

# Internal Audit Department

O R A N G E C O U N T Y  
6<sup>th</sup> Largest County in the USA

## EXHIBIT A

# JUNE 2012 AUDITS BY IAD

## MONTHLY INTERNAL AUDIT ACTIVITY REPORT

### Presented on Board of Supervisors' Agenda July 31, 2012

- **Audit of Sheriff-Coroner Law Enforcement Services Contract Cost Study for FY 2012-13.** The Sheriff-Coroner will recover full costs in accordance with County policies and related California Government Code.
- **Audit of Social Services Agency Revolving Fund Process.** We identified **four Control Findings** to enhance revolving fund controls.
- **Audit of JWA/Paradies-OC LLC.** Our audit found Paradies records adequately supported monthly rent paid to JWA.
- **Report of Public Guardian's Office Activities regarding the Klubnikin Family Trust.** Internal Audit addressed two allegations made in public comments at numerous Board of Supervisor meetings, and found them to be without merit.
- **Monthly CAAT Reveals 100% of Vendor Invoices Were Only Paid Once.**
- **Second and Final Close-Out Follow Up Audit of CAPS+ Financial System - Oracle Database Configuration.** The one remaining recommendation from our original report is in process/closed.
- **Second and Final Close-Out Audit of Auditor-Controller's and Treasurer-Tax Collector's \$22 Billion Electronic Funds Transfer Process.** The A-C, T-TC, and CEO/IT implemented or closed fourteen recommendations, and one recommendation is in process.
- **First Follow-Up Audit of OC Waste & Recycling Fee Generated Revenue.** OCWR implemented two recommendations and partially implemented one recommendation from our original audit.
- **First Follow-Up Audit of HCA Contract Development and Management - Payment Approval and Fiscal Monitoring.** HCA implemented seven recommendations and two recommendations are in process.
- **First Follow-Up Audit of OC Public Works Countywide Fleet Management.** OC Public Works partially implemented six recommendations and has not implemented one recommendation from our original audit.
- **First Follow-Up Audit of OC Public Works County Fuel Card Administration.** OC Public Works implemented one recommendation and partially implemented three recommendations from our original audit.

**Dr. Peter Hughes, MBA, CPA, CIA, CFE, CFF, CITP, CCEP, CGMA**  
**Director of Internal Audit**

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## Project No. 1209-1

### RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Hughes for the Most Outstanding Article of the Year-Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach

# Letter from Dr. Peter Hughes, CPA



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July 31, 2012

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Internal Audit Activity Report for the month of June 2012. For each internal audit report we provide an overview and a detailed briefing for your review.

As always, I'm available at your convenience to discuss any of these items.

Respectfully submitted,

Dr. Peter Hughes, CPA

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Executive Summary

### Exhibit

#### Audit Reports:

- B. Sheriff-Coroner Cost Analysis: Our audit found that the Sheriff-Coroner Law Enforcement Services Contract Cost Study will recover full costs in accordance with County policies and applicable California Government Code for Fiscal Year 2012-13. **Specifically, we noted that retirement costs include the contribution requirements for FY 2012-13 for the Normal Costs and the Unfunded Actuarial Accrued Liability (UAAL). The retirement contribution rate (which includes the UAAL) is adjusted annually based on the results of the actuarial valuation and review that is performed on an annual basis.**
- C. Social Services Agency Revolving Fund Process: Our audit found internal controls are in place to ensure revolving funds are adequately safeguarded; transactions are processed in accordance with County policy; and transactions are properly authorized and recorded completely, accurately and timely. However, we identified **four (4) Control Findings** to enhance existing revolving funds process and controls.
- D. Public Guardian Office Activities Regarding the Klubnikin Family Trust: Internal Audit addressed two allegations made in public comments at numerous Board of Supervisor meetings in September 2011, and found them both to be without merit.
- E. John Wayne Airport - Revenue Generating Lease Audit of Paradies-OC, LLC: Our audit found that Paradies-OC, LLC's records adequately supported gross receipts and rent owed was properly paid to JWA.

