EXHIBIT A

MONTHLY AUDIT ACTIVITY REPORT FOR MARCH 2008 TO THE BOARD OF SUPERVISORS



2005 Recipient of the Institute of Internal Auditor's Award for Recognition of Commitment to Professional Excellence, Quality & Outreach

by the Director of Internal Audit Dr. Peter Hughes, MBA, CPA

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April 9, 2008

Honorable Board of Supervisors,

It is my pleasure to submit to you the Monthly Audit Activity Report for the month of March 2008. Included are an overview and a detailed briefing of each item.

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

Respectfully submitted,

Dr. Peter Hughes, CPA

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.

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Status Report to the Board of Supervisors by IAD

THE FOLLOWING AUDITS ARE SUMMARIZED BELOW:

Exhibit Audits:

B. <u>Sheriff-Coroner Expenditures</u>: Sheriff Administration Revolving Fund Expenditures and Travel Expenditures Reimbursed Through Payroll. No material or significant weaknesses found. We made **three recommendations** to further enhance compliance with County policy.

<u>Exhibit</u> <u>Monthly Computer Assisted Audits of Vendor Payments (CAATs)</u>:

C. <u>Auditor Controller – Duplicate Payments to Vendors – March 2008:</u>
We analyzed 16,992 vendor invoices paid in February 2008 amounting to about **\$96 million** and found **99.997%** of the invoice were only paid once. Of the \$96 million vendor invoices, we identified **6** duplicate payments made to vendors totaling **\$2,812.**

Exhibit Follow-Up Audits

- D. <u>Treasurer Tax-Collector:</u> First Follow-Up Audit of Tax Redemption Officer Records and Accounts. Our Follow-Up Audit noted that four (4) recommendations (two Significant Issues and two Control Findings) had been fully implemented and two (2) recommendations (Control Findings) were in the process of implementation. In addition, we made one (1) new Control Finding recommendation.
- E. <u>John Wayne Airport:</u> First Follow-Up Audit Final Close-Out Audit of Internal Control Review of John Wayne Airport Cash Disbursements (Original Audit No. 2629). Corrective action was made on all **three recommendations**. As such, this represents the final close-out of the original audit.
- F. <u>Health Care Agency:</u> Initial and Final Close-Out Follow Up Audit of Performance Measure Validation Limited Audit of Health Care Agency 2005 Performance Indicators (Original Audit No. 2658). Corrective action was made on all audit recommendations. As such, this report represents the final close-out of the original audit.
- G. Housing & Community Services Department: Initial and Final Close-Out Follow Up Audit of Performance Measure Validation Limited Audit of Housing & Community Services Department 2005 Performance Indicators (Original Audit No. 2661). Corrective action was made on all four audit recommendations. As such, this report represents the final close-out of the original audit.

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- H. OC Dana Point Harbor: Final Close-Out Second Follow-Up Audit of the Limited Review of Revenue for Great Western Hotels (d.b.a. Dana Point Marina Inn) (Original Audit No. 2329). Corrective action was made on the one remaining recommendation. As such, this represents the final close-out of the original audit.
- I. <u>County Executive Office-Purchasing Division</u>: Final Close-Out Second Follow-Up Audit for the County Executive Office Purchasing Division Administration of Cal Card Program (Original Audit No. 2533). Corrective action was made on all **four recommendations**. As such, this represents the final close-out of the original audit.

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Detailed Breakout

MATERIAL FINDING:

Department and Description	Comments
	None issued during March 2008.

