

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

SPECIAL REQUEST AUDIT: SHERIFF-CORONER LAW ENFORCEMENT SERVICES CONTRACT COST STUDY FOR FY 2012-13

The Sheriff-Coroner proposes costs of \$112 million for Fiscal Year 2012-13 for contract law enforcement services (approximately 16% of Sheriff-Coroner's operations).

Currently, contract law enforcement services are provided to twelve Orange County cities and the Orange County Transportation Authority.

Sheriff-Coroner began providing contract law enforcement services in 1961.

We conducted an audit of the Sheriff-Coroner (S-C) law enforcement services contract cost study for Fiscal Year 2012-13 at the request of the Audit Oversight Committee.

The scope of the audit was to determine if the proposed law enforcement services contracts with the twelve Orange County cities and Orange County Transportation Authority (OCTA) and the contract proposal with the City of Yorba Linda for Fiscal Year 2012-13 will recover full costs in accordance with County policies and applicable California Government Code.

We found S-C Law Enforcement Services Contract Cost Study will recover full costs in accordance with County policies and applicable California Government Code for Fiscal Year 2012-13. Specifically, we noted retirement costs include the contribution requirements for FY 2012-13 for the Normal Costs and the Unfunded Actuarial Accrued Liability (UAAL). The retirement contribution rate (which includes the UAAL) is adjusted annually based on the results of the actuarial valuation and review that is performed on an annual basis. We identified **two (2) Control Findings** to enhance policies and procedures for conducting the law enforcement contract cost study and to ensure full cost recovery of enhanced helicopter responses.

AUDIT NO: 1158

REPORT DATE: JUNE 29, 2012

Director: Dr. Peter Hughes, MBA, CPA, CIA
Deputy Director: Eli Littner, CPA, CIA
Senior Audit Manager: Alan Marcum, CPA, CIA
Audit Manager: Michael Dean, CPA, CIA
Audit Manager: Winnie Keung, CPA, CIA
Senior Internal Auditor: Lisette Free, CPA, CFE
Senior Internal Auditor: Susan Nestor, CPA, CIA

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach



ORANGE COUNTY BOARD OF SUPERVISORS'
Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes **Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE, CFF, CGMA**
Director
Certified Compliance & Ethics Professional (CCEP)
Certified Information Technology Professional (CITP)
Certified Internal Auditor (CIA)
Certified Fraud Examiner (CFE)
Certified in Financial Forensics (CFF)
Chartered Global Management Accountant (CGMA)
E-mail: peter.hughes@iad.ocgov.com

Eli Littner **CPA, CIA, CFE, CFS, CISA**
Deputy Director
Certified Fraud Specialist (CFS)
Certified Information Systems Auditor (CISA)

Michael Goodwin **CPA, CIA**
Senior Audit Manager

Alan Marcum **MBA, CPA, CIA, CFE**
Senior Audit Manager

Autumn McKinney **CPA, CIA, CISA, CGFM**
Senior Audit Manager
Certified Government Financial Manager (CGFM)

Hall of Finance & Records

12 Civic Center Plaza, Room 232
Santa Ana, CA 92701

Phone: (714) 834-5475

Fax: (714) 834-2880

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Transmittal Letter



Audit No. 1158 June 29, 2012

TO: Sandra Hutchens
Sheriff-Coroner

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Special Request Audit:
Sheriff-Coroner Law Enforcement Services
Contract Cost Study for FY 2012-13

We have completed an audit of the Sheriff-Coroner (S-C) Law Enforcement Services Contract Cost Study for Fiscal Year 2012-13. We performed this audit at the request of the Audit Oversight Committee (AOC) at their March 15, 2012 meeting. The scope of the audit was to determine if the proposed law enforcement services contracts with the twelve Orange County cities and Orange County Transportation Authority (OCTA) for Fiscal Year 2012-13 will recover full costs in accordance with County policies and applicable California Government Code. In addition, we included in our scope a review of the Sheriff-Coroner's contract proposal with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 to determine if the contract will recover full costs in accordance with County policies and applicable California Government Code. The AOC is especially interested in knowing that the law enforcement services contracts are recovering retirement costs, which includes the UAAL. Our final report is attached for your review.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **first Follow-Up Audit** will 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 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. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your agency 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 document to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any critical and significant audit findings released in reports during the prior month 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 BOS.

Letter from Dr. Peter Hughes, CPA



As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 12.

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Sheriff-Coroner Law Enforcement
Services Contract Cost Study for FY 2012-13
Audit No. 1158*

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Audit No. 1158

June 29, 2012

Audit Highlight

We conducted an audit of the Sheriff-Coroner (S-C) law enforcement services contract cost study for Fiscal Year 2012-13 at the request of the Audit Oversight Committee.

The scope of the audit was to determine if the proposed law enforcement services contracts with the twelve Orange County cities and Orange County Transportation Authority (OCTA) and the contract proposal with the City of Yorba Linda for Fiscal Year 2012-13 will recover full costs in accordance with County policies and applicable California Government Code.

We found S-C Law Enforcement Services Contract Cost Study will recover full costs in accordance with County policies and applicable California Government Code for Fiscal Year 2012-13.

Specifically, we noted retirement costs include the contribution requirements for FY 2012-13 for the Normal Costs and the Unfunded Actuarial Accrued Liability (UAAL). The retirement contribution rate (which includes the UAAL) is adjusted annually based on the results of the actuarial valuation and review that is performed on an annual basis. We identified **two (2) Control Findings** to enhance policies and procedures for conducting the law enforcement contract cost study and to ensure full cost recovery of enhanced helicopter responses.

TO: Sandra Hutchens
Sheriff-Coroner

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Special Request Audit:
Sheriff-Coroner Law Enforcement Services Contract
Cost Study for FY 2012-13

OBJECTIVES

At the request of the Audit Oversight Committee (AOC) at their March 15, 2012 meeting, the Internal Audit Department conducted an audit of the Sheriff-Coroner (S-C) Law Enforcement Services Contract Cost Study for FY 2012-13. The purpose of the audit was to determine if the proposed law enforcement services contracts with the twelve Orange County cities and OCTA [contract partners] for Fiscal Year 2012-13 will recover full costs in accordance with County policies and applicable California Government Code.