### Exhibit

#### Monthly Results of Continuous Auditing Using CAATS (Computer Assisted Audit Techniques):

- F. Auditor-Controller, Human Resources, and County Procurement Office – Duplicate Vendor Payments and Other Periodic Routines – June 2012: We analyzed **18,458** vendor invoices paid in May 2012 amounting to about **\$245 million** and found **100%** of the invoices were only paid once. Of the \$245 million in vendor invoices, we identified **no** duplicate payments made to vendors. To date we have identified **\$983,595** in duplicate vendor payments, of which **\$970,101 or 99%** has been recovered and is a noteworthy achievement by the County.

### Exhibit

#### Follow-Up Audit Reports

- G. Second and Final Close-Out Follow-Up Information Technology Audit of CAPS+ Financial System - Oracle Database Configuration (Original Audit No. 2948-B): Our Second Follow-Up Audit found the one (1) remaining recommendation from our original report to be in process/closed. We will continue to informally monitor progress of Recommendation No. 10 during our attendance at the monthly CAPS Steering Committee meetings. As such, this represents the second and final close-out of the original audit.

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Executive Summary

- H. Second and Final Close-Out Internal Control Audit of Auditor-Controller's and Treasurer-Tax Collector's \$22 Billion Electronic Funds Transfer Process (Original Audit No. 2821): Our Second Follow-Up Audit found the A-C, T-TC, and CEO/IT fully implemented or closed fourteen (14) recommendations and one (1) recommendation is in process from our original audit. As such, this represents the second and final close-out of the original audit.
- I. First Follow-Up Internal Control Audit of OC Waste & Recycling Fee Generated Revenue (Original Audit No. 1023): Our First Follow-Up indicated that OCWR fully implemented two (2) recommendations and partially implemented one (1) from our original audit. For the original audit period, OCWR generated **\$87 million** in revenue from negotiated contract rates and **\$6 million** in revenue from non-negotiated "posted rates."
- J. Final Close-Out First Follow-Up Internal Control Audit of Health Care Agency Contract Development and Management Payment Approval and Fiscal Monitoring (Original Audit No. 1030): Our First Follow-Up Audit indicated HCA fully implemented seven (7) recommendations and two (2) recommendations are in process from our original audit. As such, a Second Follow-Up Audit will be conducted. During the original audit period, HCA/CDM administered **496 Human Services contracts totaling \$271 million**.
- K. First Follow-Up Internal Control Audit of OC Public Works Countywide Fleet Management (Original Audit No. 1028): Our First Follow-Up indicated that OCPW/OC Fleet Services partially implemented six (6) recommendations and has not implemented one (1) recommendation from our original audit. As such, a Second Follow-Up Audit will be conducted. During the original audit, the County fleet inventory consisted of **2,909 vehicles and equipment**. OC Fleet Services had an **operating income of \$20 million** for fleet management services.
- L. First Follow-Up Internal Control Audit of OC Public Works County Fuel Card Administration (Original Audit No. 1029): Our First Follow-Up Audit indicated that OCPW/OC Fleet Services fully implemented one (1) recommendation and partially implemented three (3) recommendations. As such, a Second Follow-Up Audit will be conducted. During the original audit, over **\$3.8 million** was spent using County Fuel Access Cards and Voyager Fleet cards.

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

### New Audit Findings & Recommendations by Risk Category

	Description	Results
	<p><b>Critical Control Weaknesses</b>                      A serious audit finding or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s) and/or business goals. Management is expected to address "Critical Control Weaknesses" brought to their attention immediately.</p> <p>* <b>Material Weaknesses</b> is used for an audit conducted under AICPA Attestation Standards.</p>	<p><b>No critical control weaknesses</b> issued during June 2012.  <b>No material weaknesses in internal control</b> issued during June 2012.</p> <p><b>Seven (7) total recommendations</b> issued since July 2011.</p>
	<p><b>Significant Control Weaknesses</b>                      Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.</p>	<p><b>No significant control weaknesses</b> issued during June 2012.</p> <p><b>Twenty-six (26) total recommendations</b> issued since July 2011.</p>
	<p><b>Control Findings</b>                      Audit findings concerning <u>internal controls, compliance issues, or efficiency/effectiveness issues</u> that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>	<p><b>Seven (7) control findings</b> issued during June 2012.</p> <p><b>Sixty-three (63) total recommendations</b> issued since July 2011.</p>