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NON-MATERIAL FINDINGS

Exhibit	Description	Comments
B.	DEPT: Sheriff-Coroner Department TITLE: Audit of Sheriff-Coroner Expenditures: Sheriff Administration Revolving Fund Expenditures and Travel Expenditures Reimbursed through Payroll Audit No.: 2766-1	Scope: A compliance audit of Sheriff Administration's revolving fund expenditures and travel expenditures reimbursed through payroll for the fiscal year ending June 30, 2007. Our primary objective was to determine compliance with requirements of County Accounting Manual procedures and other related County travel policies. Conclusion: We tested 100% of Sheriff Administration's revolving fund expenditures, travel cash advances, and travel expenditures reimbursed through payroll and found all the expenditures and claims contained proper authorization, appropriate supporting documentation, and were allowable expenditures per County policy. No material or significant issues noted. We made three recommendations to further enhance compliance with County policy.
	ISSUED: March 19, 2008	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 the Sheriff Administration. The AOC expressed a desire to double check the integrity of key accounts, funds and expenditures under the direction of Sheriff Administration in response to a recent federal indictment concerning allegations of public corruption charges against the elected Sheriff-Coroner. During FY 2006-07, Sheriff Administration incurred \$59,025 in revolving fund/travel cash advances; \$59,445 in revolving fund/petty cash expenditures; and \$1,849 in travel expenditures reimbursed through payroll.
		Type of Recommendations: Sheriff-Coroner Department and Auditor-Controller Claims & Disbursing jointly work towards determining the most effective and practical method for reimbursement of travel expenditures using travel cash advances; A-C Claims & Disbursing increase the frequency of reviews of Sheriff-Coroner Mileage claims submitted through revolving funds; Sheriff-Coroner ensure Mileage claims are submitted timely.

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Exhibit Descrip	Comments
C. DEPT: Auditor-Co Human Re CEO/Purci TITLE: Computer Techniques March Audit No.: 2713-I ISSUED: March 2	electronic data searching for specified characteristics. We currently perform 5 CAATs routines utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly, annually, or as necessary. Conclusion: Duplicate Payments to Vendors: We analyzed 16,992 vendor invoices paid in February 2008 amounting to about \$96 million and found 99.997% of the invoices were only paid once. Of the \$96 million vendor invoices we identified 6 duplicates.
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Exhibit	Description	Comments
D.	DEPT: Treasurer Tax Collector TITLE: First Follow Up Audit of Tax Redemption Officer Records and Accounts as of October 2, 2007, Original Audit No. 2513 Audit No.: 2719-A ISSUED: March 28, 2008	Scope: First Follow-Up Audit of the Tax Redemption Officer Records and Accounts to determine if satisfactory corrective action was taken on six recommendations made in our original audit dated February 22, 2006. No Material Weaknesses were identified. However, we identified two-Significant Issues , and four Control Findings. Conclusion: Our Follow-Up Audit indicates that four (4) recommendations (two Significant Issues and two Control Findings) have been fully implemented and two (2) recommendations (Control Findings) are in the process of implementation. In addition, we identified one (1) new Control Finding recommendation. Background: The Treasurer-Tax Collector performs the duties of Tax Redemption Officer through the Redemption Section of his Department. These duties, as defined by Part 7 of the Revenue and Taxation Code, include maintaining abstracts of delinquent secured taxes; calculating and collecting interest and penalties on delinquent secured taxes; verifying specific conditions have been met before property is redeemed by property owners; and issuing certificates for redeemed property. Type of Recommendations: Treasurer-Tax Collector management improve controls over the accuracy and integrity of information input into the ATS Installment Receipt input screen.

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Exhibit	Description	Comments
E.	DEPT: John Wayne Airport TITLE: First Follow Up Audit of Internal Control Review of John Wayne Airport Cash Disbursements, Original Audit No. 2629 Audit No.: 2727-C ISSUED: March 20, 2008	Scope: First Follow-Up Audit of controls and processes over JWA cash disbursements to determine if satisfactory corrective action was taken on three recommendations made in our original audit dated April 24, 2007. No material weaknesses or significant issues were identified in the original audit. Conclusion: Corrective action was taken on all three recommendations. As such, this report represents the final close-out of the original audit. Background: JWA pays its operating expenses, revenue bond repayments, capital improvement or maintenance projects, and aviation planning costs from revenues derived from non-aeronautical and aeronautical users. JWA major expenses are its operating costs, capital projects and debt services. During the audit period, JWA cash disbursements totaled over \$95 million. Type of Recommendations: Evaluate invoice processing timeframes and develop written procedures; document invoice logs for exceptions in processing times; document management approval of adding new vendors into CAPS.