In addition, we included a review of the Sheriff-Coroner's contract proposal with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 to determine if the contract will recover full costs in accordance with County policies and applicable California Government Code. Our audit was conducted in conformance with professional standards established by the Institute of Internal Auditors.

The objectives of this audit were to determine that:

1. The proposed law enforcement services contracts with the twelve Orange County cities and OCTA for Fiscal Year 2012-13 will recover full costs (e.g., retirement costs including the Unfunded Actuarial Accrued Liability (UAAL)) in accordance with County policies and applicable California Government Code.
2. The Sheriff-Coroner's contract proposal with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 will recover full costs (e.g., retirement costs including the Unfunded Actuarial Accrued Liability (UAAL)) in accordance with County policies and applicable California Government Code.



RESULTS

Objective #1: The proposed law enforcement services contracts with the twelve Orange County cities and OCTA for Fiscal Year 2012-13 will recover full costs (e.g., retirement costs including the Unfunded Actuarial Accrued Liability (UAAL)) in accordance with County policies and applicable California Government Code.

Result #1: Our audit found the proposed law enforcement services contracts for the twelve Orange County Cities and OCTA for Fiscal Year 2012-13 will recover full costs in accordance with County policies and applicable California Government Code. **Specifically, we noted retirement costs include the contribution requirements for FY 2012-13 for the Normal Costs and the Unfunded Actuarial Accrued Liability (UAAL). The retirement contribution rate (which includes the UAAL) is adjusted annually based on the results of the actuarial valuation and review that is performed on an annual basis.**

We identified **two (2) Control Findings**. 1) The exact nature of the enhanced helicopter responses is not specified in the Law Enforcement Services Contract Agreements for the twelve contracting cities. In addition, the cost allocation amount for enhanced helicopter responses has not been updated for full cost recovery since its establishment in 1996. 2) S-C's policies and procedures over the development of the law enforcement services contract cost study should be enhanced.

Objective #2: The Sheriff-Coroner's contract proposal with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 will recover full costs (e.g., retirement costs including the Unfunded Actuarial Accrued Liability (UAAL)) in accordance with County policies and applicable California Government Code.

Result #2: Our audit found that the costs proposed with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 will recover full costs in accordance with County policies and applicable California Government Code. **Specifically, we noted retirement costs include the contribution requirements for FY 2012-13 for the Normal Costs and the Unfunded Actuarial Accrued Liability (UAAL). The retirement contribution rate (which includes the UAAL) is adjusted annually based on the results of the actuarial valuation and review that is performed on an annual basis.**



SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

The following *Summary of Audit Findings and Recommendations* shows our findings and recommendations resulting from our audit. See further discussion in the *Detailed Results, Findings, Recommendations and Management Responses* section of this report. See *Attachment A* for a description of Report Item Classifications.

Finding No.	Report Item Classification	Findings	Recommendations	Concurrence by Management	Page No. in Audit Report
1.	Control Finding	The law enforcement services contract agreements for the twelve contracting cities do not specifically clarify the nature of Enhanced Helicopter Responses (Air Support). The amount and cost allocation method has been reviewed but not updated for full cost recovery since its establishment in 1996.	1a. We recommend that Sheriff-Coroner management revise the law enforcement services contract agreements for the twelve contracting cities to specifically address the nature of the enhanced helicopter responses.	Concur	15
			1b. We recommend that Sheriff-Coroner management review the enhanced helicopter responses rate and cost allocation method to ensure full cost recovery in accordance with County policies and applicable California Government Code.	Concur	15
2.	Control Finding	Policies and Procedures Over the Development of the Law Enforcement Services Contract Cost Study Could Be Enhanced.	We recommend that the Sheriff-Coroner management improve policy and procedures to be followed over the development of the law enforcement services contract cost study. Consideration should be given to hiring a professional (consultant) to assist, if internal resources are not available, in the development and/or revision of the procedures. Documented policies and procedures should be reviewed and approved by management. The most current policies and procedures should be readily accessible for reference by personnel responsible for the development of the law enforcement services contract cost study.	Concur	16



BACKGROUND

Orange County Sheriff's Department Mission Statement

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.

Sheriff-Coroner's Recommended Budget for Fiscal Year 2012-13

The Orange County's Fiscal Year 2012-13 Recommended Budget for appropriations, including augmentation requests, under the control of the Sheriff-Coroner is \$693,244,903 with a total of 3,808 positions. Contract law enforcement services' costs represent approximately 16% of the Sheriff-Coroner's operations for FY 2012-13. Contract law enforcement services' employees represent approximately 13% of the total Sheriff-Coroner's positions and does not include the Yorba Linda contract budget amount.

Law Enforcement Services Contracts

Sheriff-Coroner currently provides contract law enforcement services to twelve Orange County cities and OCTA and during the course of this audit the Department was in the process of negotiating contracts for Fiscal Year 2012-13. In addition, the Sheriff-Coroner's staff is in the process of negotiating a contract for law enforcement services with the City of Yorba Linda for services beginning in Fiscal Year 2012-13. The following law enforcement services contracts are in the process of being finalized:

City/Agency		Initial Contract Year	FY 2012-13 Direct Full Time Equivalent	FY 2012-13 Proposed Contract Amount
One-Year Agreement				
1	Aliso Viejo	2001	27.97	\$ 6,355,155
2	Dana Point	1989	42.00	9,316,703
3	Laguna Hills	1992	27.97	6,633,168
4	Laguna Niguel	1990	40.00	9,275,931
5	Laguna Woods	1999	5.42	1,331,904
6	Lake Forest	1992	53.00	12,455,023
7	Mission Viejo	1988	67.00	15,471,819
8	Rancho Santa Margarita	2000	31.66	7,289,648
9	San Clemente	1993	55.00	11,931,782
Five-Year Agreement				
10	San Juan Capistrano	1961	30.00	7,350,382
11	Stanton	1988	38.00	8,420,000
12	Villa Park	1962	4.50	1,149,447
	OCTA	1993	24.00	5,688,892
	Sub-Total		446.52	102,669,854
*	Yorba Linda	2012-13	39.50	9,616,067
	Total		486.02	112,285,921
	% of S-C Operations		13%	16%

* Still in negotiations and is contingent on the Board of Supervisor's approval. Proposed contract amount includes one-time start up costs which are not comparable to other cities' contracts.