**Total Audit Recommendations for FY 2011-12: 96**

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
B.	<p>DEPT: Sheriff-Coroner</p> <p>TITLE: <b>Special Request Audit of Sheriff-Coroner Law Enforcement Services Contract Cost Study for FY 2012-2013</b></p> <p>REPORT NO: 1158</p> <p>ISSUED: June 29, 2012</p>	<p><b>Scope:</b> The scope of the audit was to determine if the proposed law enforcement services contracts with the twelve Orange County cities and Orange County Transportation Authority (OCTA) and the contract proposal with the City of Yorba Linda for Fiscal Year 2012-13 will recover full costs in accordance with County policies and applicable California Government Code.</p> <p>We performed this audit at the request of the Audit Oversight Committee (AOC) at their March 15, 2012 meeting. The AOC is especially interested in knowing that the law enforcement services contracts are recovering retirement costs, which includes the unfunded actuarial accrued liability (UAAL).</p> <p><b>Conclusion:</b> Our audit found that the Sheriff-Coroner Law Enforcement Services Contract Cost Study will recover full costs in accordance with County policies and applicable California Government Code for Fiscal Year 2012-13. <b>Specifically, we noted that retirement costs include the contribution requirements for FY 2012-13 for the Normal Costs and the Unfunded Actuarial Accrued Liability (UAAL). The retirement contribution rate (which includes the UAAL) is adjusted annually based on the results of the actuarial valuation and review that is performed on an annual basis.</b></p> <p><b>Background:</b> The Sheriff-Coroner proposes costs of \$112 million for Fiscal Year 2012-13 for contract law enforcement services (approximately 16% of Sheriff-Coroner's operations). Currently, contracted law enforcement services are provided to twelve Orange County cities and the Orange County Transportation Authority. The Sheriff-Coroner has a contract proposal with the City of Yorba Linda to provide contract law enforcement services.</p> <p><b>Type of Recommendations:</b> We identified <b>three (3) Control Findings</b> to improve policies and procedures for conducting the law enforcement contract cost study and to ensure full cost recovery of enhanced helicopter responses.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
C.	<p>DEPT: Social Services Agency</p> <p>TITLE: <b>Revolving Fund Process</b></p> <p>REPORT NO: 1128</p> <p>ISSUED: June 26, 2012</p>	<p><b>Scope:</b> We audited Social Services Agency’s internal controls to ensure revolving funds are adequately safeguarded; transactions are processed in accordance with County policy; and transactions are properly authorized, recorded completely, accurately, and processed timely.</p> <p><b>Conclusion:</b> Our audit found internal controls are in place to ensure revolving funds are adequately safeguarded; transactions are processed in accordance with County policy; and transactions are properly authorized and recorded completely, accurately and timely. We identified <b>four (4) Control Findings</b> to enhance existing revolving funds process and controls.</p> <p><b>Background:</b> Social Services Agency maintains two revolving funds in the amount of <b>\$247,750</b>. The funds are allocated between three accounts: Welfare and Assistance (\$127,750), Supplies and Services (\$100,000), and Family Discretionary Fund (\$20,000). During the period from December 1, 2010 through November 30, 2011, Social Services Agency expended <b>\$1,315,578</b>.</p> <p><b>Type of Recommendations:</b> Social Services Agency ensures employees are submitting a <i>Mileage and Other Expenses Claim</i> form within five (5) working days; revolving fund custodian immediately documents the receipt of <i>Mileage and Other Expenses Claim</i> forms and the receipt and amount of repayment of unused cash advances on the <i>Cash Advance Request</i> form; fund reconciliation section on the <i>Revolving Cash Fund/Cash Advance Reimbursement Claim</i> form is completed properly; and reconciliations are initialed and dated by the preparer to document timeliness and responsibility, also, the reconciliations are reviewed, initialed, and dated by a supervisor.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
D.	<p>DEPT: Public Guardian's Office</p> <p>TITLE: <b>Special Request Report of Public Guardian's Office Activities in the Klubnikin Family Trust</b></p> <p>AUDIT NO: 1107-2</p> <p>Issued: June 25, 2012</p>	<p><b>Scope:</b> We have completed a special request review of the Public Guardian's office activities regarding the Klubnikin Family Trust. This review was requested and approved at the Audit Oversight Committee meeting on December 7, 2011, with the understanding that the results would be released in a public report addressed to the Board of Supervisors. Specifically, the two events we reviewed were:</p> <p>A. The sale of a home in the Klubnikin Family Trust which Mr. Klubnikin alleged was sold below fair market value, and</p> <p>B. The involvement of the Public Guardian's office in the Klubnikin Family Trust, which Mr. Klubnikin alleged was improper.</p> <p><b>Conclusion:</b> We reviewed relevant public records, court records, policies and procedures, statutes, rules and regulations, interviewed key agents and staff from the County Counsel's office, the Public Guardian's office, and Mr. Klubnikin. <b>We found both allegations we reviewed to be without merit.</b></p> <p><b>Background:</b> The complainant made numerous allegations of impropriety regarding his removal on November 4, 2010 as the Trustee of the Klubnikin Family Trust by the Superior Court of California, County of Orange, Lamoreaux Justice Center (Superior Court) and subsequent actions taken by the Superior Court appointed Temporary Trustees. The complaints are against the Orange County Public Guardian's office (Public Guardian), County Counsel, and the Superior Court, and were made during Public Comments at numerous weekly Board meetings. The complainant also brought his case to the Superior Court who considered his arguments, reviewed his documents and removed him as the Trustee of the Klubnikin Family Trust because he <i>"breached the trust, in violation of Probate Code Section 15642(b)(1)"</i> and he <i>"is and was insolvent in violation of Probate Code Section 15642(b)(2)."</i></p> <p><b>Recommendations:</b> None.</p>



# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
E.	<p>DEPT: John Wayne Airport</p> <p>TITLE: <b>Revenue Generating Lease Audit of JWA/Paradies-OC, LLC.</b></p> <p>AUDIT NO: 1133</p> <p>Issued: June 28, 2012</p>	<p><b>Scope:</b> Revenue Generating Lease Audit to determine whether Paradies-OC, LLC's (Paradies) records adequately supported monthly rent paid to the County. During the 12-month audit period, Paradies reported approximately <b>\$4.5 million</b> in total gross receipts and paid the County approximately <b>\$1.3 million</b> in rent.</p> <p><b>Conclusion:</b> We found that Paradies' records adequately supported gross receipts reported to the County and rent owed was properly paid.</p> <p><b>Background:</b> The County originally entered into a lease agreement (Agreement) with Paradies, dated June 1, 2008, for the operation of three (3) news and gift concessions in Terminal B. In conjunction with the addition of JWA's new Terminal C, the County entered into a new Agreement with Paradies, dated January 11, 2011, for the operation of five (5) news, gift, and specialty retail concessions in Terminals B and C. The beginning date of the new Agreement term was Paradies' date of beneficial occupancy (DBO) of the new locations in Terminals B and C, which was November 14, 2011. Until then, gross receipts were reported to the County in accordance with the Agreement dated June 1, 2008. Therefore, our 12-month audit period covered two lease agreements as follows:</p> <ul style="list-style-type: none"> <li>• <u>3/1/11 - 11/13/11</u>: Prior lease agreement dated June 1, 2008.</li> <li>• <u>11/14/11 - 2/29/12</u>: Current lease agreement dated January 1, 2011.</li> </ul> <p>In December 2011, Paradies entered into a Terminal C sublease with Project Horizon, Inc., dba InMotion, for the operation of a specialty retail store. InMotion gross receipts are included in Paradies' gross receipts reported to the County.</p> <p>Over its ten (10) year term, the current Agreement is estimated to generate approximately <b>\$10.7 million</b> in rent to the County.</p> <p><b>Recommendations:</b> None.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
F.	<p>DEPT: Auditor-Controller Human Resources CEO/County Procurement Office</p> <p>TITLE: <b>Monthly Results of Continuous Auditing Using CAATS (Computer-Assisted Audit Techniques) – June 2012</b></p> <p>AUDIT NO: 1139-L</p> <p>ISSUED: June 26, 2012</p>	<p><b>Scope:</b> The monthly CAAT routines are automated queries applied to large amounts of electronic data searching for specified characteristics. We currently perform four (4) on-going CAAT routines utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly or quarterly.</p> <p><b>Conclusion:</b></p> <ul style="list-style-type: none"> <li>• <u>Duplicate Payments to Vendors:</u> We analyzed 18,458 vendor invoices paid in May 2012 amounting to about <b>\$245 million</b> and found <b>100%</b> of the invoices were only paid once. Of the \$245 million vendor invoices, we identified <b>no</b> duplicate payments made to vendors. The County currently has a recovery rate from vendors of about <b>99%</b> on these duplicate payments. Our prior research has indicated that duplicate payments are typically caused by a human clerical error. Based on the to-date recoveries of <b>\$970,101</b>, this CAAT routine has paid for itself and is returning monies to the County that may otherwise be lost.</li> <li>• <u>Employee Vendor Match:</u> No activity this month. Next analysis will be at the 6/30/12 quarter end.</li> <li>• <u>Retiree/Extra Help Hours:</u> As of May 31, 2012, no individuals have exceeded the annual hourly limits for FY 11-12.</li> <li>• <u>Multiple Payroll Direct Deposits:</u> No findings noted.</li> </ul> <p><b>Background:</b> The CAATs differ from our traditional audits in that the CAATs can query 100% of a data universe whereas the traditional audits typically test a sample of transactions from the population. The resulting matches identified by the CAATs are subjected to further review and analysis by the Internal Audit Department. We then forward any resulting findings to the Auditor-Controller, Human Resources, or County Procurement Office for their review and concurrence, and subsequent correction/recovery. We also work with these departments to identify internal control enhancements with the purpose of preventing future occurrences of the type of findings identified by the CAATs.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
