We concluded that OCSD's internal control over fee studies and the fee development process is generally effective.We concluded that the fee-generated revenue process is generally efficient.
RISKS IDENTIFIED	As a result of our finding, a potential risk includes: <ul style="list-style-type: none">Inconsistent or inefficient fee revision practices.
NUMBER OF RECOMMENDATIONS	An opportunity for enhancing internal control includes: <ul style="list-style-type: none">Documenting and maintaining the results of annual fee reviews.
0	CRITICAL CONTROL WEAKNESSES
0	SIGNIFICANT CONTROL WEAKNESSES
1	CONTROL FINDING

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to 714.834.3608



INTERNAL AUDIT DEPARTMENT

Audit No. 2121

September 15, 2022

To: Don Barnes
Sheriff-Coroner

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: Internal Control Audit: Sheriff-Coroner Fee-Generated Revenue

We have completed an internal control audit of the Sheriff-Coroner's (OCSD) fee-generated revenue process for the year ended September 30, 2021. Details of our results and recommendation immediately follow this letter. Additional information including background and our objectives, scope, and methodology are included in Appendix A.

OCSD concurred with our recommendation and the Internal Audit Department considers management's response appropriate to the recommendation in this report.

We will include the results of this audit in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. In addition, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by OCSD's personnel during our audit. If you have any questions regarding our audit, please contact me at 714.834.5442 or Assistant Director Scott Suzuki at 714.834.5509.

Attachments

Other recipients of this report:
Members, Board of Supervisors
Members, Audit Oversight Committee
Sheriff-Coroner Distribution
Robin Stieler, Clerk of the Board
Foreperson, Grand Jury
Eide Bailly LLP, County External Auditor

INTERNAL AUDIT DEPARTMENT

RESULTS

BUSINESS PROCESS & INTERNAL CONTROL STRENGTHS	<p>Business process and internal control strengths noted during our audit include:</p> <ul style="list-style-type: none"> ✓ OCSD prepares all fee studies in-house and consults with the Auditor-Controller's Cost, Revenue, and Budget (A-C/CRB) unit for fee development inquiries, when necessary. ✓ OCSD's Financial and Administrative Services team maintains detailed internal fee development and cost recovery procedures consistent with A-C/CRB's process. ✓ OCSD involves Operations Management early in fee development planning to address appropriate cost tracking and cost recovery goals. ✓ OCSD considers similar fees charged by surrounding jurisdictions when developing its fees. ✓ OCSD uses a Fee Checklist for Agenda Staff Report (ASR) submission, which documents the fee's legal authority and compliance with voting requirements. ✓ OCSD documents California Environmental Quality Act (CEQA) compliance on each ASR and Board Resolution. ✓ OCSD notifies impacted external groups of fee changes and documents this on each Fee Study Checklist and related ASR when submitted for Board approval.
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FINDING NO. 1	<p>Annual Fee Reviews</p> <p>While OCSD performs an annual review of fees to consider revisions, the review outcomes are not consistently documented or maintained.</p> <p>Documenting and maintaining the results of annual fee reviews, showing the factors considered supporting the decision for or against fee revisions, will be beneficial when considering future fee revisions.</p>
CATEGORY	Control Finding
RISK	<p>Not maintaining the results of annual fee reviews could lead to inconsistent or inefficient fee revision practices.</p>
RECOMMENDATION	<p>OCSD document and maintain the results of its annual fee reviews.</p>
MANAGEMENT RESPONSE	<p>Concur. OCSD will consistently document and maintain the results of its annual fee reviews.</p>



INTERNAL AUDIT DEPARTMENT

AUDIT TEAM	Scott Suzuki, CPA, CIA, CISA, CFE	Assistant Director
	Michael Dean, CPA, CIA, CISA	Senior Audit Manager
	Zan Zaman, CPA, CIA, CISA	Audit Manager
	Gabriela Cabrera	Senior Auditor
	Alejandra Hernandez	Senior Auditor
	Mari Elias, DPA	Administrative Services Manager



