

Internal Audit Department

O R A N G E C O U N T Y

COMPLIANCE AUDIT OF SHERIFF-CORONER ADMINISTRATION SOLE SOURCE PROCUREMENTS AND RELATED CONTRACT PAYMENTS

For Fiscal Years 2006-07 and 2005-06

We audited all three Sheriff-Coroner Administration sole source procurements for professional consultant services for Fiscal Years 2006-07 and 2005-06 totaling \$505,960. These contracts were appropriately reviewed and approved by the Board of Supervisors in accordance with County policy.

We also audited all related sole source contract payments totaling \$202,965 and found the payments to be valid, properly supported, and approved by Sheriff-Coroner management.

AUDIT NO: 2766-4

REPORT DATE: JUNE 25, 2008

An Audit Oversight Committee Directed Audit
Meeting Date: November 7, 2007

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Transmittal Letter



AUDIT NO. 2766-4 JUNE 25, 2008

TO: Members, Audit Oversight Committee
Sandra Hutchens, Sheriff-Coroner

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

SUBJECT: Compliance Audit of Sheriff-Coroner
Administration Sole Source
Procurements and Related
Contract Payments

At the request of the Audit Oversight Committee on November 7, 2007, we have completed a compliance audit of **sole source procurements originating from Sheriff-Coroner Administration and related contract payments** for Fiscal Years 2006-07 and 2005-06. The purpose of our audit was to determine if sole source procurements were in compliance with the requirements in the *County Purchasing Manual, Sections 3.3 and 4.4 – Services Contracts and Sole Source and Proprietary Requests*, respectively. Our final report is attached for your review. There are no audit recommendations contained in this report.

This completes our audit of Sheriff-Coroner Administration expenditures and procurements. This report is one of a series of reports on Sheriff-Coroner Administration expenditures. We have issued separate audit reports on Revolving Fund Expenditures and Travel Expenditures Reimbursed Through Payroll (#2766-1); on Purchasing Card (Cal Card) Expenditures (#2766-2); and two Audit Alerts to the County Procurement Office (formerly CEO/Purchasing) for a Cal Card administration issue (#2766-3) and a policy issue for sole source contracts (#2766-5).

Each month I submit an **Audit Status Report** to the Board of Supervisors (BOS) where I detail any material 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. Please feel free to call me should you wish to discuss any aspect of our audit report.

Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of this final report.

ATTACHMENTS

Other recipients of this report are listed on the Internal Auditor's Report on page 4.

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Sole Source Procurements and Related Contract Payments
Audit No. 2766-4***

For Fiscal Years 2006-07 and 2005-06

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INTERNAL AUDITOR'S REPORT

AUDIT No. 2766-4

JUNE 25, 2008

TO: Members, Audit Oversight Committee
Sandra Hutchens, Sheriff-Coroner

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

SUBJECT: Compliance Audit of Sheriff-Coroner Administration
Sole Source Procurements and Related Contract
Payments

Audit Highlight

We audited all three of the Sheriff-Coroner Administration sole source procurements for professional consultant services for Fiscal Years 2006-07 and 2005-06 totaling \$505,960. These contracts were appropriately reviewed and approved by the Board of Supervisors in accordance with County policy.

We also audited all related sole source contract payments totaling \$202,965 and found the payments to be valid, properly supported, and approved by Sheriff-Coroner management.

Introduction

The Internal Audit Department completed a compliance audit of sole source procurements in Sheriff-Coroner Administration. The purpose of our audit was to determine compliance with Section 3.3 of the *Contract Policy Manual (CPM) - Service Contracts* and Section 4.4 - *Sole Source and Proprietary Requests*, where County policy requires all sole source requests exceeding \$50,000 to have written sole source justification and approval by the Board of Supervisors. We also audited related sole source contract payments for propriety, supporting documentation and management approval.

Background

On November 7, 2007, the County of Orange Audit Oversight Committee (AOC) directed the Internal Audit Department to conduct an audit of expenditures incurred by Sheriff-Coroner Administration. This directive was in response to a federal indictment concerning allegations against the former elected Sheriff-Coroner, Michael Carona. The AOC expressed a desire to check the integrity of key accounts, funds and expenditures under the direction of Sheriff-Coroner Administration.

The Sheriff-Coroner Department is comprised of approximately 4,000 sworn and professional staff members, has an annual budget exceeding \$440 million, and consists of four organizational functions (Operations; Investigations/Communications/Court Operations; Special Services; and Jail Operations) that are divided into 21 divisions. Sheriff-Coroner Administration is where the Sheriff-Coroner, the Undersheriff, and Assistant Sheriffs carry out their responsibilities.

Contract Policy Manual Requirements - Sole Source

The *County of Orange Contract Policy Manual (CPM)* provides County policy for procurements. The *CPM* was last revised in June 2007; however, our audit included contracts that were under the *CPM* in effect since August 1998. Some of the changes to the revised *CPM* were higher dollar threshold limits where Board approval is required.



CPM Section 4.4 – Sole Source and Proprietary Requests - is the County policy on sole source procurements. Sole source procurement is a contract award for a commodity or service to the only known responsible supplier based on the unique nature of the requirement, supplier, or market conditions. Sole source contracting is considered as an exception, or deviation, from the standard competitive bid process.