G.	<p>DEPT:  <b>CAPS+ Steering Committee</b>                      Jan Grimes, Chief Deputy Auditor-Controller                      Bob Franz, Chief Financial Officer                      Mahesh Patel, Deputy CEO, Chief Information Officer                      Steve Danley, Director, Human Resources Dept                      Phil Daigneau, Director, Auditor-Controller/IT</p> <p>TITLE:  <b>Second and Final Close-Out Follow-Up Information Technology Audit of CAPS+ Financial System - Oracle Database Configuration</b></p> <p>AUDIT NO: 1147-B</p> <p>ISSUED: June 27, 2012</p> <p>(Original Audit No. 2948-B, issued 10/27/10)</p>	<p><b>Scope:</b> We have completed a Second and Final IT Follow-Up Audit of the CAPS+ Financial System - Oracle Database Configuration. Our audit was limited to reviewing, as of June 20, 2012, actions taken to implement the <b>one (1) recommendation</b> remaining from our First Follow-Up Audit report dated July 14, 2011. The original audit contained ten (10) recommendations.</p> <p><b>Conclusion:</b> Our Second and Final Follow-Up Audit found that the CAPS Steering Committee (supported by the A-C and CEO/IT) is <b>in process</b> of implementing the <b>one (1)</b> remaining recommendation. At this time, Internal Audit will <b>close-out</b> this recommendation for formal follow-up purposes. As such, this represents the final close-out of the original audit. However, we will continue to informally monitor the progress and implementation of this recommendation to the extent possible during our attendance at the monthly CAPS Steering Committee meetings.</p> <p><b>Background:</b> The County of Orange implemented the CAPS+ financial system on July 1, 2009, as its enterprise financial system to record general ledger, fixed assets, cost accounting, purchasing, cash receipting, and accounts payable transactions. The CAPS+ financial system uses Oracle 10g as its database management software. During the audit, we reviewed the Oracle database configuration in the following areas: Account Profiles, Privileges and Authorizations, Listener, Data Security, Operating System, Database Links, Auditing/Logging, Authentication, Database Parameters, and Other Related Oracle Database Security Features. CAPS+ records over <b>\$3.4 billion</b> collected and disbursed annually.</p> <p><b>Recommendations:</b> CAPS Steering Committee ensure an auditing/logging strategy is developed and implemented for the CAPS+ Oracle database; establish personal accounts for the database administrators; modify account profile password setting to best practice, utilize an Oracle password security function; modify account resource profile settings to best practice, modify two Listener configuration settings to best practice; remove unnecessary "Read" access to the Oracle database; improve procedure for changing user account passwords; and ensure additional Oracle security features are researched and those features that do not conflict with the CAPS+ financial system and are cost effective to adequately address risks are implemented.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
H.	<p>DEPT: Treasurer-Tax Collector Auditor-Controller</p> <p>TITLE: <b>Second and Final Close-Out Internal Control Audit of the \$22 Billion Electronic Funds Transfer Processes</b></p> <p>AUDIT NO: 1131-B</p> <p>Issued: June 28, 2012</p> <p>(Original Audit No. 2821)</p>	<p><b>Scope:</b> We have completed a Second and Final Follow-Up Audit of the Internal Control Audit of the \$22 Billion Electronic Funds Transfer Processes. Our audit was limited to reviewing, as of June 20, 2012, actions taken to implement the <b>nine (9) recommendations</b> remaining from our First Follow-Up Audit report dated June 29, 2011. The original audit contained fifteen (15) recommendations.