California Government Code §51350

The State of California Government Code §51350 authorizes counties to charge cities for costs incurred in providing services that are contracted or authorized by law. "A county which provides services through its appropriate departments, boards, commissions, officers or employees, to any city pursuant to contract or as authorized by law, shall charge the city all those costs which are incurred in providing the services so contracted or authorized. A county shall not charge a city contracting for a particular service, either as a direct or an indirect overhead charge, any portion of those costs which are attributable to services made available to all portions of the county, as determined by resolution of the board of supervisors, or which are general overhead costs of operation of the county government. General overhead costs, for the purpose of this section, are those costs which a county would incur regardless of whether or not it provided a service under contract to a city."

Board Resolution No. 89-1160 – Sheriff-Coroner Services Provided to all Orange County Cities at no Cost

The Board of Supervisors adopted Resolution No. 89-1160 in August 1989 which specifies 23 Sheriff-Coroner services given county-wide to all Orange County cities at no-cost (such as Jail Operations, Coroner, Forensic Science Services, Homicide Detail, Tactical Support Team (SWAT)). In addition, the Resolution **authorizes** the S-C to charge as a direct service to a city, including the contract cities, any of the specified 23 services, to the extent that the level-of-service requested by the city is greater than that given to the other Orange County cities free-of-charge.

The law enforcement services contract cost studies do not include costs related to the specified 23 services other than for enhanced level of helicopter responses provided to all contract cities. See **Section 3C. – Enhanced Helicopter Responses (Air Support)**.

County of Orange Accounting Manual

The County of Orange Accounting Manual, Policy Number B-2, Billing Rates and Indirect Costs and R-3, Revenue Policy, Requirements & Responsibilities establish a Countywide revenue policy and related procedure, including the requirements and responsibilities concerning non-property tax revenues that will aid in the effective management of such revenue and provide basic guidelines for calculating department billing rates and indirect costs. If any provisions of these procedures are in conflict with applicable state/federal regulations those other regulations govern. County policy for charging the costs of County services to outside agencies, businesses, and individuals, and other County funds, is for full cost recovery whenever possible.

Law Enforcement Services Contract Model

The law enforcement contract model for the law enforcement services contracts is based on the legal requirement under government code §51350. The S-C contracts for a specific number of personnel/specific level-of-service (e.g. half (.50) full time equivalent or one (1) full time equivalent). The cost study is structured to calculate a per-position-cost for applicable S-C positions. As such, the necessary number of personnel is provided to ensure that the specified level-of-service is maintained regardless of an employee's annual leave, sick time, etc. The calculation methodology is prepared and updated annually for changes to the S-C's costs such as salaries, employee benefits and the other costs in providing law enforcement services and based on the level-of-service requested by the contract partners. The S-C may contract and charge cities for costs incurred in providing services for any supplemental law enforcement services such as policing special events.



The S-C Financial/Administrative Services Revenue/Audit (Revenue & Audit) Unit prepares a cost study annually to ensure full cost recovery for law enforcement services rendered to the contract partners. The cost study is reviewed annually by the Auditor-Controller. Contract partners are billed monthly for services rendered and may be responsible for any salary and benefit increases pertaining to the contract period. If there is such an increase, the contract partner has an option to reduce the level of service at mid-year to maintain the maximum obligation for the contract period.

The contract cost study is comprised of direct and indirect costs. Direct costs include salaries and wages, employee benefits, services and supplies, and other direct charges and credits associated with the level-of-service requested. Indirect costs include division, department, training, countywide cost allocation plan (CWCAP) overhead costs, and regional support costs. The cost methodology used to develop the per-position-cost is a combination of actual usage statistics, actual and budgeted rates, and negotiated agreed upon costs. The annual cost study is broken down into the following components:

1. SALARIES AND WAGES

Regular base salaries and wages, overtime, and premium pays associated with each position. Salaries and wages account for approximately **44%** of the law enforcement contract services costs.

The majority of county positions (safety and non-safety) are represented by labor unions, e.g. Association of Orange County Deputy Sheriffs (AOCDS) for the Peace Officer Unit and Supervising Peace Officer Unit, and Orange County Employee Association (OCEA). Their employment terms and conditions are stated in the corresponding Memorandum of Understanding (MOU) Agreements. Employment terms and conditions for unrepresented employees are stated in the County's Personnel and Salary Resolution.

Salaries and wages are calculated based on actual costs and rates established by the County of Orange Human Resources Departments' Salary Schedules and Title Schematics.

Overtime costs are calculated at one and one-half (1½) times the regular rate. It is calculated based on actual overtime hours net of any credits and/or adjustments due to vacancies and leave of absences and allocated to applicable positions.

Premium pay is calculated depending on the applicable MOU, job classification, and compliance with eligibility requirements. Specific criteria and rates are stated in the corresponding MOUs. Examples of premium pay include Peace Officer Standards and Training (P.O.S.T.) pay and motorcycle officer assignment pay. P.O.S.T. pay is calculated based on the applicable P.O.S.T. percentage and applied to salary.

2. BENEFITS

Retirement (Orange County Employees Retirement System – OCERS; defined contribution – health reimbursement accounts, and Supplemental Targeted Adjustment for Retirees Cost of Living Adjustment – star cola), insurance (medical, worker's compensation, health and welfare, unemployment, dental, accidental death and dismemberment, salary continuance, and life), Medicare taxes, and management optional benefit plan costs associated with each position. Benefits account for approximately **31%** of the law enforcement services contract costs.



A. Retirement – OCERS:

The County of Orange is a participant of the Orange County Employees Retirement System (OCERS), which provides retirement benefits for the employees of OC. This benefit is funded through employer contributions, employee contributions and investment earnings on OCERS assets. The County's (employer) contribution of OCERS retirement costs account for approximately **69%** of the law enforcement services total benefits contract costs.

Retirement benefits and costs vary depending on plan type and corresponding benefit formula. The Employer/Plan Sponsor is required to make a contribution to OCERS to fund the retirement plan. The retirement contribution rate for FY 2012-13 is based on the most current actuarial valuation and review (actuarial) performed by The Segal Company, as of December 31, 2010. The retirement contribution rate is adjusted annually based on the results of the annual actuarial valuation and review.

