



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

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**REVIEW OF
SHERIFF-CORONER DEPARTMENT
BUDGET PROCESS & CONTROLS**

AUDIT NUMBER: 2438-3

REPORT DATE: APRIL 27, 2005

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**Review of Sheriff-Coroner
Budget Process & Controls
Audit No. 2438-3**

As of December 31, 2004

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**COUNTY OF ORANGE
INTERNAL AUDIT DEPARTMENT**

OFFICE OF THE DIRECTOR

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Transmittal Letter

Audit No. 2438-3

April 27, 2005

TO: Michael Corona
Sheriff-Coroner

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department

SUBJECT: Review of Sheriff-Coroner Department Budget Process & Controls

We have completed a review of the County budget process in the Sheriff-Coroner Department as of December 31, 2004. Our final **Internal Auditor's Report** follows this transmittal letter.

As the Director of the Internal Audit Department, effective December 14, 2004, I now make a monthly audit status presentation to the BOS where I detail any material and significant audit findings released in reports during the prior month, the implementation status of audit recommendations as disclosed by our Follow-Up Audits, any pressing audit or resource issues; as well as, respond to inquiries from the BOS. Therefore, the results of this audit will be included in a future summary to the Board.

Additionally, we will be sending a Customer Survey of Audit Services to the key audit contacts in your department. Please have them complete the survey and return it to Renee Aragon, Executive Secretary, Internal Audit Department.

We appreciate the cooperation and assistance extended to us by the budget personnel and management in the Sheriff-Coroner Department.

Attachment

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
Ed Corser, Deputy County Executive Officer, Chief Financial Officer
Steve Dunivent, Manager, CEO/Budget Office

Michael Carona, Sheriff-Coroner

April 27, 2005

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Linda Robinson, Director, Sheriff-Coroner Financial/Administrative Services

Jane Reyes, Asst. Director, Sheriff-Coroner Financial/Administrative Services

Larry Stephens, Administrative Officer, Sheriff-Coroner Financial/Administrative Services

Nicole Macias, Financial Officer, Sheriff-Coroner Financial/Administrative Services

Margaret Cady, Revenue/Audit Manager, Sheriff-Coroner Financial/Administrative Services

Selina Chan-Wychel, Financial Planning Manager, Budget & Administrative Support



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INTERNAL AUDITOR'S REPORT

Audit No. 2438-3

April 27, 2005

Michael Carona
Sheriff-Coroner
550 N. Flower Street
Santa Ana, CA 92703

We have completed a review of the County budget process in the Sheriff-Coroner. Our review was as of December 31, 2004 and included an evaluation of processes and controls for developing and monitoring department/agency budgets. The purpose of our review was to assess the budget process and controls at a sample of departments and agencies. This review is a continuation of our efforts to review the County budget process. Our prior audits of the budget process included a review of the CEO/Budget Office, Auditor-Controller/Revenue and Budgets, and RDMD's Planning and Development Services Function (formerly Planning and Development Services Department), where a fund deficit occurred in June 2002 resulting from budget related issues.

SCOPE AND OBJECTIVES

Our review of the budget process was performed in the **Social Services Agency, Health Care Agency, Public Defender** and the **Sheriff-Coroner Department**. Our objective was to assess the process and controls regarding the development, review, approval, and monitoring of the FY 2004/05 budget to ensure budget issues are adequately understood and communicated within the organization, and are also reported to the County Executive Office. As such, we assessed management's reviews and approvals of budget documents and reports. Additionally, we evaluated the training processes for individuals responsible for department/agency budgets. Our review did not evaluate the process and controls in the CEO/Budget Office and Auditor-Controller/Revenue and Budgets, or the Budgeting Reporting and Analysis Support System (BRASS) used to create and compile budgets.

CONCLUSION

We are pleased to report that the process and controls in the Sheriff-Coroner demonstrated a **well-defined and articulated budget process**. Our review of the budget process **did not identify any reportable, significant or material issues**. Most noteworthy, we found that budget roles and responsibilities in the Sheriff-Coroner are clearly established, and that communications within the Sheriff-Coroner and with the County Executive Office are taking place and are effective. Budgets are being monitored regularly and there are adequate training and cross-training processes to minimize any potential disruptions in preparing and monitoring the Sheriff-Coroner budget.

Michael Carona, Sheriff-Coroner

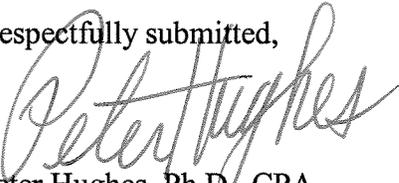
April 27, 2005

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Although this report does not have any audit recommendations, as always, the Internal Audit Department is available to partner with you so that you 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.