</p> <p><b>Conclusion:</b> Our Second Follow-Up Audit found the A-C, T-TC, and CEO/IT fully implemented or closed fourteen (14) recommendations and one (1) recommendation is in process from our original audit. This represents the final close-out of the original audit.</p> <p><b>Background:</b> EFTs consist of wire transfers and automated clearing house transactions initiated in the County departments/agencies and processed in the Auditor-Controller and the Treasurer-Tax Collector. Between March 2008 and March 2009, <b>the T-TC processed about \$20 billion in EFTs</b> using the Quantum and Commercial Electronic Office systems, and the <b>A-C processed about \$2 billion EFTs</b> in the CAPS/CAPS+ financial system.</p> <p><b>Recommendations:</b> A-C Satellite Units verify payment approvals with authorized signature/access request forms; A-C Check Writing ensure <i>EFT/On Demand Wire Forms</i> contain authorized signatures; A-C Claims &amp; Disbursing payment processors review data for accuracy/completeness; A-C evaluate if standardized policies/procedures for approving disbursements can be established; A-C evaluate if department <u>interfaces</u> should have review thresholds and require support documentation; A-C Claims &amp; Disbursing and Satellite Units ensure bank account codes/ABA numbers are correctly documented; T-TC remove “release” access in the CEO system for two manual approvers; T-TC improve Quantum account and password settings; A-C remove user accounts no longer needed to maintain CAPS+ hardware/software; CEO/IT remove administrative accounts for individuals no longer requiring access to the FTP server; CEO/IT limit FTP job accounts log-on capabilities; CEO/IT remove the global/generic FTP rule for network traffic through the external firewall; CEO/IT work with departments to consolidate external FTP activity; CEO/IT develop a Countywide policy for administration of FTP activity; and A-C Claims &amp; Disbursing continue performing Quality Assurance Reviews and enhance the process to include low dollar payments and interface transactions.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
I.	<p>DEPT: OC Waste &amp; Recycling</p> <p>TITLE: <b>First Follow-Up Internal Control Audit of Fee Generated Revenue</b></p> <p>AUDIT NO: 1130-J</p> <p>ISSUED: June 25, 2012</p> <p>(Original Audit No. 1023, issued 10/4/11)</p>	<p><b>Scope:</b> We have completed a First Follow-Up Audit of internal controls over OC Waste &amp; Recycling's Fee Generated Revenue. Our audit was limited to reviewing, as of May 15, 2012, actions taken to implement the <b>three (3) recommendations</b> from our original audit.</p> <p><b>Conclusion:</b> Our First Follow-Up Audit indicated OCWR <b>fully implemented two (2) recommendations and one (1) recommendation was partially implemented</b> from our original audit. As such, a Second Follow-Up Audit will be conducted. OCWR is committed to fully implementing the remaining recommendation.</p> <p><b>Background:</b> OCWR's fee-generated revenue is derived from Waste Disposal Agreements, Importation Agreements, Posted Rates, and Franchise Rates, Deferred Payment Program Fees, and Miscellaneous Fees. During our audit period, OC Waste &amp; Recycling generated <b>\$87 million in revenue</b> from negotiated contract rates in Waste Disposal and Importation Agreements and <b>\$6 million</b> in posted rate landfill user fees and applicable surcharges.</p> <p><b>Recommendations:</b> Establish written policies and procedures describing the fee development process; ensure compliance with County Revenue policy and procedures, specifically with maintaining documentation showing that fees were reviewed for cost-recovery and the consistent use of Fee Checklist forms; and evaluate the process for establishing the Standard Charge per Ton and determine if it should be developed in accordance with the requirements of the County revenue policy.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