For FY 2012-13, OCERS contracted with The Segal Company for an actuarial valuation and review to summarize the actuarial data used in their valuation, establish the funding requirements for each Fiscal Year, and analyze each preceding year's experience.

The Segal Company prepared an actuarial report to present a valuation of the Orange County Employees Retirement System as of December 31, 2010. The valuation was performed to determine whether the assets and contributions were sufficient to provide the prescribed benefits. The contribution requirements presented in the report were based on these five key and industry standard elements:

- 1) The benefit provisions of the Retirement System, as administered by the Board of Retirement;
- 2) The characteristics of covered active members, inactive vested members, retired members, and beneficiaries as of December 31, 2010, provided by the Retirement System;
- 3) The assets of the Plan as of December 31, 2010, provided by the Retirement System;
- 4) Economic assumptions regarding future salary increases and investment earnings; and
- 5) Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

The report concluded that the contribution requirements are determined as a percentage of payroll. The System's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities for each plan.

Unfunded Actuarial Accrued Liability (UAAL)

The unfunded actuarial accrued liability (UAAL) is defined as the extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.



In the valuation, The Segal Company has continued with the Board's (OCERS') "funding policy to amortize the outstanding balance of the unfunded actuarial accrued liability (UAAL) from the December 31, 2004 valuation over a declining period, currently 24 years. The outstanding balance of the UAAL established in the December 31, 2009 valuation as a result of including additional premium pay items as pensionable salary and the new UAAL established in the December 31, 2010 valuation as a result of reallocating contributions and benefit payments among Rate Groups are also amortized over a 24-year period, in the December 31, 2010 valuation. Any increases or decreases in unfunded actuarial accrued liabilities that arise in future years due to actuarial gains or losses will be amortized over separate 15-year periods. Any increases or decreases in UAAL due to changes in actuarial assumptions are amortized over separate 30-year periods. The rates calculated in the report may be adopted by the Board for the Fiscal Year that extends from July 1, 2012 through June 30, 2013."

The Segal Company issued the most current actuarial valuation and review on July 6, 2011, which was conducted as of December 31, 2010, for establishing the funding requirements for Fiscal Year 2012-13. OCERS Board of Retirement adopts the employer contribution rates based on the valuation and review and notifies OC Board of Supervisors to adopt and adjust the retirement rate Countywide for the period.

Employer/Employee Contribution Rates FY 2012-13				
Plan Types	Formula	MOU	Actuarial Rate	
I & J (General)	2.7% @ 55	OCEA, PSR	Normal	11.55%
			UAAL	16.84%
			Total	28.39%
E & F (Law Enforcement)	3% @ 50	AOCDS	Normal	21.05%
			UAAL	26.40%
			Total	47.45%

The retirement contribution rate (which includes the UAAL) is **adjusted annually** based on the results of the actuarial valuation and review that is performed on an annual basis.

In addition to paying the employer's normal cost and UAAL, the County is required to make additional contributions for employee's normal contributions in accordance with labor union agreements or Board resolutions including retiree medical grant costs. Furthermore, law enforcement employees are required to contribute a percentage of their compensation earnable toward their employee normal retirement contribution and general employees are responsible for the retirement cost (net of other savings) for implementation of the 2.7% at 55 retirement benefit formula. These additional contributions and offsets are included in the retirement contribution rates provided by CEO's FY 2012-13 Countywide Benefit and Billing Rates and are used in the FY 2012-13 cost study to allocate retirement costs.

- B. Retirement – Defined Contribution (Health Reimbursement Accounts):** Defined contribution costs account for approximately **3%** of the law enforcement services total benefits contract costs. Health Reimbursement Account cost is calculated depending on the applicable MOU, job classification, and compliance with eligibility requirements. Specific criteria and rates are stated in the corresponding MOUs.



Health reimbursement account rates provided by CEO's FY 2012-13 Countywide Benefit and Billing Rates are used in the FY 2012-13 cost study to allocate health reimbursement account costs.

- C. **Retirement – Star Cola:** Star Cola costs account for less than **1%** of the law enforcement services total benefits contract costs. Star Cola is paid to eligible retirees who retired prior to April 1, 1981 and survivors who have lost more than 20% of their original retirement benefit's purchasing power due to inflation. Star Cola rates provided by CEO's FY 2012-13 Countywide Benefit and Billing Rates are used in the FY 2012-13 cost study to allocate Star Cola costs.
- D. **Insurance:** Insurance includes medical, workers' compensation, Medicare, health and welfare, unemployment, dental, accidental death and dismemberment, salary continuance, and life. Insurance costs account for approximately **27%** of the law enforcement services total benefits contract costs. Insurance rates provided by CEO's FY 2012-13 Countywide Benefit and Billing Rates are used in the FY 2012-13 cost study to allocate insurance costs.
- E. **Management Optional Benefit Plan:** The County in accordance with applicable MOU's provides optional benefits to specific employees, (e.g. optional benefits include 1. cash (taxable); 2. professional conferences which are job related (employee only) including fees and other expenses while attending; 3. professional memberships, licenses, and certificates which are job related (employee only); 4. professional journals and periodicals (employee only) which are job related). The optional benefit plan costs account for less than **1%** of the law enforcement services total benefits contract costs. Management's optional benefit plan cost is calculated depending on the applicable MOU, job classification, and compliance with eligibility requirements. Specific criteria and rates are stated in the corresponding MOUs. Management optional benefit plan costs are allocated based on actual compensated amounts paid. Based on the CEO Budget instructions maximum allowable amount which is currently \$3,500.

3. SERVICES AND SUPPLIES

Services and supplies include services and supplies, liability insurance, and enhanced helicopter responses (air support). Services and supplies accounts for approximately **2%** of total law enforcement services contract costs.

- A. **Services and supplies:** Actual direct and shared services and supplies expenditures are allocated to law enforcement services contracts.
- B. **Liability Insurance:** The County maintains self-insured Property & Liability Insurance and has established Internal Service Funds to set aside funds to finance all future losses. CEO Risk Management is responsible for preparing a cost allocation plan to charge liability insurance costs to county agencies/departments. The CEO Budget Office calculates the lump sum allocation for each agency/department for the Fiscal Year. In addition to the lump sum allocation provided by CEO's FY 2012-13 Countywide Benefit and Billing Rates used in the FY 2012-13 cost study, S-C calculates S-C's Risk Management's unit costs to allocate liability insurance costs.
- C. **Enhanced Helicopter Responses (Air Support):** Costs are for "enhanced" helicopter responses for contract cities (excludes OCTA) in addition to regular countywide helicopter responses provided to all County cities.