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Exhibit	Description	Comments
F.	DEPT: Health Care Agency TITLE: Initial and Final Close-Out Follow Up Audit of Performance Measure Validation Limited Audit of Health Care Agency 2005 Performance Indicators, Original Audit No. 2658 Audit No.: 2760-C ISSUED: March 31, 2008	Scope: We have completed an initial and Final Follow-Up Audit of Performance Measure Validation of Health Care Agency. Our audit was limited to reviewing, as of the 2007 Business Plan, actions taken to implement the two recommendations in our audit report dated March 7, 2007. Conclusion: Corrective action has taken place for all two audit recommendations. As such, this report represents the final close-out of the original audit. Background: The objective of our Performance Measure Validation (PMV) was to validate the accuracy of the 2005 Outcome Measure Results reported in HCA's 2006 Business Plan. Our audit included obtaining an understanding of the methodology in place for collecting and reporting Outcome Measure Results by interviewing key personnel, observations, and reviewing source documentation. The Business Plan contained a total of 15 Performance Indictors Results, and we tested the supporting documentation for all 15. Our audit scope did not include an assessment of the appropriateness of HCA Strategies based on their mission, goals and objectives. Type of Recommendations: None

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Exhibit	Description	Comments
G.	DEPT: Housing & Community Services Department TITLE: Initial and Final Close-Out Follow Up Audit of Performance Measure Validation Limited Audit of Housing & Community Services Department 2005 Performance Indicators, Original Audit No. 2661 Audit No.: 2760-B ISSUED: March 17, 2008	Scope: We have completed an initial and Final Follow-Up Audit of Performance Measure Validation of Housing & Community Services Department. Our audit was limited to reviewing, as of the 2007 Business Plan, actions taken to implement the two recommendations in our audit report dated April 17, 2007. Conclusion: Corrective action has taken place for all four audit recommendations. As such, this report represents the final close-out of the original audit. Background: The objective of our Performance Measure Validation (PMV) was to validate the accuracy of the 2005 Outcome Measure Results reported in HCS's 2006 Business Plan. Our audit included obtaining an understanding of the methodology in place for collecting and reporting Outcome Measure Results by interviewing key personnel, observations, and reviewing source documentation. The Business Plan contained a total of 13 Performance Indictors Results, and we tested the supporting documentation for all 13. Our audit scope did not include an assessment of the appropriateness of HCS Strategies based on their mission, goals and objectives. Type of Recommendations: None

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Exhibit	Description	Comments
H.	DEPT: OC Dana Point Harbor Department TITLE: Final Close-Out Second Follow Up Audit of the Limited Review of Revenue for Great Western Hotels (d.b.a. Dana Point Marina Inn) Original Audit No. 2329 Audit No.: 2742-B ISSUED: March 28, 2008	Scope: Second Follow-Up Audit of Limited Review of Revenue from Dana Point Marina Inn to determine to determine if satisfactory corrective action was taken on the one recommendation remaining from our First Follow-Up Audit dated November 2, 2006. No material or significant issues were identified in the original audit report. Conclusion: Corrective action was taken on the one remaining recommendation. As such, this report represents the final close-out of the original audit. Background: The original audit was a limited review of revenue pertinent to the operating agreement between the County and Great Western Hotels, dated February 6, 2001. The Agreement is primarily for the operation of the Dana Point Marina Inn. Type of Recommendations: Operating agreement compliance or improvements to internal controls regarding: documentation of supervisory reviews; transient occupancy tax exemptions; restrictive endorsement of checks upon receipt; use of counterfeit detection pens; daily bank deposits; transfer of accountability for monies; financial statements; additional training in accounting software; and written policies and procedures.

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Exhibit	Description	Comments
I.	DEPT: County Executive Office TITLE: Final Close-Out Second Follow Up Audit of the County Executive Office Purchasing Division Administration of Cal Card Program, Original Audit No. 2533 Audit No.: 2728-D ISSUED: March 21, 2008	Scope: Second Follow-Up Audit of CEO/Purchasing's administration of the Cal Card (purchasing card) program to determine if satisfactory corrective action was taken on four recommendations remaining from our First Follow-Up Audit dated July 23, 2007. No material weaknesses or significant issues were identified in the original audit. Conclusion: Corrective action was taken on all four recommendations. As such, this report represents the final close-out of the original audit. Background: CEO/Purchasing is the County's Program Coordinator and is responsible for overall program management, such as establishing Cal Card policy and procedures, administering card issuances, terminations and account changes, and training new departments/agencies that elect to participate in the program. All departments/agencies are enrolled in the County's Cal Card program. Type of Recommendations: Establish a formal training process; consider performing department compliance reviews; segregate duties for reconciling County records to U.S. bank reports for new cards and card alters; perform timely reconciliations that are reviewed by a supervisor; retain documentation supporting card deactivations; finalize standard forms for inclusion on the County Intranet.

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