J.	<p>DEPT: Health Care Agency</p> <p>TITLE: <b>First Follow-Up Internal Control Audit of Contract Development and Management Payment Approval and Fiscal Monitoring</b></p> <p>AUDIT NO: 1130-H</p> <p>ISSUED: June 25, 2012</p> <p>(Original Audit No. 1030, issued 09/15/11)</p>	<p><b>Scope:</b> We have completed a First Follow-Up Audit of the Health Care Agency Contract Development and Management Payment Approval and Fiscal Monitoring processes. Our audit was limited to reviewing, as of April 30, 2012, actions taken to implement <b>nine (9) recommendations</b> from our original audit.</p> <p><b>Conclusion:</b> Our First Follow-Up Audit found Health Care Agency Contract Development and Management <b>fully implemented seven (7) recommendations, and two (2) recommendations are in process</b> from our original audit. As such, a Second Follow-Up Audit will be conducted. HCA/CDM management is taking corrective actions to fully implement the remaining recommendations.</p> <p><b>Background:</b> Contract Development and Management is responsible for developing, soliciting, negotiating, and administering human services contracts. During FY10-11, CDM administered <b>496 human services contracts totaling \$271 million</b>. These human services contracts include public health, behavioral health, and medical and institutional health services. Contract providers include hospitals, clinics, educational institutions, and both for-profit and non-profit community based programs. CDM is responsible for reviewing and approving <b>contractor invoices, which totaled over \$198 million</b>. CDM also administers the solicitation and coordination of external audit firms to conduct fiscal monitoring audits of HCA contractors. Fiscal monitoring is an important process to ensure contractors are expending County funds in accordance with contract terms and help to detect misuse of funds.</p> <p><b>Recommendations:</b> Establish dollar thresholds for authorizing payments; perform supervisory reviews of high dollar payments; verify authorized contractor signatures; update written policies and procedures; enhance the fiscal monitoring process in regard to use of audit tracking logs and the timeliness of fiscal monitoring reviews.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
K.	<p>DEPT: OC Public Works</p> <p>TITLE: <b>First Follow-Up Internal Control Audit of Countywide Fleet Management</b></p> <p>AUDIT NO: 1130-B</p> <p>ISSUED: June 27, 2012</p> <p>(Original Audit No. 1028, issued 04/12/11)</p>	<p><b>Scope:</b> We have completed a First Follow-Up Audit of OC Public Works – Countywide Fleet Management. Our audit was limited to reviewing, as of March 15, 2012, actions taken to implement the <b>seven (7) recommendations</b> from our original audit.</p> <p><b>Conclusion:</b> Our First Follow-Up Audit indicated that OC Public Works <b>partially implemented six (6) recommendations, and has not implemented one (1) recommendation.</b> As such, a Second Follow-Up Audit will be conducted. OCPW indicated that implementation of our recommendations will be further addressed upon resolution of leadership issues.</p> <p><b>Background:</b> Board Resolution No. 89-1302, and subsequent revisions to the resolution, designated the Director of OC Public Works (OCPW) responsibility for administering and enforcing County vehicle assignments and related functions, including the enforcement of existing rules and regulations. OCPW/OC Fleet Services performs fleet management services for County agencies and departments and maintains fleet inventory records. During our audit, OC Fleet Services’ fleet inventory consisted of <b>2,477 vehicles assigned to County agencies/departments, 42 pool vehicles available to County employees, and 390 equipment/component assets.</b></p> <p><b>Recommendations:</b> Partner with County Executive Office to evaluate existing Board policy and explore other options and alternatives to ensure Board policy is aligned with actual fleet management practices; establish Countywide policies and procedures for County fleet management; establish a process to ensure OC Fleet Services is notified of all fleet purchases by departments/agencies; reconcile department capital inventory records to County fleet records; establish a policy on take-home County vehicles; establish policies and procedures over fleet replacement, retirement, disposal, auctioning and surplus; and update procedures over pool vehicles.</p>