We appreciate the cooperation and assistance extended to us by the staff of the CEO/Budget Office, Auditor-Controller/Revenue and Budgets, and especially from budget personnel and management in the Sheriff-Coroner.

Respectfully submitted,



Peter Hughes, Ph.D., CPA

Director, Internal Audit

Distribution: Pursuant to Audit Oversight Committee Procedure No. 1

Members, Board of Supervisors

Members, Audit Oversight Committee

Foreman, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors

Ed Corser, Deputy County Executive Officer, Chief Financial Officer

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Nicole Macias, Financial Officer, Sheriff-Coroner Financial/Administrative Services

Margaret Cady, Revenue/Audit Manager, Sheriff-Coroner Financial/Administrative Services

Selina Chan-Wychel, Financial Planning Manager, Budget & Administrative Support

EXECUTIVE SUMMARY

We conducted a review of the budget process in the Sheriff-Coroner as of December 31, 2004.

BACKGROUND

All departments/agencies prepare annual budget requests (budgets) that are submitted to the CEO/Budget Office and the Auditor-Controller for review, and ultimately to the Board of Supervisors for adoption in the County's Final Budget. Departments/agencies have primary responsibility over their budget preparation and monitoring processes. Depending on their size, departments/agencies have from one to several Budget Analysts and support staff to prepare and monitor their budgets. CEO/Budget Office provides departments/agencies with Budget Instructions and Budget Calendars for preparing their annual budgets.

CEO/Budget Office also establishes County budget policies, ensures adherence with the Budget Instruction Manual, and maintains the Budget Reporting and Analysis Support System (BRASS) used to create and compile budgets. CEO/Budget Office provides oversight of department/agency budgets by reviewing budget requests, augmentations, revenue and expenditure projections, variance analyses, and providing assistance to departments/agencies. Auditor-Controller/Revenue and Budgets also provides a variety of budget review and support responsibilities.

The Sheriff-Coroner had twenty-one (21) budgeted funds **totaling \$540 million** for FY 2004/05 as follows:

Fund	Number	Budgeted Amount (Rounded)
General Fund	100/060	\$400 million
Emergency Management	100/032	\$ 1.3 million
Court Operations	100/047	\$42.8 million
Communications	100/055	\$ 9.8 million
Meth Lab Investigations	103	\$ 1.2 million
Automated Fingerprint ID	109	\$ 811,807
Reg. Narcotics Supp. Prog.	118	\$ 2.7 million
Sheriff's Narcotics Prog.	132	\$ 885,694
County Jail Fund	134	\$ 1.6 million
Traffic Violator	13B	\$ 1.8 million
SCAAP	13P	\$10.3 million
Replacement & Maintenance	13R	\$ 3.5 million
Sheriff's Substation Fee Prog.	141	\$ 6.9 million
Jail Commissary	143	\$ 6.2 million
Inmate Welfare	144	\$ 8.3 million
Cal-ID Operational Costs	14D	\$ 1.3 million
Cal-ID System Costs	14E	\$ 9.7 million
Supplemental Law Enforcement	14G	\$ 1 million
Construction & Facility Dev.	14Q	\$ 21 million
Theo Lacy Jail Construction	15C	\$ 2 million
800 Mhz CCCS	15L	\$ 6.9 million



The Sheriff-Coroner Budget and Administrative Support Division consists of a Budget and Financial Planning Manager and six Budget Analysts, and is under the direction of the Administrative Officer in Financial/Administrative Services Division. On behalf of the Budget Division, an Assistant Sheriff distributes annual budget instructions to the Division Commanders that describes the internal budget process and due dates. These instructions supplement the CEO/Budget Office's budget instructions and calendar.

OBJECTIVES

Our review assessed the process and controls at the Sheriff-Coroner for the following:

➤ **Development, Review and Approval of the Budget for FY 04/05.**

We evaluated the roles and responsibilities of budget staff and management, the adequacy of budget support documentation, evidence of management review and approval of budget support schedules, and effectiveness of communication between all levels involved in the development and approval of the budget, including Sheriff-Coroner Executive Management and the County Executive Office.

➤ **Monitoring of Budgets.**

We evaluated the Sheriff-Coroner's on-going monitoring processes over the budget, which include the monitoring of revenues, expenditures, fund balance available, net County cost, available financing reports, budget projections, variance reports, budget augmentation requests, and the analysis of prior year budget augmentations to related performance measures. We assessed the extent of on-going communications that occur between the Sheriff-Coroner and the CEO/Budget Office throughout the year.

➤ **Training and Procedures.**

We evaluated the training (and cross-training) processes and the existence of policies and procedures that are specific to the Sheriff-Coroner and supplement the CEO/Budget Office instructions.

APPROACH

Our methodology included inquiry, auditor observation and examination of budget documents and correspondence showing how the Sheriff-Coroner prepared, reviewed, approved, and monitored its annual budget.

