

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Honorable Geoff Dean, Sheriff

Date: June 13, 2013

From:  Jeffery S. Burgh, Assistant Auditor-Controller

Subject: **AUDIT OF CHANGE IN DEPARTMENT HEAD FOR THE SHERIFF'S OFFICE**

We have completed our audit of the change in department head for the Sheriff's Office. Our overall objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding Sheriff. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

EXECUTIVE SUMMARY

Overall, the Sheriff's Office satisfactorily transferred accountability and administrative functions from the preceding to the succeeding Sheriff. For example, a *Statement of Economic Interests* (i.e., Form 700) was filed timely by the outgoing and the incoming Sheriff. We verified the incoming Sheriff filed an oath of office with the County Clerk and Recorder in accordance with California Government Code Section 1363. In addition, petty cash, change funds, and revolving funds were intact and safeguarded properly.

However, opportunities were available to better account for departmental assets and manage the transition upon a change in department head. Specifically, we noted that:

- The Sheriff's Office could not locate the prior Sheriff's shotgun that was purportedly returned.
- Procedures did not always ensure that reimbursement of travel expenses followed policy.
- Improvements were needed in the accounting for and disposal of fixed and sensitive non-fixed assets.
- Cash controls could benefit from more thorough reconciliations and reports of where funds are held.
- Attention to outside bank account procedures was needed to better secure the funds.
- Trust funds were not always recorded or reviewed as required.
- Opportunities were available to reduce future costs during a change in department head.

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Except as noted in the attached report, Sheriff management initiated corrective action to address our findings. Management planned to complete corrective actions by June 30, 2014.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Peter C. Foy, Chair, Board of Supervisors
Honorable Steve Bennett, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer

**County of Ventura
Office of the Auditor-Controller**



**AUDIT OF CHANGE IN DEPARTMENT HEAD
FOR THE SHERIFF'S OFFICE**

June 13, 2013

**Jeffery S. Burgh
Assistant Auditor-Controller**

**AUDIT OF CHANGE IN DEPARTMENT HEAD
FOR THE SHERIFF'S OFFICE**

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AUDIT OF CHANGE IN DEPARTMENT HEAD FOR THE SHERIFF'S OFFICE

BACKGROUND

The mission of the Ventura County Sheriff's Office ("Sheriff's Office" or "Sheriff") is "...to safeguard the lives and property of residents of Ventura County and respond to public concerns in a manner which promotes neighborhoods free from the fear of crime." The Sheriff's Office is comprised of four primary divisions: Detention Services; Patrol Services; Special Services; and Support Services.

The outgoing Sheriff, Robert Brooks, retired effective January 3, 2011. Geoff Dean was elected as Sheriff on June 8, 2010, and was sworn into office on January 3, 2011. The Sheriff's Office was authorized 1,266 positions for fiscal year 2012-13 and a combined budget of over \$233 million.

SCOPE

Our overall audit objective was to determine whether appropriate actions had been taken to transfer accountability and administrative functions from the preceding to the succeeding department head. Specifically, we:

- confirmed that County property was collected from the prior Sheriff and accounted for properly;
- reviewed actions taken to update security measures, including the deactivation of facility access cards and termination of computer access;
- verified that required documents, such as *Statements of Economic Interests* and signature authorizations, were completed;
- determined whether expenses incurred by the outgoing Sheriff in the months before retirement were appropriate;
- confirmed that fixed assets were accounted for properly and evaluated controls over sensitive non-fixed assets; and
- verified that outside bank accounts, trust funds, petty cash funds, change funds, and revolving account funds were accounted for properly and that balances were reasonably stated.

We performed audit tests and evaluations using documents provided by the Sheriff's Office, the County Clerk and Recorder, and the Auditor-Controller's Office. Our procedures included a surprise count of the \$200 petty cash fund, a selected portion of Sheriff's \$515 in change funds, and the \$3,050 of revolving funds established from inmate money. We also observed an arranged count of the \$73,245 cash on hand from the Sheriff's \$150,000 Special Appropriation Fund.

The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. For our audit, we used documents and records for the period April 1993 through January 2013.