# MONTHLY INTERNAL AUDIT ACTIVITY STATUS REPORT

## Detailed Report

	Description	Results
L.	<p>DEPT: OC Public Works</p> <p>TITLE: <b>First Follow-Up Internal Control Audit of County Fuel Card Administration</b></p> <p>AUDIT NO: 1130-C</p> <p>ISSUED: June 27, 2012</p> <p>(Original Audit No. 1029, issued 04/12/11)</p>	<p><b>Scope:</b> We have completed a First Follow-Up Audit of OC Public Works – County Fuel Card Administration. Our audit was limited to reviewing, as of April 30, 2012, actions taken to implement the <b>four (4) recommendations</b> from our original audit.</p> <p><b>Conclusion:</b> Our First Follow-Up Audit found that OC Public Works <b>fully implemented one (1) recommendation and partially implemented three (3) recommendations.</b> As such, a Second Follow-Up Audit will be conducted. OCPW indicated that implementation of our recommendations will be further addressed upon resolution of leadership issues.</p> <p><b>Background:</b> OC Fleet Services is responsible for the administration of County Fuel Access Cards and Voyager Fleet Cards assigned to County employees and vehicles for purposes of fueling and making other purchases relating to County business. OC Fleet Services oversees fuel card set-up, activation, issuance, modification, deactivation, and provides monthly fuel usage and billing reports to departments/agencies. OC Fleet Services also maintains records of fuel cards assigned to employees and vehicles. During our audit period, over <b>\$3.8 million was spent using County Fuel Access Cards and Voyager Fleet Cards</b>, with the largest users departments being the Sheriff-Coroner and OC Public Works. There were approximately <b>4,700 active Fuel Access Cards and 1,000 active Voyager Fleet Cards</b> during the audit period.</p> <p><b>Recommendations:</b> Establish a process to periodically review and update County Fuel Access Card and Voyager Fleet Card records to ensure they are assigned to in-service vehicles and current employees; develop written policies and procedures for OC Fleet Services' roles and responsibilities for administering fuel cards; establish and communicate procedures to departments/agencies for fuel purchases and to utilize County fueling stations whenever reasonably possible to obtain cost savings; implement a systematic way of maintaining fuel card documents in OC Fleet Services.</p>