To accomplish our objectives, we prepared a detailed *Internal Control Questionnaire* to identify the budget process and controls specific to departments and agencies. In the development of the questionnaire, we obtained input from the CEO/Budget Office to ensure areas addressed were pertinent to the department/agency budget process. We conducted interviews with Sheriff-Coroner Budget Analysts and obtained their input to the questionnaire. To substantiate the responses on the questionnaire, we met with budget staff and management and examined related documentation. We conducted interviews with various individuals in the Sheriff-Coroner to determine the effectiveness of communication of budget issues. Finally, we asked Sheriff-Coroner what essential elements contributed to the successful budget preparation process.

In *Attachment A*, we have listed the factors that have contributed to the success in the budget process performed by the Sheriff-Coroner and the other three departments/agencies we reviewed.



OBSERVATIONS

- The Sheriff-Coroner begins the budget process early (October) to ensure critical deadlines are met.
- The Sheriff-Coroner maintains a detailed budget calendar that is distributed to budget personnel. The budget calendar lists the responsible unit/staff, task to be completed, and the due date.
- Sheriff-Coroner Executive Management (Sheriff-Coroner and Assistant Sheriffs) and Division Commanders (Lieutenants and Sergeants) are very actively involved in developing budgets, reviewing monthly expenditure reports and attending regular budget meetings known as the Blue Ribbon Committee. Division Commanders are held accountable for their budget.
- There are Blue Ribbon Committee meetings where various budget topics are discussed. Executive Management and Division Commanders attend the meetings, as well as Financial and Administrative Management.
- The Budget Team provides workshops to Division Commanders and staff in December. These workshops provide training and assistance to the divisions regarding budget preparation, monitoring etc.
- The Budget Team holds meetings with the divisions to review the budgets after final adoption.
- The Budget Team performs budget exit meetings each year in July with the Division Commanders. The budget exit meeting provides communication to the divisions on how well they did to meet their budgets.
- Budget issues are communicated by e-mail and through regular staff meetings.
- The Budget Team created Excel reports to perform monthly monitoring of revenue and expenditure projections and variances.
- The Sheriff-Coroner conducted recent cost studies to determine the adequacy of its fees to ensure full cost recovery.
- The Sheriff-Coroner maintained current “Cost Apply” agreements with other departments/agencies.
- Documentation was prepared to analyze intended outcome indicators for prior year budget augmentations.

CONCLUSION

We are pleased to report that our review of the budget process at the Sheriff-Coroner **did not identify any reportable, significant or material issues**. We found that budget roles and responsibilities within the Sheriff-Coroner are clearly established. The Sheriff-Coroner budget team had developed its own specific budget procedures and calendar to supplement the policy and procedures prepared by the CEO/Budget Office. Communications about the budget are occurring within the Sheriff-Coroner and with the County Executive Office through the Deputy County Executive Officers and the CEO/Budget Office. The approved budgets are monitored on a regular basis throughout the year and the required projection and variance reports are being submitted to the CEO/Budget Office. Additionally, we found that there are adequate training and cross-training processes in place to minimize any potential disruptions in preparing and monitoring the Sheriff-Coroner budget.



ATTACHMENT A

DEPARTMENT/AGENCY SUCCESS FACTORS

The following are the factors the four departments/agencies identified during our review that contribute to their successful management of budgets. We believe departments/agencies should consider adopting any of these factors in their budget process where applicable.

POLICIES AND PROCEDURES

- Supplementing the CEO/Budget Office's Budget Instructions and Budget Calendar with their own detailed procedures and calendars that indicate specific tasks, dates, individuals responsible for the tasks, and back-up staff for each task.
- Preparing a detailed Strategic Financial Plan document to allow multi-year planning of needs and potential service reductions.
- Maintaining a step-by-step overview of the year-end closing process.
- Conducting year-round budget monitoring and Net County Cost projections.
- Using consistent formats for budget monitoring spreadsheets.
- Starting the budget process early (October) to ensure critical deadlines are met.
- Using technology to download useful information (e.g., State requirements) to analyze information and to monitor program status.

COMMUNICATION

- Actively involving Executive Management, Finance/Administration Management, and Program/Division Managers in developing budgets, reviewing monthly expenditure reports, and attending regular budget meetings.
- Holding Program/Division Managers accountable for their budgets.
- Having meetings with budget teams and the department/agency programs/divisions to review and discuss the budget after final adoption.
- Having exit meetings with budget teams and program/division managers for discussions on how the prior year budget was met.
- Communicating with the CEO/Budget Office to identify any upcoming changes.

TRAINING

- Budget teams providing workshops and training to Program/Division managers regarding budget preparation and monitoring.
- Budget Analysts working closely with each other with a willingness to cover other Budget Analysts in the event of absence.