FINDINGS

Overall, we found that the Sheriff's Office satisfactorily transferred accountability and administrative functions from the preceding to the succeeding department head. We confirmed that a *Statement of Economic Interests* was filed timely by both the outgoing and the incoming department head. We verified that the incoming department head filed an oath of office with the County Clerk and Recorder in accordance with California Government Code Section ("§") 1363. Security measures and signature authorizations were updated in a timely manner. In addition, we confirmed that petty cash, change funds, and revolving funds were intact and safeguarded properly.

However, we identified areas where actions were needed to improve accountability of departmental assets and manage the transition upon a change in department head. Specifically, the prior Sheriff's shotgun, although purportedly returned, could not be located during the audit. Procedures did not always ensure that non-County travel expenses were reimbursed in a timely manner and that per diem meal reimbursement was allowable. Documentation could also be improved to support prior authorization of procurement card purchases.

Accountability was not transferred for over \$157 million in fixed assets as required by code. Documentation did not always support that sensitive non-fixed assets, such as computers, were inventoried and tracked as required. Sheriff further needed to improve documentation when disposing of County assets.

We identified opportunities for improvement in reconciling Sheriff's \$150,000 Special Appropriation Fund and in specifying the location of change funds. We also noted that four former employees were still authorized as signers on Sheriff's outside bank accounts and that \$88,000 in excess funds were retained in the outside bank accounts due to lack of canceling of stale checks.

Sheriff did not record \$3,050 in inmate money in the Ventura County Financial Management System ("VCFMS") and did not always ensure that monthly trust fund reconciliations were reviewed by a supervisor. We also identified \$10,000 in potential cost savings during a future change in department head by not printing the department head's name on certain items.

Following are details of the areas where improvements were needed. Except as noted, Sheriff management initiated corrective action during the audit.

1. **Weapons Accountability.** Documentation did not support that all weapons issued to the prior Sheriff were returned. Specifically, Sheriff's weapons database did not display a return date or current location for a shotgun and baton that were issued to the prior Sheriff. Although the Sheriff's Office stated that the shotgun was left in the prior Sheriff's County vehicle when the car was returned, the shotgun was not physically located during the audit. The baton was presumably returned during a mass collection of batons from personnel in the early 2000's, although the database continued to report that the baton was issued to the prior Sheriff. Weapons could be subject to misuse in the absence of proper accountability.

Management Action. Sheriff management stated: "Unlike handguns which are assigned to, and are the responsibility of individuals, shotguns are primarily issued to Bureaus/Divisions (i.e. geographical

locations) along with the associated accountability. Support Services Training Center staff will now be responsible for conducting an annual centralized audit of the Sheriff's unassigned firearm inventory."

2. **Travel and Procurement Credit Card Expenses.** Travel and procurement credit card expenses did not always adhere to prescribed policies and procedures. Specifically, personal charges were not always reimbursed timely, per diem meal reimbursement was not always allowable, and documentation could better support prior authorization of procurement card purchases.

- A. **Reimbursement of Personal Purchases.** The prior Sheriff did not reimburse the County for a \$251 non-County travel credit card purchase in a timely manner. The credit card charge was for the purchase of an airline ticket for the prior Sheriff's spouse while on business travel. From the date of the charge to the date the reimbursement check was written, 80 working days had elapsed. "Items not complying with the County policies must be immediately reimbursed to County," as stated in the *Ventura County Department Travel Credit Card Cardholder Instructions*. The Auditor-Controller expects that such type of credit card charges be reimbursed upon receipt of the credit card statement. By not reimbursing the County per policy and procedures, employees must continue to track the status of the reimbursement, which increases the risk of the County not being reimbursed.

Management Action. Sheriff management stated: "We will reaffirm the County's administrative policies on travel with the present Sheriff. In cases where a credit card is used to defray an employee's personal expense, the employee is required to reimburse the County for that particular charge. For instance, the Sheriff on an official trip pays for his and his spouse's meal by charging them to the County credit card, the cost of the spouse's meal shall be paid by the employee when he submits his statement of expenses for that particular trip. A check should be included and returned with the Detail of Trip Expense form. Elected officials shall submit expense reports to the County Auditor-Controller no later than the 60th calendar day after the expense is incurred. If a trip or activity falls in two accounting periods, the expense may be delayed until the end of the trip or activity. Expenses submitted beyond the 60th calendar day may trigger a taxable event. Additionally, reimbursements submitted beyond the repayment date may be deducted from the first paycheck following the repayment date or any subsequent paycheck."