The costs are allocated based on the number of Deputy Sheriff II positions for a contract partner times the cost allocation amount of \$902, which was established in 1996. We performed tests to validate that the level of helicopter responses provided to contracting cities is greater than that given to other Orange County cities free-of-charge, and found that it is appropriate to charge the contracting cities for the enhanced helicopter responses. The amount and calculation method for determining the cost allocation has not been updated since it was established in 1996. See [Finding No. 1](#).

4. **OVERHEAD COSTS (INDIRECT COSTS)**

Included in overhead costs are Countywide Cost Allocation Plan (CWCAP); Department Overhead; Training Overhead; and Division Overhead. Overhead accounts for approximately **11%** of total law enforcement services contract costs.

A. **Countywide Cost Allocation Plan (CWCAP):** The CWCAP is developed annually by the Auditor-Controller and a consultant. The CWCAP is based on the apportionment of costs to agencies and organizations within an agency. Upon approval from the State of California, Auditor-Controller develops rate studies for the departments. S-C applies the CWCAP rates to the total salaries of the law enforcement services contract partners.

B. **Department Overhead:** The allocation of administrative and technical support function costs provided from five (5) Sheriff-Coroner Units (1. Financial, 2. Supply Detail, 3. Professional Standards, 4. Administration and 5. Director of Public Affairs). Department overhead costs are calculated based on actual expenditures for the aforementioned units.

C. **Training Overhead:** The cost of in-services training (Advance Officer) and the salary and benefits of recruits in the academy. Since the Training Center provides training to County and non-County participants, the training cost (net of revenue) is adjusted to exclude the non-County participants then is distributed to each sworn position.

D. **Division Overhead:** The allocation of managerial and supervisory costs (e.g. costs of captain, shared clerical positions at the substation (patrol and investigation), dispatch, and the Department commander). Division overhead and captain costs are calculated based on actual expenditures for the aforementioned positions.

5. **REGIONAL SUPPORT COSTS**

Regional Support Costs includes direct and indirect costs for shared staff (e.g., Regional Traffic Office). Regional support costs account for approximately **2%** of total law enforcement services contract costs.

6. **OTHER CHARGES AND CREDITS**

Other charges and credits account for approximately **10%** of total law enforcement services contract costs.

A. **Other Charges:** Other charges include costs pertaining to an activity rather than specific to a position classification. Other charges include but are not limited to costs such as transportation costs, bilingual pay, holiday compensation pay, patrol video system recurring costs, Megan Law's data line, and patrol training costs.

B. **Credits:** Includes revenues for fees or charges that the County collected on the city's behalf, e.g. County collects false alarm fees for cities, or reimbursement for POST/Training.



SCOPE AND METHODOLOGY

Our audit covers the Sheriff-Coroner's law enforcement services contracts cost study for Fiscal Year 2012-13 and includes the following:

1. Determine that the proposed law enforcement services contracts with the twelve Orange County cities and OCTA for Fiscal Year 2012-13 will recover full costs (e.g., retirement costs including the Unfunded Actuarial Accrued Liability (UAAL)) in accordance with County policies and applicable California Government Code.
2. Determine that the Sheriff-Coroner's contract proposal with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 will recover full costs (e.g., retirement costs including the Unfunded Actuarial Accrued Liability (UAAL)) in accordance with County policies and applicable California Government Code.

SCOPE EXCLUSIONS

Our audit did not include an audit of system controls over the Sheriff-Coroner's information systems used for administering, recording, and reporting transactions for the S-C law enforcement services contracts. In addition, we did not perform an evaluation of internal controls and processes over the administration, including controls over cash receipts and/or disbursements, and compliance of law enforcement services contracts. Furthermore, we did not audit the rates developed by CEO's Budget or other 3rd party, departments and/or agencies (e.g., Actuarial).

Management's Responsibilities for Internal Controls

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 is the Committee of Sponsoring Organizations (COSO) control framework. Our audit enhances and complements, but does not substitute for Sheriff-Coroner'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 controls, 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 Sheriff-Coroner's operating procedures, accounting practices, and compliance with County policy.



ACKNOWLEDGMENT

We appreciate the courtesy extended to us by the Sheriff-Coroner staff during our audit. If we can be of further assistance, please contact me directly at 834-5475.

Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
John Scott, Undersheriff
Mark Billings, Assistant Sheriff, S-C/Field Operations & Investigative Services Command
Tim Board, Assistant Sheriff, S-C/Professional Services Command
Michael James, Assistant Sheriff, S-C/Custody Operations & Court Services Command
Don Barnes, Commander, S-C/Field Operations & Investigative Services Command
Rick Dostal, Executive Director, S-C/Administrative Services Command
Jane Reyes, Senior Director, S-C/Administrative Services Command
Brian Wayt, Director, S-C/Financial/Administrative Services
Noma Crook-Williams, Assistant Director, S-C/Financial/Administrative Services
Patricia Bello, Contracts Manager, S-C/Financial/Administrative Services
Nasrin Soliman, Audit Manager, S-C/Audit and Revenue
Foreperson, Grand Jury
Susan Novak, Clerk of the Board of Supervisors



OBJECTIVE #1: Determine that the proposed law enforcement services contracts with the twelve Orange County cities and OCTA for Fiscal Year 2012-13 will recover full costs (e.g., retirement costs including the Unfunded Actuarial Accrued Liability (UAAL)) in accordance with County policies and applicable California Government Code.

Work Performed

To accomplish this objective, we audited proposed law enforcement services contracts with the twelve Orange County cities and OCTA for Fiscal Year 2012-13 to ensure full cost recovery in accordance with County policies and applicable California Government Code.

We verified that the law enforcement services cost study for FY 2012-2013 agreed to proper supporting documentation (e.g., CEO's FY 2012-13 Countywide Benefit and Billing Rates, most current Actuarial Reports, accounting records, etc). We ensured the costs were mathematically accurate. We reviewed Board Resolution No. 89-1160 that identifies countywide services to be provided at no cost and ensured the cost study did not contain any of these items other than for enhanced level of helicopter responses provided to all contract cities. Furthermore, we reviewed applicable memorandum of understanding agreements, County and S-C's policies and procedures to ensure all applicable costs were included in the contracts.

