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To: Supervisor Chris Coursey, Chair
Supervisor David Rabbitt
Supervisor Lynda Hopkins
Supervisor Susan Gorin
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From: Erick Roeser
Auditor-Controller-Treasurer-Tax Collector

Subject: Initial Fraud Hotline Report for June 10, 2021 through September 30, 2022

The Auditor-Controller-Treasurer-Tax Collector's Internal Audit Division (IAD) operates the Sonoma County Fraud Hotline authorized by California Government Code Section 53087.6. Pursuant to the Board of Supervisors approved Fraud Guidelines, IAD investigates or refers out allegations of financial fraud, waste and abuse of resources. IAD refers allegations that are outside the scope of the Fraud, Waste and Abuse Hotline Program (Program) to other departments, agencies or hotline programs as applicable.

For complaints within the scope of the Program, IAD tracks and compiles the results of Fraud Hotline investigations referred to and conducted by other County departments.

This report summarizes investigations concerning allegations of fraud, waste, and abuse of resources that were completed between June 10, 2021 and September 30, 2022 and also provides statistical summaries, and disciplinary and/or corrective actions imposed.

Fraud Hotline Activity

- 46 - New Cases Reported
- 37 - Cases closed
 - 2 – Substantiated
 - 3 – Not Substantiated
 - 6 – Not investigated
 - 26 – Outside scope of the Program
- 9 - Cases Open

The following table summarizes Hotline cases investigative activity for the above-mentioned period, which ended with **9 open cases**.

Table 1 - Case Count for the Reporting Period

Case Status	Reporting Period Ending 9/30/2022
Beginning Caseload	0
Plus: New Cases Opened	46
Less: Cases Closed	(37)
Ending Caseload	9

Of the 37 cases closed, 11 cases were within the scope of the Program (categorized in Table 2 as Substantiated, Not Substantiated or Not Investigated) and 26 cases were not jurisdictional to IAD and were referred as appropriate.

Table 2- Summary of Closed Cases by Department - Within Scope of the Program

Department	Substantiated	Not Substantiated	Not Investigated*	Totals	%
Auditor-Controller-Treasurer-Tax Collector	1	0	0	1	9.1%
Board of Supervisors	0	0	1	1	9.1%
Child Support Services	0	0	1	1	9.1%
Clerk-Recorder-Assessor-Registrar of Voters	0	1	0	1	9.1%
Community Development Commission	0	0	1	1	9.1%
Health Services	1	0	1	2	18.2%
Permit Sonoma	0	2	2	4	37.3%
Grand Total	2	3	6	11	100.0%

* Cases not investigated due to immateriality, the allegation was previously investigated, or insufficient information was provided.

Table 3 – Summary of Closed Cases by Department and Other Agencies - Outside Scope of the Program

Department	Not Investigated	%
Board of Supervisors	2	7.7%
Clerk, Recorder, Assessor, Registrar of Voters	1	3.8%
Community Development Commission	2	7.7%
Court	3	11.5%
Health Services	2	7.7%
Human Services	2	7.7%
Permit Sonoma	7	27.0%
Retirement	1	3.8%
Water Agency	1	3.8%
Non-County	5	19.3%
Grand Total	26	100.0%

**Summary of Substantiated Cases
For the Period June 10, 2021 through September 30, 2022**

Case Number: 53200

Substantiated complaint - The Department of Health Services (DHS) incurred additional Wi-Fi device charges (waste) of \$63,400 over a period of approximately three years.

Summary: In 2019, DHS provided a Wi-Fi device for an employee through the Information Systems Department (ISD) communications program. A 2GB data plan was selected rather than an unlimited plan for an additional charge of \$10 per month. Because monthly data usage routinely exceeded 2GB, DHS incurred additional charges of \$63,400 compared to the cost of an unlimited plan for the same period. Additional charges included service charges of \$55,160 paid to Verizon and program administration charges of \$8,240 paid to ISD.

Corrective action: In 2021, DHS switched to an unlimited plan and ISD performed a countywide review to ensure such a condition does not exist elsewhere in the County.

Case Number: 52038

This case included several complaints regarding the Dimensions payroll timekeeping system implementation.

Background: The Auditor-Controller-Treasurer-Tax Collector contracted with ISD and Kronos Incorporated (Kronos) to transition the Kronos on-premises payroll timekeeping application, which was soon to be out of support, to a cloud-based application called Dimensions. In September 2019, the Board approved the original Dimensions project budget of \$301,000 (\$151,000 for Kronos and \$150,000 for ISD). In April 2021, the Board approved additional

project funding of \$218,490 (\$143,490 for Kronos, net of a \$49,000 service concession, and \$75,000 for ISD). The project was completed in May 2022.

Substantiated complaint #1 – The County paid Kronos approximately \$71,000 in development costs for the Activities module that was not completed (waste). During the same period, approximately \$88,000 was paid to ISD for the Dimensions project; however, the cost attributable to the Activities module is not known because ISD tracked costs at the project level.

Summary: Kronos rolled out a Dimensions system-wide update during the County's Dimensions project implementation that created a cost accounting code limitation issue. In response, Kronos recommended the implementation of an additional module called Activities to resolve the code limitation issue. Kronos recognized joint responsibility for this issue and provided a service concession of \$49,000 on the Activities module implementation. During the implementation, it was determined that the Activities module would not resolve the code limitation issue and it was not completed.

Substantiated complaint #2 – A system requirement investigation was not conducted or documented at the beginning of the project or when the code limitation issue was determined, which contributed to the cost of the Activities module (waste) and some project delays.

Summary: Based on initial discussions with the Kronos, the project team viewed the Dimensions project as a simple upgrade rather than a full implementation and thought the cloud-based time keeping application would have the same functionality as the on-premises application. As a result, a system requirement investigation was not conducted and cost accounting code requirements were not included in the vendor contract. If these steps were performed, the cost accounting code requirement would have been documented and the County most likely would not have incurred costs for the Activities module that was ultimately not completed.

Additionally, the County did not have a dedicated project manager and project support staff, which contributed to project delays but would have significantly increased the total project cost. Further, four disasters, including COVID, and project team turnover contributed to project delays.

Corrective action: The ACTTC will ensure a system requirement investigation is conducted as part of the project management process for similar projects in the future and key system requirements will be identified in the vendor contract. Additionally, project staffing levels and subject matter expertise will be evaluated as part of project planning and risk assessment process.

Not substantiated/not investigated - Several other complaints included in this case were either not substantiated or not investigated due to insufficient information.