- B. **Per Diem Meal Reimbursement.** The Sheriff's Office did not always adhere to County policy relating to per diem for meal expense reimbursement while on business travel. Administrative Policy No. Chapter VII(C)-1, *Reimbursement of Employees County Business Expenses*, states that "if a luncheon or dinner meal is included in the cost of the seminar, conference or meeting the per diem option will not apply for that particular day." Two separate conference registrations reviewed for the prior Sheriff each included a \$77 registration fee to cover meeting costs and lunch. The per diem rate of \$45 for each of those 2 days of business travel was also reimbursed to the preceding Sheriff. Therefore, the prior Sheriff was improperly reimbursed for the per diem because lunch was included in the registration fee. Only allowable meal costs with receipts that are not part of meeting expenses are to be reimbursed on business travel to ensure compliance with policy.

Management Action. Sheriff management stated: "It appears a mistake was made by the prior Sheriff in the preparation of two expense reports by claiming the \$45 per diem reimbursement due to lunch availability at the conferences attended, however, breakfast and dinners would still have been reimbursable on an individual basis at \$13 and \$35 respectively, a total of \$48 with receipts."

We will reaffirm with the current Sheriff the guidelines contained in Administrative Policy No. Chapter VII(C)-1, *Reimbursement of Employees County Business Expenses*."

- C. **Approval for Procurement Credit Card Purchases.** Sheriff's authorization procedures for procurement credit card purchases could be strengthened. The General Orders for the Procurement Bank Card Program of the Sheriff state: "Each Division, Bureau or Unit will have a designated officer (approving officer) to approve purchases prior to the use of the procurement card." The Sheriff's Business Office explained that the manner by which pre-authorization for procurement card purchases occurs is not mandated. However, documenting the prior approval would strengthen the accountability of the approving officer as well as confirm that procedures had been followed according to the Sheriff's General Orders.

Management Action. Sheriff management stated: "As we continue to evaluate the strengths of our processes in relation to employee accountability and County policy, the Sheriff will revise internal policy to mirror County policy. Current County policy states that: 'The Approver reviews monthly bank statements to verify that all purchases are necessary and for official County purposes only.' County policy does not require a pre-approval for procurement card purchases (i.e. a pre-approval 'sign-off' document is not required)."

Auditor's Comment. Sheriff's internal procurement card procedures strengthen the County policy by requiring pre-authorization. While we acknowledge that documenting pre-approval for emergency purchases cannot always be possible, we encourage Sheriff to consider retaining and consistently applying the internal procedures for non-emergency purchases.

3. **Fixed and Sensitive Non-Fixed Assets.** Fixed and sensitive non-fixed assets were not always accounted for in accordance with code requirements, County policies, and Sheriff's procedures. We noted concerns with the transfer of fixed asset accountability, inventorying and tracking of sensitive non-fixed assets, and the disposal of assets.

- A. **Fixed Assets Transfer of Accountability.** Accountability was not transferred for over \$157 million in fixed assets from the preceding to the succeeding Sheriff. California Government Code § 24051 and Administrative Policy No. Chapter VII(A)-5, *Audit Upon Change in Department Head/Agency Director or Elected Official with Departmental Guidelines*, require that the fixed asset inventory be formally transferred with a receipt from the preceding to the succeeding department head. This action thereby transfers accountability for the department's fixed assets. However, the preceding Sheriff retired on January 3, 2011, without transferring accountability with a signed receipt to the succeeding department head. Therefore, for 6 months, from January 3 to July 11, 2011, when the current Sheriff certified the fixed asset inventory, accountability was not established over fixed assets.

Management Action. Sheriff management stated: "California Government Code § 24051 states that on or before July 10th in each year, each county officer shall file with the county auditor an inventory under oath showing in detail all county property in his or her charge at the close of business on the preceding June 30th. A true copy of the inventory shall be delivered by the person who made it to his or her successor in office, who shall receipt for it. The receipt shall be filed with the county auditor. While a June 30th, 2010 inventory of fixed assets was recorded in the County's accounting system and available to the public, a physical paper copy as suggested in the guideline

from the County's administrative policy manual was not presented by the previous Sheriff to the current Sheriff, consequently, a paper receipt was not created. However, the Sheriff's fixed asset inventory did not reveal any loss of fixed assets from June 30th 2010 thru June 30th 2011. The Sheriff will establish transfer of accountability procedures for fixed assets or revert to the procedures that are provided as a guideline in the County's administrative policy manual."