Conclusion

Based on our audit, the proposed law enforcement services contracts with the twelve Orange County cities and OCTA for Fiscal Year 2012-13 will ensure full cost recovery in accordance with County policies and applicable California Government Code. Specifically, we noted retirement costs include the contribution requirements for FY 2012-13 for the Normal Costs and the Unfunded Actuarial Accrued Liability (UAAL). The retirement contribution rate (which includes the UAAL) is adjusted annually based on the results of the actuarial valuation and review that is performed on an annual basis.

However, we identified **two (2) Control Findings**. 1) The exact nature of the enhanced helicopter responses is not specified in the Law Enforcement Services Contract Agreement for the twelve contracting cities. In addition, the cost allocation amount for enhanced helicopter responses has not been updated since its establishment in 1996. 2) The S-C policies and procedures over the development of the law enforcement services contract cost study should be enhanced. The findings are discussed below:

Finding 1 – The law enforcement services contract agreements for the twelve contracting cities do not specifically clarify the nature of Enhanced Helicopter Responses (Air Support). The amount and cost allocation method has been reviewed but not updated for full cost recovery since its establishment in 1996. (Control Finding)

Summary

The law enforcement services contract agreements for the twelve contracting cities do not specifically clarify the nature of enhanced helicopter responses. In addition, the helicopter responses rate of \$902 and cost allocation method has not been updated since it was established in 1996.



Details

Sheriff-Coroner Department (S-C) provides enhanced helicopter responses to twelve contract cities. OCTA does not contract for enhanced helicopter responses. The Law Enforcement Services Contract Agreement (Contract) includes a section for Enhanced and Supplemental Services by County. However, we found that the exact nature of the enhanced helicopter responses was not specified in the section for Enhanced and Supplemental Services in the agreements for the twelve contracting cities. In addition, the amount and cost allocation method for enhanced helicopter responses of \$902 has not been updated since the rate was established in 1996.

California Government Code Section 51350 requires that “[a] county which provides services through its appropriate departments, boards, commissions, officers or employees, to any city pursuant to contract or as authorized by law, shall charge the city all those costs which are incurred in providing the services as contracted or authorized. A County shall not charge a city contracting for a particular service, either as a direct or an indirect overhead charge, any portion of those costs which are attributable to services made available to all portions of the county, as determined by resolution of the board of supervisors, or which are general overhead cost of operation of the county government.”

The cost of law enforcement services is subject to Government Code Section 51350; therefore, OC Board of Supervisors (BOS) adopted Resolution No. 89-1160 to specify 23 “Sheriff-Coroner services provided county-wide to all Orange County cities at no-cost.” In accordance with Government Code Section 51350, the BOS authorized “the S-C to charge as a direct service to a city, including the contract cities, any of the (23 services identified) to the extent that the level-of-service requested by the city is greater than that given to the other Orange County cities free-of-charge.”

The law enforcement services contracts do not include costs related to those services, other than for enhanced level of helicopter responses provided to all contract cities. We performed tests to validate the level of helicopter responses provided to contracting cities, and found that on an average it is greater than that given to other Orange County cities.

Sheriff-Coroner informed us that prior to 1996, the S-C department was a member of a Joint Power Agreement. Air Borne Law Enforcement Services (ABLE) provided enhanced helicopter responses to contracting cities. ABLE proposed a substantial cost increase and the cities terminated the contract with ABLE.

Once the Joint Power Agreement was dissolved, the S-C provided the enhanced helicopter responses to the contracting cities. As a result, the cost was calculated based on the average “revenue” the County was receiving from ABLE for the enhanced helicopter responses. The revenue was allocated among all Deputy Sheriff II (DS II) positions for the enhanced helicopter responses. The rationale for using the number of Deputy Sheriff II positions in the calculation is that the DSII's, both in the air and on the ground, respond to calls for law enforcement services. The \$902 cost allocation was calculated as follows:

$$\text{Enhanced Helicopter Responses Rate} = \frac{\text{the average revenue}}{\text{total DS II positions}} \\ \$902 \text{ approx.} = \$173,675 / 193$$



During our review of the FY 2012-13 Law Enforcement Services Cost Study, the total contract cost for enhanced helicopter responses for the twelve cities equals \$252,732 (excluding the City of Yorba Linda). On an average for the twelve cities, this represents an annual cost of \$21,061 and .26% of total law enforcement services contract costs. The amount charged to each of the contracting cities is calculated by taking the number of purchased Deputy Sheriff (DS) II positions times the cost allocation rate of \$902 (280.19 DS II positions x \$902 = \$252,732).

S-C stated that the rate has been mutually agreed upon annually through contract negotiations with contracting cities.

Recommendation No. 1a

We recommend that Sheriff-Coroner management revise the law enforcement services contract agreements for the twelve contracting cities to specifically address the nature of the enhanced helicopter responses.

Sheriff-Coroner Management Response:

Concur. The Law Enforcement Services Contract Agreements for the twelve contracting cities will be updated to address the enhanced helicopter responses. In addition, we have revised our proposed law enforcement services contract agreement with the City of Yorba Linda to specifically address the enhanced helicopter responses.

Recommendation No. 1b

We recommend that Sheriff-Coroner management review the enhanced helicopter responses rate and cost allocation method to ensure full cost recovery in accordance with County policies and applicable California Government Code.

Sheriff-Coroner Management Response:

Concur. We will review the current cost allocation and calculation method to ensure that costs are appropriately recovered for enhanced helicopter responses.

Finding 2 – Policies and Procedures Over the Development of the Law Enforcement Services Contract Cost Study Could Be Enhanced (Control Finding)

Summary

Written policies and procedures over the development of the law enforcement services contract cost study need to be updated.

Details

Written policies and procedures for the development of the law enforcement services contract cost study need to be updated to include the following areas:



- A. The impact of new rates, costs, or charges proposed by the County Budget Office or other department/agencies (i.e. Auditor-Controller).
- B. Identify various cost categories and how they are allocated in the cost study.
- C. Methodology for calculating the costs (e.g. property and liability insurance costs rate is calculated based on annual budget amount provided by CEO's Budget Office plus S-C's Risk Management Bureau total costs divided by the total number of positions in the department. This calculation is not clearly defined in the procedures).
- D. Roles and responsibilities for cost study preparation and supervisory review.