As such, the *CPM* (effective August 1998) required that all sole source requests exceeding \$25,000 have a written sole source justification completed. In addition, *CPM Section 3.4 – Consultant Service Contracts* – stated that approval by the County Executive Office (CEO) and, subsequently the Board of Supervisors approval was required for engagement of consultants when the total contract amount exceeded \$25,000. The current *CPM* (effective June 2007) states in Section 3.3 that Service Contracts, including sole source, exceeding \$50,000 will require Board approval.

Sheriff-Coroner Department Sole Source Procurements Process

Sheriff-Coroner Department sole source procurements are requested by Sheriff-Coroner Administration and the Outlying Sheriff-Coroner Divisions. The majority of the department's sole source procurements originate from the Outlying Divisions. In Fiscal Year 2006-07, Sheriff-Coroner Administration had only one sole source procurement totaling **\$396,000**, and only two sole source procurements for Fiscal Year 2005-06 totaling **\$109,960**.

The Sheriff-Coroner Department utilizes their own *Justification for Sole Source* form that includes the justification criteria specified in *CPM Section 4.4*, and signature lines for the Division Commander's and Assistant Sheriff's approval (see *Attachment A*).

Once completed by the requesting division, the *Justification for Sole Source* forms are sent to **Sheriff-Coroner Purchasing** (Purchasing) for review and approval. Deputy Purchasing Agents (DPAs) in Purchasing review the *Justification for Sole Source* forms and perform research, as applicable, to determine if prices are reasonable and within market prices. The DPA and the Purchasing Manager document their review and approval on the form. Purchasing prepares the contracts, has them signed by appropriate parties, and distributes copies to the requesting division, vendor, Sheriff Accounts Payable, and the Auditor-Controller. The requesting division is responsible for contract administration and review of related contract invoices of the sole source procurements.



Audit Scope and Objectives

We conducted a compliance audit of all sole source procurements originating in **Sheriff-Coroner Administration** and related contract payments. Our objectives were to determine if the sole source procurements were in compliance with *County Purchasing Manual Sections 3.3 and 4.4*, and that related contract payments were proper, contained adequate supporting documentation, and were authorized by management. As such, we performed the following:

1. **Audited all three (3) Sheriff-Coroner Administration** sole source procurements **totaling \$505,960** for Fiscal Years 2006-07 and 2005-06. Each procurement contained sole source justification formally approved by Sheriff-Coroner management and the Board of Supervisors.
2. **Conducted 10 interviews of staff and management** in Sheriff-Coroner Financial/Administrative Services and Purchasing who are involved with sole source procurements to identify any areas of concern or issues. No issues or concerns were noted.
3. **Researched the qualifications of the professional services firm** hired as a sole source in Fiscal Years 2006-07 and 2005-06. We noted no issues or exceptions with the firm's qualifications and expertise concerning the services provided to the Sheriff-Coroner.
4. **Audited 16 vendor invoices** from the professional services firm (**totaling \$202,965**) to determine if vendor payments were properly supported, reviewed and approved based upon contract terms. We noted no issues or exceptions in the payment of these vendor invoices.

Audit Results

We audited all three Sheriff-Coroner Administration sole source procurements for Fiscal Years 2006-07 and 2005-06 totaling \$505,960. These contracts were appropriately reviewed and approved by the Board of Supervisors in accordance with County policy. We also audited all related sole source contract payments totaling \$202,965 and found the payments to be valid, properly supported and approved by Sheriff-Coroner management.

As such, we have no recommendations for this audit.

Acknowledgment

We appreciate the courtesy and cooperation extended to us during the audit by the personnel of Sheriff-Coroner Administration and Financial/Administrative Services. If we can be of further assistance, please contact me or Eli Littner, Deputy Director at (714) 834-5899 or Michael Goodwin, Senior Audit Manager at (714) 834-6066.



Attachment

Distribution Pursuant to Audit Oversight Committee Procedure No.1

Members, Board of Supervisors
Jack Anderson, Assistant Sheriff
Rick Dostal, Executive Director, S-C Special Services
Jane Reyes, Director, S-C Financial/Administrative Services
Nicole Macias, Financial Officer, S-C Financial/Administrative Svcs.
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Nasrin Soliman, Audit Manager, Financial/Administrative Services
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



ATTACHMENT A: Justification for Sole Source Form - Orange County Sheriff-Coroner Department

JUSTIFICATION FOR SOLE SOURCE

Orange County Sheriff-Coroner Department
Purchasing Services Bureau

Date: _____ Division: _____ Agency: _____ Org: _____

Divisional Contact: _____ Phone: _____

Description of Services/Item/Supply Requested: _____

Recommended Vendor: _____

State reason(s) product/service can be provided only by recommended vendor (include any back-up information or documentation which supports your recommendation). Use additional sheet(s) if necessary.

If there are other providers of the product or service, have they been contacted (provide names and detailed information)? Use additional sheet(s) if necessary.

If there are other providers, how does the recommended vendor's price or fee compare to the general market? Use additional sheet(s) if necessary.

If recommended vendor is not allowed to provide the product or service, how would the Department accomplish this particular task? Use additional sheet(s) if necessary.

Division Commander: _____ Date: _____

Assistant Sheriff Concurrence: _____ Date: _____

Purchasing Services Bureau

Buyer Comments:

Buyer Signature: _____ Date: _____

Supervisor Concurrence: _____ Date: _____

OCSD/PSB: Sole Source Justification
Updated: 02-11-08