- B. **Sensitive Non-Fixed Assets.** Controls over the inventorying and tracking of sensitive non-fixed assets were in need of improvement. Sensitive non-fixed assets are non-capitalized items with a value of less than \$5,000 and are subject to pilferage and misappropriation if not properly controlled. Because formal tracking through VCFMS is not required, departments must establish and implement internal controls to maintain proper accountability as required by Administrative Policy No. Chapter VII(B)-3, *County Sensitive Non-Fixed Asset Inventory Control*.
- i. **Periodic Inventory of Sensitive Non-Fixed Assets.** Documentation was not always clear to confirm that annual physical inventories of sensitive non-fixed assets were performed. Sheriff requested that inventories be performed at the divisional level and sent to the Sheriff's Business Office annually. However, we identified concerns with 3 (25%) out of 12 divisional inventory lists reviewed with a due date of November 10, 2010. Specifically: none of the three inventories were signed; two were not dated; and one listed a date of October 7, 2009, which was the prior year. Without documented periodic physical inspections of Sheriff's 1,500 sensitive non-fixed assets, theft or loss could occur without detection.

Management Action. Sheriff management stated: "Ventura County's Administrative Policy Manual states: 'Agency and department heads are responsible for determining which non-fixed assets (expensed items) should be classified as "sensitive" and establishing and implementing controls to maintain proper accountability over sensitive non-fixed assets.' Unlike the formal accounting and inventory process utilized for fixed assets that are recorded in the Ventura County Financial Management System, department heads have been given the latitude of defining their organization's sensitive non-fixed assets (expensed items), a subjective process by its nature. The functional and economic life for many sensitive non-fixed assets can be short thus affecting the classification, estimated value, and their subjection to pilferage & misappropriation. Furthermore, the Sheriff's Office is unique in that there are policies and procedures in place that governs employee's responsibilities for County property, non-adherence to policies can result in discipline. Per Sheriff's policy manual citations, employees shall not appropriate any County property for personal use. Any Ventura County Sheriff's Office issued piece of equipment is the property of the County. Individual Sheriff employees are responsible for the proper care, maintenance and serviceable condition of County property under their care. The loss of, damage to, or unserviceable condition of any County property shall be promptly reported to a supervisor. When any piece of equipment is lost or stolen the responsible employee shall complete the appropriate report. If the responsible employee is a general member of the department, they shall seek assistance from a sworn member within their bureau or division. If the loss or theft has occurred in another jurisdiction the member shall report the loss or theft to the local police agency and obtain a report number from them. In addition to a police report, the employee shall complete a memorandum to Sheriff's Human Resources outlining the loss or theft. This memorandum and a copy of the police report will be placed in the employee's personnel file. If it is determined that negligence was the cause of the loss, discipline may be imposed per the policy on 'Conduct and Ethics'. Finally, at the

direction of the Sheriff, an internal committee has been formed to review and recommend definitions, policies, and procedures for sensitive non-fixed assets and the associated inventorying of those assets.”

- ii. **Accountability of Computers.** Improvements in the tracking of computers were needed at the Sheriff's Office to help safeguard County assets. Computers for the Sheriff's Office are inventoried while connected to the County's network when the asset management software is executed. Out of approximately 1,100 computer assets on the Sheriff's Systems Bureau ("SSB") computer inventory we reviewed, 67 (6%) had not been inventoried in over 1 year. This included 58 notebook computers and 3 portables. We also noted 26 (2%) computer assets on the listing described only as "unknown" or "other". Furthermore, although certain assets such as iPads cannot be scanned by the network and therefore are not counted on the SSB inventory, these assets also were not accounted for at the divisional level. Computer identification is important to mitigate misappropriation and maintain control over the assets.

Management Action. Sheriff management stated: "Monthly, the Sheriff's Systems Bureau (SSB) inventories all computer assets attached to the VC Network which accounts for approximately 94% of total computer assets. The remaining 6% of the computer assets not connected to the VC Network (i.e. notebooks & portables) are at a minimum inventoried once for hardware and software information. Equipment remains inventoried until removed from the system and remitted to GSA surplus property. Moving forward, SSB is purchasing a barcode scanning systems that will track all assets received by SSB. The bar code system will include: accounting for inventory by site, location, employee, serial number, and cost; current information for all computer assets including those not connected to the network; ability to audit with mobile scanners; monthly inventory reports. In the interim SSB has a database for iPads in place and will update the laptop records/database; an inventory of these items will be completed prior to fiscal year end. Additionally, SSB will fully cooperate with the County's Information Technology Services Department internal audits as cited in Ventura County's Administrative Policy Manual which states: 'Computer equipment/software non-fixed assets are subject to internal audits by the Information Technology Asset Management staff.'"