INTERNAL AUDIT DEPARTMENT

APPENDIX A: ADDITIONAL INFORMATION

OBJECTIVES	<p>Our audit objectives were to:</p> <ol style="list-style-type: none">1. Assess internal control over OCSD's fee studies and fee development processes for establishing cost recovery fees charged to the public.2. Review OCSD's fee-generated revenue processes and related controls for efficiency.
SCOPE & METHODOLOGY	<p>Our audit scope was limited to internal control over OCSD's fee development process and cost recovery of charges for the year ended September 30, 2021. Our methodology included inquiry, observation, and examination of documentation.</p>
EXCLUSIONS	<p>Our audit scope did not include a review of controls over fees charged to other County departments, fees set by law, or negotiated fees. We did not review the monitoring process of fee studies performed by other departments. We also did not include a review of controls over the cash receipts process or information systems used in the fees process.</p>
PRIOR AUDIT COVERAGE	<p>We have not issued any audit reports for OCSD with a similar scope within the last ten years.</p>
BACKGROUND	<p>OCSD has six organizational Commands: Custody Operations, Corrections & Court Operations, Patrol Operations, Investigations & Special Operations, Professional Services, and Administrative Services. The Administrative Services Command includes Financial Services, which oversees OCSD's fee-generated revenue process.</p> <p>OCSD's fee-generated revenue process involves conducting annual, or more frequent, fee reviews to identify the viability of fee study revisions. Since periodic fee revisions are not required, OCSD conducts an analysis of external factors that may impact their efforts to increase fees up to actual cost recovery (e.g., the public's ability to adjust to fee increases). If a fee increase appears viable, OCSD will commit staff resources to prepare the necessary cost study.</p> <p>The fee study process includes OCSD staff from respective Commands to provide input on applicable costs and identify limitations to the fee development. OCSD's Finance and Administration cost study team is responsible for preparing fee calculation worksheets and documenting applied methodologies and assumptions. OCSD's fee-generated revenue is comprised of approximately 200 fees as approved via 16 different legal authorities and outlined in Appendix B.</p>



INTERNAL AUDIT DEPARTMENT

PURPOSE & AUTHORITY	We performed this audit in accordance with the FY 2021-22 Audit Plan and Risk Assessment approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
FOLLOW-UP PROCESS	<p>In accordance with professional standards, the Internal Audit Department has a process to follow-up on its recommendations. A first follow-up audit will generally begin six months after release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>A Follow-Up Audit Report Form is attached and is required to be returned to the Internal Audit Department approximately six months from the date of this report in order to facilitate the follow-up audit process.</p>
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 internal controls 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 department management's continuing emphasis on control activities and monitoring of control risks.
INTERNAL CONTROL LIMITATIONS	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 department's operating procedures, accounting practices, and compliance with County policy.



INTERNAL AUDIT DEPARTMENT

APPENDIX B: ADDITIONAL INFORMATION

Table 1. Fees Set by Individual Legal Authority

Fee Type	Fee Description	Legal Authority	Board Approval Date	Percent of Cost Recovery
Business License	Various Fees	Ordinance #05-020	11/22/2005	28% - 116% ¹
Service Fee	Various Fees	Resolution #20-106	07/28/2020	26% - 100%
		Resolution #14-064	06/20/2014	
		Resolution #91-911	07/16/1991	
		Ordinance #08-001	01/08/2008	
		Resolution #04-054	03/09/2004	
		Resolution #92-185	02/25/1992	
		Resolution #20-161	11/17/2020	
Other License	CCW	Resolution #99-162	4/14/2020	11% - 100%
Parking Citation	Various Fees	Resolution #10-197	12/07/2010	N/A
Range Fees	Various Fees	Resolution #97-297	07/01/1997	100%
Coroner's Service Fee	Various Fees	Resolution #90-1243	09/26/1990	100%
Records Fee	Various Fees	Resolution #90-1494	12/05/1990	100%
		Resolution #04-312	11/23/2004	
		Resolution #98-382	10/06/1998	
Photographic Reproduction Fee	Various Fees	Resolution #00-260	08/01/2000	100%

Source: 2021 Sheriff-Coroner Fee Inventory Listing

¹ Five different fee types are listed at 116% of cost recovery.



APPENDIX C: FINDING TYPE CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
<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 Critical Control Weaknesses 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. Significant Control Weaknesses 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. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>



APPENDIX D: SHERIFF-CORONER'S MANAGEMENT RESPONSE

ORANGE COUNTY SHERIFF'S DEPARTMENT

EXTERNAL MEMO

To: Director Aggie Alonso, Orange County Internal Audit Department
From: Director Noma M. Crook, Financial/Administrative Services Division
Date: August 29, 2022
RE: Sheriff-Coroner Fee-Generated Revenue Audit



As requested, attached is the Management Representation Letter and the response to the Sheriff-Coroner Fee-Generated Revenue Draft Audit Report.

If you have any questions or require additional information, please contact Linh Vuong, Cost/Audit Manager at (714) 834-5460 or me at (714) 834-6681 for further assistance.

c: Executive Director Brian Wayt, Administrative Services Command
Lynn Wilkerson, Assistant Director, Financial/Administrative Services Division
Linh Vuong, Cost/Audit Manager, Financial/Administrative Services Division
Scott Suzuki, Assistant Director, Orange County Internal Audit Department
Michael Dean, Senior Audit Manager, Orange County Internal Audit Department

Integrity without compromise | Service above self | Professionalism in the performance of duty | Vigilance in safeguarding our community



**Fee-Generated Revenue Audit #2121
Sheriff-Coroner Response**

Finding No. 1:

Annual Fee Reviews

While OCSD performs an annual review of fees to consider revisions, the review outcomes are not consistently documented or maintained.

Documenting and maintaining the results of annual fee reviews, showing the factors considered supporting the decision for or against fee revisions, will be beneficial when considering future fee revisions.

Recommendation:

OCSD document and maintain the results of its annual fee reviews.

Response:

Concur. OCSD will consistently document and maintain the results of its annual fee reviews.