Policy and procedural manuals are a set of written instructions that document a recurring activity. The development and use of policy and procedural manuals are an integral part of a successful quality assurance system as it provides personnel with the information to perform their duties properly, facilitates consistency in the quality and integrity of an end-result, and ensures compliance with governing documentation. The development and use of policy and procedural manuals minimizes variation and promotes quality through consistent implementation of a process, even if there are temporary or permanent personnel changes. Policy and procedural manuals can be used as a part of a personnel training program, since they should provide detailed work instructions.

Policies and procedures minimize opportunities for miscommunication and can address quality control concerns. When historical data are being evaluated for current use, policy and procedural manuals can also be valuable for reconstructing project activities when no other references are available. In addition, policy and procedural manuals can be used as checklists by reviewing management for monitoring quality assurance.

The benefits of policy and procedural manuals reduce work effort, along with improved comparability and credibility.

Recommendation No. 2

We recommend that the Sheriff-Coroner management improve policy and procedures to be followed over the development of the law enforcement services contract cost study. Consideration should be given to hiring a professional (consultant) to assist, if internal resources are not available, in the development and/or revision of the procedures. Documented policies and procedures should be reviewed and approved by management. The most current policies and procedures should be readily accessible for reference by personnel responsible for the development of the law enforcement services contract cost study.

Sheriff-Coroner Management Response:

Concur. We will update the Sheriff-Coroner policy and procedures regarding the development of law enforcement services contract cost study. We will also evaluate if outside resources are necessary.



OBJECTIVE #2: Determine that the Sheriff-Coroner's contract proposal with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 will recover full costs (e.g., retirement costs including the Unfunded Actuarial Accrued Liability (UAAL)) in accordance with County policies and applicable California Government Code.

Work Performed

To accomplish this objective, we audited the Sheriff-Coroner's contract proposal with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 to determine if the proposal will recover full costs in accordance with County policies and applicable California Government Code.

We compared the Yorba Linda cost study which was used for the contract proposal to ensure the same cost methodology was utilized as the cost study for the twelve cities and OCTA's law enforcement services contract cost study for FY 2012-13.

Conclusion

Based on our audit, the Sheriff-Coroner's contract proposal with the City of Yorba Linda for services beginning in Fiscal Year 2012-13 will recover full costs in accordance with County policies and applicable California Government Code. Specifically, we noted retirement costs include the contribution requirements for FY 2012-13 for the Normal Costs and the Unfunded Actuarial Accrued Liability (UAAL). The retirement contribution rate (which includes the UAAL) is adjusted annually based on the results of the actuarial valuation and review that is performed on an annual basis.

In addition, we noted the cost study for the City of Yorba Linda's contract proposal utilizes the same cost methodology as the cost study for the twelve cities and OCTA's law enforcement services contract cost study for FY 2012-13.

No findings and recommendations were identified under this objective.



ATTACHMENT A: Report Item Classifications

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

- ▶ **Critical Control Weaknesses:**
Audit findings or a combination of Significant Control Weaknesses that represent serious exceptions to the audit objective(s) and/or business goals. Management is expected to address Critical Control Weaknesses brought to their attention immediately.
- ▶ **Significant Control Weaknesses:**
Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.
- ▶ **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.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT B: Sheriff-Coroner Law Enforcement Contract Services Costs for Fiscal Year 2012-13

	Contract Cities & OCTA															Total	%
	Rancho																
	Aliso Viejo	Dana Point	Laguna Hills	Laguna Niguel	Laguna Woods	Lake Forest	Mission Viejo	Rancho Santa Margarita	San Clemente	San Juan Capistrano	Stanton	Villa Park	OCTA	Yorba Linda*			
Salaries and Wages	\$ 2,850,143	4,180,575	2,959,227	4,157,762	563,578	5,354,688	6,777,984	3,230,479	5,469,954	3,241,793	3,910,031	507,685	2,560,480	4,162,146	49,926,525	44%	
Benefits																	
Retirement OCERS	1,369,304	1,969,636	1,407,946	1,937,929	286,360	2,575,720	3,215,547	1,573,241	2,520,163	1,535,702	1,862,090	238,148	1,316,743	1,972,245	23,780,774		
Retirement Defined Contribution	64,118	92,422	66,749	91,790	14,538	123,602	154,415	74,685	118,601	73,373	89,399	11,960	63,736	94,661	1,134,049		
Retirement Star Cola	4,819	7,032	4,868	6,817	961	9,010	11,236	5,509	9,119	5,304	6,537	791	4,388	6,834	83,225		
Insurance	531,120	786,365	540,658	764,454	105,419	1,006,276	1,261,918	607,261	1,014,162	585,476	730,134	89,750	473,381	760,243	9,256,617		
Optional Benefit Plan	3,500	3,500	3,500	3,500	-	3,500	3,500	3,500	3,500	3,500	3,500	-	3,500	3,500	42,000		
Total Benefits	1,972,861	2,858,955	2,023,721	2,804,490	407,278	3,718,108	4,646,616	2,264,196	3,665,545	2,203,355	2,691,660	340,649	1,861,748	2,837,483	34,296,665	31%	
Services and Supplies																	
Services and Supplies	26,180	40,248	26,180	37,440	5,073	49,608	63,234	29,634	123,090	28,080	57,836	10,994	11,376	36,972	545,945		
Liability Insurance	103,433	159,014	103,433	147,920	20,043	195,994	249,828	117,078	203,390	110,940	140,524	16,641	88,752	146,071	1,803,061		
Enhanced Helicopter Responses	16,236	22,550	17,138	23,452	3,933	33,374	42,394	19,691	31,570	17,138	21,648	3,608	-	23,452	276,184		
Total Services and Supplies	145,849	221,812	146,751	208,812	29,049	278,976	355,456	166,403	358,050	156,158	220,008	31,243	100,128	206,495	2,625,190	2%	
Overhead Costs																	
Countywide Cost Allocation Plan	62,130	91,137	64,510	90,633	12,286	116,737	147,758	70,432	98,477	70,681	93,054	10,662	21,763	90,750	1,041,010		
Department Overhead	132,858	204,250	132,858	190,000	25,745	251,750	320,899	150,386	261,250	142,500	180,500	21,375	114,000	187,625	2,315,996		
Training Overhead	59,661	84,626	62,150	84,626	13,491	114,494	143,118	69,269	109,516	67,203	82,137	11,201	59,736	86,836	1,048,064		
Division Overhead + Captain	530,329	796,449	524,002	744,594	139,600	1,014,890	1,261,754	605,629	791,621	559,091	382,184	124,672	35,760	777,682	8,288,257		
Total Overhead Costs	784,978	1,176,462	783,520	1,109,853	191,122	1,497,871	1,873,529	895,716	1,260,864	839,475	737,875	167,910	231,259	1,142,893	12,693,327	11%	
Regional Support Costs	29,726	174,199	98,359	149,525	29,846	254,600	311,937	126,295	307,965	149,894	146,811	2,947	-	149,519	1,931,623	2%	
Other Charges and Credits	571,598	704,700	621,590	845,489	111,031	1,350,780	1,506,297	606,559	869,404	759,707	713,615	99,013	935,277	1,117,531	10,812,591	10%	
Total Costs	\$ 6,355,155	9,316,703	6,633,168	9,275,931	1,331,904	12,455,023	15,471,819	7,289,648	11,931,782	7,350,382	8,420,000	1,149,447	5,688,892	9,616,067	112,285,921	100%	