- C. **Disposal of Assets.** Procedures were in need of improvement to assure that fixed and sensitive non-fixed assets were disposed of appropriately. County Administrative Policy No. Chapter VII(B)-8, *Disposition of Surplus Personal Property*, provides departments with guidance on how to dispose of assets through General Services Agency ("GSA") Surplus. However, we found that Sheriff did not always follow these procedures when disposing of assets.

- i. **Fixed Asset Disposal Process.** Sheriff did not always follow the proper process for disposing of fixed assets. GSA instructions state that departments must obtain the GSA Purchasing Agent's approval before disposal. Our disposition testing of nine fixed assets disclosed that Sheriff surplused all nine fixed assets months prior to obtaining GSA's required approval to do so. Further, one (11%) of these nine fixed assets surplused in 2011 has yet to be removed from the VCFMS fixed asset inventory due to lack of follow-up with GSA.

Management Action. Sheriff management stated: "The Sheriff will take into consideration the Auditor-Controller's recommendations as we continue to evaluate the strengths of our current processes in relation to accountability. Bureaus/Divisions will be instructed to consistently

follow the County Administrative Policy No. Chapter VII(B)-8, *Disposition of Surplus Personal Property* for guidance on how to dispose of assets through GSA Surplus."

- ii. **Documentation.** Supporting documentation was not always complete or accurate for fixed and sensitive non-fixed assets that were purportedly submitted to GSA for disposal. While testing the disposition of seven computers identified as sensitive non-fixed assets, SSB staff asserted that the computers were surplused to GSA. However, SSB staff could not provide documentation to confirm that the computers were actually surplused to GSA. Also, information on the surplus forms did not always properly list identifying attributes of the assets, which could call into question whether the particular items were indeed the items sent to GSA. For example, our testing of 19 fixed assets listed on the surplus forms disclosed that: serial numbers for 6 (32%) assets did not match the VCFMS fixed asset list; and fixed asset numbers for 9 (47%) assets were not documented on the surplus forms.

Management Action. Sheriff management stated: "The Sheriff will take into consideration the Auditor-Controller's recommendations as we continue to evaluate the strengths of our current processes in relation to accountability. Sheriff's Service Bureau (SSB) is purchasing a barcode scanning systems that will track all assets received by SSB. The bar code system will include: accounting for inventory by site, location, employee, serial number, and cost; current information for all computer assets including those not connected to the network; ability to audit with mobile scanners; monthly inventory reports. Additionally, SSB will fully cooperate with the County's Information Technology Services Department internal audits as cited in Ventura County's Administrative Policy Manual which states: 'Computer equipment/software non-fixed assets are subject to internal audits by the Information Technology Asset Management staff.' Finally, SSB will be instructed to consistently follow the County Administrative Policy No. Chapter VII(B)-8, *Disposition of Surplus Personal Property* for guidance on how to dispose of assets through GSA Surplus."

4. **Departmental Cash Funds.** Improvements were needed to ensure proper accountability over departmental cash funds entrusted to the Sheriff's Office. Cash requires special handling and proper oversight because of the risk of susceptibility to misappropriation. During our audit, we noted opportunities to strengthen the reconciliation process for the sizeable cash sum of the Special Appropriation Fund and to better identify where cash funds are held.

- A. **Reconciliation of Special Appropriation Fund.** The Special Appropriation Fund ("Fund") of \$150,000 was not always reconciled properly to the total Fund balance. California Government Code § 29430 authorizes the Board of Supervisors to establish a Fund for the investigation of criminal cases, preservation of peace, and suppression of crime in the County. Although Sheriff personnel periodically counted the cash, two (33%) of the six documented cash counts performed between 2009 and 2012 did not fully reconcile the Fund to outstanding receipts. Supervisory review of these two cash counts also was not evident. Furthermore, the reconciliation for the March 2012 cash count conducted by the Sheriff's Office disclosed that \$5,000 had been misclassified on the Fund accountability worksheet for approximately 2 years.

