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Auditor-Controller


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Tracy A. Schulze  
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Date: February 2, 2018

To: Board of Supervisors  
Allison Haley, District Attorney  
Minh Tran, Interim CEO

From: Tracy A. Schulze  
Auditor-Controller 

Subject: Report for District Attorney Revolving Fund Audit.

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An audit was performed for the District Attorney's Revolving Fund, which is designated for Child Recovery, Witness Protection Programs, Undercover Investigations, and for necessary related expenses of the District Attorney's office incurred in the performance of the duties that cannot be reasonably accommodated through the normal County claim process.

### **Results of Audit**

1. Written Procedures - Per our review of District Attorney's Revolving Fund Resolution No. 2012-108, the District Attorney's office internal procedure manual for the revolving fund, expenditures and backup documentation for transactions occurring from July 1, 2013 through June 30, 2016, we have found the District Attorney's office is in compliance with all the criteria for expenditures established in the Internal Procedure Manual and is following the spirit of the Resolution.

The criteria set forth in the resolution specifically states the use of the revolving fund is for programs associated with witness relocation and protection (Cal-WRAP), Child abduction/recovery, prosecution and investigations. Although, the District Attorney's internal procedure manual lacks sufficient guidance pertaining to the County's purchasing policy and makes it difficult to monitor any non-compliance spending occurring through the Revolving Fund.

*Recommendation:* The District Attorney to review the internal policy and revise it to make it program specific and ensure compliance with all county policies and the resolution as set by the Board.

2. Cards Issued - There are currently four cards issued to:

- 1) Accounts Payable Clerk
- 2) District Attorney Investigator
- 3) Consumer Fraud Investigator
- 4) Consumer Fraud Investigator

Two more cards will be issued in the near future to Investigative Techs who will be responsible for assisting with witness travel, consumer transactions, and any other case needs at the District Attorney's office.

It was noted that a total of four cards have been issued and two more will be issued. The internal policy and procedures currently gives discretion to the District Attorney's Office to issue cards as needed, due to the undercover nature and changing needs of the department. However, we believe this poses an increase of risk with the possibility of non-compliant spending

*Recommendation:* Understanding the District Attorney has unique responsibilities, the number of cards should be kept to a minimum to reduce the risk of fraud or non-compliance with County policies.

3. Fund Amount - Expenditure analysis of Fiscal Years 13/14, 14/15 and 15/16 indicated that the District Attorney does not show a need for the \$40,000 balance in the revolving fund. The expenditures have been well below the limit, not exceeding \$12,300 in any one quarter for the three years reviewed. In addition, the fund is only replenished once a year, indicating the amount of funds could be lessened and replenished more frequently.

*Recommendation:* Reduce the amount of the fund to \$15,000 and replenish, at a minimum quarterly, to ensure enough funds are available. Each time the fund is replenished will provide for more frequent monitoring to ensure card holders are in compliance with all policies.

4. Expenditures - During the review we noted a few exceptions. There were two transactions that were not conducted in accordance with the County's purchasing policy, which supersedes the District Attorney's own Revolving Fund policy. There was one transaction purchasing replacement furniture for items damaged in the 2014 earth quake that was handled by the District Attorney. The expense was not included on the FEMA claim. Also it was noted that in 2013 there was a child recovery case that required a Napa County investigator to go to Mexico and work alongside a liaison from the Department of Justice. Napa County covered costs

related to lodging and meals for the DOJ liaison. Per Administrative Manager, if it is a Napa County case, Napa County is required to cover the expenses of federal agents when participating in cases where international relations are involved, as long as it is approved by the District Attorney. An email conversation related to the case was provided, demonstrating that the District Attorney was involved in the conversation regarding the travel. However, the conversation does not specifically address the request and approval process.

It should be noted that the Auditor Controller's Office did not find any expenditures that were considered to be un-authorized or non-compliant with the District Attorney's Internal Revolving Fund policy and procedure. All documentation relating to approval, forms, and research for best prices, were properly maintained and stored whenever appropriate.

*Recommendation:* The internal revolving fund procedures should be revised to ensure the fund is used in accordance with the Resolution and follow all County policies, including both purchasing policies and the County's travel policy.

### **Management Response**

The District Attorney's Office has reviewed the content of the District Attorney (DA) Revolving Fund Audit Report and provided the following responses to address each of the focus areas listed above:

**1. Written Procedures:** The District Attorney's Office takes our responsibilities for internal control of financial transactions very seriously. The District Attorney's Office plays a major role in safeguarding the community and must take a proactive approach to ensuring that the office has the necessary resources to carry out its mission and mandated responsibilities. As such, the District Attorney's Office worked closely with the CEO's Office, the Auditor-Controller's Office, and the Treasurer's Office to obtain approval from your BOS on August 7, 2012, for the adoption of a resolution to establish this consolidated District Attorney Revolving Fund account. The establishment of this account was critical to carry out the operational needs of the office that were unable to be met otherwise. The District Attorney's Office has established a strict internal control structure, requiring authorized signers on the revolving fund account to obtain supervisor approval prior to initiating any revolving fund account transaction, and all transactions are scrutinized to ensure the most appropriate and cost-efficient use of public funds for authorized transactions. However, as written, the internal policy allows for purchases outside of the programs stated in the Resolution. Therefore, the District Attorney will review and revise the internal policy and procedure to further clarify the allowable uses and to ensure County purchasing policies are being followed.

**2. Cards Issued:** The District Attorney only authorizes the issuance of debit cards to employees with specific job functions that necessitate handling transactions for the authorized purposes of the DA Revolving Fund account. All assigned employees are provided training regarding the Resolution that establishes the authority for the use of the account, the account policies and

procedures, and the employee must sign a Cardholder Declaration (attached) prior to issuance of a debit card. The District Attorney's Office agrees that having County issued purchasing cards issued for employees that handle certain types of transactions will limit the number of employees that must have debit cards on the DA Revolving Fund account.

3. Fund Amount: The District Attorney's Office agrees that the funding level of the DA Revolving Fund account must be maintained at a level to ensure sufficient funds on-hand to handle a multitude of simultaneous operational needs, such as relocation of multiple witnesses, investigative or prosecutorial case needs, witness travel for attendance at trials, undercover operations expenses, and child abduction/recovery operations. We agree to lessening the amount of funds by \$15,000, for a new fund balance of \$25,000, and replenishing the fund quarterly with the understanding that we will have the ability to replenish funds more often if required.

4. Expenditures: The District Attorney's Office acknowledges the revolving funds are for those purposes specifically outlined in the resolution and all other purchases need to follow established purchasing policies. The District Attorney will review and revise its internal policy and procedure to ensure the revolving fund is used appropriately. In addition, the District Attorney will ensure that proper coding is utilized to avoid any compliance concerns, and to ensure we are able to properly capture the cost for claiming purposes.

If travel warrants the use of the revolving fund, the District Attorney will utilize current travel authorization forms, which provide written approval by the District Attorney or designee, on all travel claims as required documentation prior to travel, as necessary and appropriate, with the understanding that certain mandated activities of the office require immediate departure for case-related duties and may only allow for verbal or text authorization.