* Negotiations in progress.



ATTACHMENT C: Sheriff-Coroner Management Responses



**SHERIFF-CORONER DEPARTMENT
COUNTY OF ORANGE
CALIFORNIA**

SANDRA HUTCHENS
SHERIFF-CORONER

June 27, 2012

Dr. Peter Hughes, CPA
Director of Internal Audit
Hall of Finance & Records
12 Civic Center Plaza, Room 232
Santa Ana, CA 92701

RE: Internal Control Audit: Sheriff-Coroner
Sheriff-Coroner Law Enforcement Service Cost Study Response

Dear Dr. Peter Hughes:

We are providing this letter in response to the Internal Control Audit No. 1158, Sheriff-Coroner Law Enforcement Service Cost Study for FY 2012-13. The audit resulted in two Control Findings. The findings, recommendations, and Sheriff-Coroner responses are noted below:

Finding No. 1 – The law enforcement services contract agreements for the twelve contracting cities do not specifically clarify the nature of Enhanced Helicopter Responses (Air Support). The amount and cost allocation method has been reviewed but not updated for full cost recovery since its establishment in 1996. (Control Finding)

The audit found that:

- a. The law enforcement services contract agreements for the twelve contracting cities do not specifically clarify the nature of Enhanced Helicopter Responses.
- b. The helicopter responses rate of \$902 and cost allocation method has not updated since it was established in 1996.

Recommendation No. 1:

- a. Recommends that Sheriff-Coroner management revise the law enforcement services contract agreements for the twelve contracting cities to specifically address the nature of the enhanced helicopter responses.
- b. Recommends that Sheriff-Coroner management review the enhanced helicopter responses rate and cost allocation method to ensure full cost recovery in accordance with County policies and applicable California Government Code.

320 N. FLOWER STREET, SUITE 108, SANTA ANA, CA 92703 (714) 834-6670 FAX (714) 834-6697

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

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ATTACHMENT C: Sheriff-Coroner Management Responses (continued)

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Dr. Peter Hughes, CPA
Director of Internal Audit
June 27, 2012

Sheriff-Coroner's Response:

- a) Concur. The Law Enforcement Services Contract Agreements for the twelve contracting cities will be updated to address the enhanced helicopter responses. In addition, we have revised our proposed law enforcement services contract agreement with the City of Yorba Linda to specifically address the enhanced helicopter responses.
- b) Concur. We will review the current cost allocation and calculation method to ensure that costs are appropriately recovered for enhanced helicopter responses.

Finding No. 2 – Policies and procedures over the Development of the Law Enforcement Services Contract Cost Study Could Be Enhanced. (Control Finding)

The audit found that:

- a) Written Policies and procedures over the development of the law enforcement contract cost study need to be updated.

Recommendation No. 2:

- a) Recommends that the Sheriff-Coroner management improve policy and procedures to be followed over the development of the law enforcement services contract cost study. Consideration should be given to hiring a professional (consultant) to assist, if internal resources are not available, in the development and/or revision of the procedures. Documented policies and procedures should be reviewed and approved by management. The most current policies and procedures should be readily accessible for reference by personnel responsible for the development of the law enforcement services contract cost study.

Sheriff-Coroner's response:

- a) Concur. We will update the Sheriff-Coroner policy and procedures regarding the development of law enforcement services contract cost study. We will also evaluate if outside resources are necessary.

We appreciate the time taken by you and your staff to make recommendations which will help us to improve our process. Thank you for the professionalism of the staff that conducted the audit.

If you have any questions, please contact me or Director Brian Wayt, Financial/Administrative Services at (714) 834-6680.

Sincerely,

Sandra Hutchens
Sheriff-Coroner



ATTACHMENT C: Sheriff-Coroner Management Responses (continued)

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Dr. Peter Hughes, CPA
Director of Internal Audit
June 27, 2012

- c: Undersheriff John Scott
- Assistant Sheriff Mark Billings, Field Operations & Investigative Services Command
- Assistant Sheriff Tim Board, Professional Services Command
- Executive Director Rick Dostal, Administrative Services Command
- Assistant Sheriff Mike James, Custody Operations & Court Services Command
- Commander Don Barnes, Field Operations & Investigative Services Command
- Senior Director Jane Reyes, Administrative Services Command
- Director Brian Wayt, Financial/Administrative Services
- Noma M. Crook-Williams, Assistant Director, Financial/Administrative Services
- Tricia Bello, Contract Manager, Financial/Administrative Services
- Nasrin Soliman, Audit Manager, Financial/Administrative Services
- Alan Marcum, Senior Audit Manager, OC Internal Audit
- Winnie Keung, Audit Manager, OC Internal Audit
- Michael Dean, Audit Manager, OC Internal Audit
- Lisette Free, Senior Internal Auditor, OC Internal Audit