Management Action. Sheriff management stated: "The Sheriff will take into consideration the Auditor-Controller's recommendations as we continue to evaluate the strengths of our current processes in relation to accountability. The Sheriff is only legally required to file vouchers with the

auditor for this Fund at the end of the fiscal year showing the disposition made of any money received from the special appropriation and the particular purpose for which it was spent, however, honoring a prior suggestion by the Auditor-Controller, voluntary periodic cash counts are performed during the fiscal year. Future periodic fund accountability worksheets will be submitted to both the Commander who oversees the narcotics Captain (custodian of the fund) and the Assistant Sheriff. Cash control guidelines such as applicable sections of the County's Administrative Policy No. Chapter VII (A) – 9 Cash Handling Responsibilities and Guidelines will be observed. Finally, the misclassification mentioned in the findings related to an expense for witness relocation.”

- B. **Location of Change Funds.** Sheriff did not always report the location of change funds accurately to the Auditor-Controller. The *Delegation of Authority for Individual Department Petty Cash, Change and Revolving Funds* form (“Delegation”) is required in part to identify where change funds are held for proper oversight by the Auditor-Controller. If funds are assigned to multiple locations, departments must specify the amounts assigned to each location. Although Sheriff reported that the total change funds of \$515 were held in only two locations, during our cash counts we found that the change funds were actually held in four locations. For one of Sheriff's two reported locations, the \$225 was distributed between East County and West County offices. For the other reported location, \$100 of the change fund, which had not been utilized for approximately 15 years, was stored in another separate office.

Management Action. Sheriff management stated: “The Sheriff will take into consideration the Auditor-Controller's recommendations as we continue to evaluate the strengths of our current processes in relation to accountability. We will now account for change funds by actual physical location rather than the total for an individual Bureau/Division which may have more than one petty cash location. The \$100 noted in the findings was set aside as an ‘emergency reserve’ for Records’ change, it has now been deposited back into the general fund.”

5. **Outside Bank Accounts.** Procedures were needed to strengthen controls over outside bank accounts for the accountability and security of the funds. Sheriff was authorized to establish four bank accounts outside of the County Treasury to facilitate the necessary timely disbursement of funds. County monies are first deposited in the County Treasury then funds are wired into the outside bank accounts to cover checks written against the account. Because these outside bank accounts fall outside of the normal oversight parameters for County disbursements, departments are responsible for establishing proper internal controls. Amounts maintained in outside bank accounts are to be kept to a minimum as these accounts are more susceptible to a breakdown in controls. As of June 30, 2011, the balances in Sheriff's four outside bank accounts totaled nearly \$270,000.

- A. **Signers on Outside Bank Accounts.** Three former Sheriff employees and one former Courts employee were not deleted as authorized signers on Sheriff's outside bank accounts in a timely manner. The bank signature card defines an “Authorized Signer” as having “the authority, acting alone to...sign checks drawn on, and make cash or other withdrawals from, the Account(s).” Any changes will not be effective until the amended signature card is received by the bank which could provide access for former employees to outside bank accounts. All four of the former employees improperly remained as authorized signers for over 5 years, involving all four of Sheriff's outside bank accounts. (Note: During the audit, the Sheriff's Office removed the four individuals as signers from the outside bank accounts.)

Management Action. Sheriff management stated: "The four bank accounts cited above are administered by one bank, Wells Fargo. The Sheriff's Office removed the four individuals as check signatories. Annually, the 'Delegation Of Authority For Individual Department Outside Bank Accounts' has been submitted in a timely manner, it includes all current persons authorized to sign checks plus their actual signature. The Sheriff's Office does not deal directly with Wells Fargo regarding 'bank signature cards', change memos and change forms were sent to the Ventura County Treasurer. As an added safeguard, the Sheriff has now set-up an internal procedure for monitoring terminated employees who may have had check signing authority, these names will be forwarded to the Auditor-Controller's office."

- B. **Timely Stale Check Canceling.** Procedures were needed to ensure appropriate canceling of stale checks (i.e., uncashed checks older than 6 months) written out of Sheriff's outside bank accounts. The Auditor-Controller's "Control of Outside Bank Accounts" procedures provide guidelines to departments in clearing outstanding checks after 6 months to 1 year, as checks are void 6 months after issuance. However, the Sheriff's Office did not cancel stale checks until the checks were reissued or were escheated. Our review of Sheriff's four outside bank accounts as of June 30, 2011, identified uncashed checks in three accounts totaling \$222,200, which included \$87,900 (40%) in stale checks. These stale checks dated as far back as 2003. As a result, more cash was retained in the outside bank accounts than needed and VCFMS trust fund balances were understated.

