

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

917



**FROM:** County Auditor-Controller

**SUBMITTAL DATE:**  
October 17, 2011

**SUBJECT:** Internal Audit Report 2009-027: Sheriff's Department Contract City Rates

**RECOMMENDED MOTION:** Receive and File Internal Audit Report 2009-027: Sheriff's Department Contract City Rates.

**BACKGROUND:** The Auditor-Controller has completed an audit of the contract city rates for the Sheriff's department. Our primary audit objective was to determine the adequacy of the internal controls over rate development, billing and collection for the law enforcement services provided to contract cities. We conducted the audit during the period April 13, 2009, through July 20, 2010, for operations of July 1, 2006, through June 30, 2009.

Departmental Concurrence

(Continued)

*Paul Angulo*

Paul Angulo, CPA, MA  
County Auditor-Controller

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

<b>SOURCE OF FUNDS:</b> N/A	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

APPROVE

BY: *Karen L. Johnson*  
Karen L. Johnson

**County Executive Office Signature**

- Policy
- Consent
- Policy
- Consent

Dept's Recomm.:  
Per Exec. Ofc.:

**Prev. Agn. Ref.:** | **District:** ALL | **Agenda Number:**

ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD

2.1

**SUBMITTAL TO THE BOARD OF SUPERVISORS**

**Form-11: Internal Audit Report 2009-027: Sheriff's Department Contract City Rates**

**October 17, 2011**

**PAGE 2**

**BACKGROUND CONTINUED:**

Based upon the results of our audit, the department has an adequate system of internal controls to ensure the rate adequately recovers all costs, billing, and collection for providing law enforcement services to contract cities.



# County of Riverside

## INTERNAL AUDIT REPORT

### Riverside County Sheriff's Department Contract City Rates

October 17, 2011

Office of  
**Paul Angulo, CPA, MA**  
County Auditor-Controller

4080 Lemon Street  
P.O. Box 1326  
Riverside, CA 92502-1326



**COUNTY OF RIVERSIDE  
OFFICE OF THE  
AUDITOR-CONTROLLER**

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802



October 17, 2011

Honorable Stanley Sniff, Sheriff  
Riverside County Sheriff's Department  
4095 Lemon Street  
P.O. Box 512  
Riverside, CA 92502

**Subject: Internal Audit Report 2009-027: Riverside County Sheriff's Department, Contract City Rates**

Dear Sheriff Sniff:

We have completed an audit of the contract city rates for the Sheriff's department. Our primary audit objective was to determine the adequacy of the internal controls over rate development, billing and collection for the law enforcement services provided to contract cities. We conducted the audit during the period April 13, 2009, through July 20, 2010, for operations of July 1, 2006, through June 30, 2009.

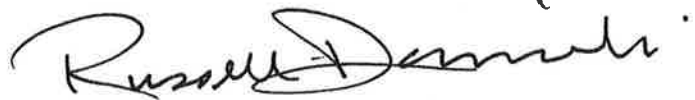
We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful evidence to provide reasonable assurance that our objective as described in the preceding paragraph is achieved. An audit includes examining, on a test basis, evidence about the adequacy and effectiveness of internal controls, compliance with applicable government codes and regulations, and performing such other procedures, as we considered necessary in the circumstances. We believe the audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to express a conclusion on the internal controls based upon our audit.

Based upon the results of our audit, the department has an adequate system of internal controls to ensure the rate adequately recovers all costs, billing, and collection for providing law enforcement services to contract cities.

We thank the Sheriff's department management and staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA  
County Auditor-Controller

A handwritten signature in black ink, appearing to read "Russell S. Dominski". The signature is fluid and cursive, with a large initial "R" and "D".

By: Russell S. Dominski  
Interim Chief Internal Auditor

cc: Board of Supervisors  
Executive Office  
Grand Jury

## **Executive Summary**

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**Overall Objective** Our primary audit objective was to determine the adequacy of the department's system of internal controls over rate development, billing and collection for the law enforcement services provided to contract cities.

**Overview** The Sheriff's department provides law enforcement services to 17 cities in the county. The department has provided contract city law enforcement services and has developed a rate for such services for over 40 years. A standard five-year contract is developed. As outlined in the contract, the Sheriff's department is to provide law enforcement services equivalent to an operational police department. The Sheriff's department has a contracts unit responsible for rate development, billing and collection for law enforcement services provided to contract cities. The Sheriff's department contracts unit and a representative from each city agree on the levels of service to be provided and used as the basis for billing the cities for law enforcement services such as corporal, deputy, sergeant, etc.

Contract billing rates are updated annually to comply with California Government Code 51350, County of Riverside Board of Supervisors' Policy B-4 and to reflect adjustments in employee salaries, benefits and other costs. Rates are finalized during the third quarter of the fiscal year and made retroactive to the beginning of the fiscal year. According to California Government Code 51350, also referred to as the Gonsalves Bill, "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." The Code further prevents a county from charging for services which are 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 are those costs, which a county would incur regardless of whether or not it provided a service under contract to a city. Any determination of general overhead costs shall be subject to court review as to the reasonableness of such determination." Further, Board Policy B-4, Rates Charged for Current Services, requires that, "charges should recover actual costs of providing the services unless the Board of Supervisors sets the charge at a lesser amount."

As indicated by Sheriff's department officials, each contract developed includes a thorough review and approval by County Counsel prior to submittal to the Board of Supervisors. While the contract rate development package is detailed and open to the cities for review,

billing to cities is completed monthly and collections are monitored through an aging report. The department conducts quarterly meetings with contract cities representatives to discuss concerns related to the rates and provides each city with a detailed copy of the rate package.

**Audit Methodology** To accomplish our audit objective, we:

- Reviewed and gained an understanding of applicable codes, regulations, policies and procedures;
- Interviewed appropriate key staff members to gain an understanding of how the department establishes the contract terms, develop the rates and manages contracts;
- Examined supporting documentation utilized by Auditor Controller's Office Specialized Accounting staff to complete 2008-09 rate review of the Sheriff's Contract City Rates;
- Contacted other counties to benchmark their process to Riverside county's process;
- Verified whether current practices adhere to governing codes, regulations and established county policies and procedures by reviewing reports, records and other evidence; and
- Utilized PeopleSoft and Simpler Financial Systems to obtain financial information to perform testing on detailed transactions.

**Overall Conclusion** Based upon the results of our audit, the department does have an adequate system of internal controls to ensure the rate adequately recovers all costs, billing, and collection for providing law enforcement services to contract cities.