Management Action. Sheriff management stated: "The Sheriff will abide by the Auditor-Controller's guidelines. Prior treatment stemmed from issues involving escheatment and check reissuing timing & policies. Amounts associated with 'stale checks' will be moved in a timely manner back to the proper fund pending reissuance of a check or other disposition."

6. **Trust Funds.** Trust fund procedures were in need of improvement to strengthen the Sheriff's fiduciary responsibility over these funds. Specifically, we found that \$3,050 of inmate money was not recorded in the Sheriff's Inmate Trust Account and that monthly trust fund reconciliations were not always reviewed by a supervisor.

- A. **Inmate Trust Account Cash.** The Sheriff's Office did not account for \$3,050 in revolving account funds in the Inmate Trust Account in VCFMS. This revolving account is inmate money and is used to reimburse each inmate up to \$50 of the inmate's Inmate Trust Account balance in cash when released from custody. Although Sheriff was alerted to this concern during a prior audit in 2000, the funds continue to be held off-book without recordation in the accounting system. Because all inmate money was not included in the Inmate Trust Account, the balance was understated.

Management Action. Sheriff management stated: "The Auditor-Controller's advice will be sought for an accounting remedy to the situation."

- B. **Monthly Trust Fund Reconciliations.** Sheriff's monthly trust fund reconciliations were not always properly reviewed as required by the Auditor-Controller's Accounting Bulletin procedures. Our sample of seven monthly trust fund reconciliations as of May 31, 2011, disclosed that two (29%) were not reviewed by a supervisor. Lack of review by appropriate Sheriff's staff increases the risk that unauthorized transactions may not be identified in a timely manner.

Management Action. Sheriff management stated: "Currently, trust fund reconciliations are required to be submitted to the Auditor-Controller twice a year; these reconciliations include supervisory signatures on Auditor-Controller prescribed forms. Previously reconciliations were required by the Auditor-Controller on a monthly basis, we assume this process ended for time saving efficiencies. Also for time saving purposes, we have not required the accountants to have supervisory review of their monthly reconciliations that are not submitted to the Auditor-Controller, however, if a fiscal technician prepares a reconciliation, we have an accounting supervisor review it. Additionally, on a monthly basis, we send a schedule to executive staff and Commanders containing the trusts' end of accounting period balances. Finally, executive staff and Commanders have vested financial interests in the trusts which can generate additional reviews during the course of an accounting period for budget and expenditure purposes. Per the Auditor-Controller's wishes, we will now review the accountants reconciliations monthly versus a bi-annual review."

7. **Reducing Costs.** Opportunities were available to reduce future costs for the Sheriff's Office by not printing the department head's name on certain items. The preceding Sheriff's name was printed on the Sheriff's Office's business cards, employee identification badges, and various facility signs. We recognize that removal of the preceding Sheriff's name when the succeeding Sheriff took office was necessary. However, the succeeding Sheriff's name was also unnecessarily printed on the updated items at an estimated cost of \$10,000, which will create future costs during a change in department head.

Management Response. Sheriff management stated: "The Sheriff is a constitutional officer of the State elected at large by the people of Ventura County. The Sheriff's Office employee identification badge is issued by the Sheriff, as the issuing authority, it is critical that the current Sheriff's name and signature be on the identification card. The business cards and letterhead as well as facility signs are important representations of the Office of the Sheriff. By having the name of the current Sheriff on such items establishes and reinforces the public confidence in the elected official which is a critical necessity in today's world. While we acknowledge the cost associated with the change, we believe that the benefit of having our current Sheriff's name on these items that represent the Office of the Sheriff to the public far outweigh the cost."

Auditor's Comment. We have noted in Sheriff's response that management does not intend to implement corrective action in response to the finding. We were informed that no laws or regulations compelled the Sheriff's name to be printed on the items noted in our finding. Therefore, we encourage Sheriff to consider these opportunities to reduce costs upon a change in department head when these items will again need to be replaced.

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

Except for Findings 2(C) and 7, we believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective actions by June 30, 2014.