

IAD's MONTHLY ACTIVITY REPORT

FOR

APRIL 2005

TO THE

BOARD OF SUPERVISORS

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



*Integrity
Objectivity
dependence*

by the Director of Internal Audit

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We finished 6 projects this month:

I. We completed 2 Follow Up Audits:

1. Cash Receipts and Trust Fund Disbursements for the Clerk-Recorder
2. Trust and Agency Fund Disbursements for the Health Care Agency

We noted 9 fully implemented recommendations taken on 16 audit findings. The remaining 7 are in process.

II. We completed 4 Audits of the Department Budget Process & Controls:

1. Public Defender
2. Health Care Agency (HCA)
3. Sheriff-Coroner Department
4. Social Services Agency (SSA)

We noted **no reportable conditions** and found the following strengths:

- a. Budget process and controls in departments and agencies demonstrated **a well-defined and articulated budget process.**
- b. Department/Agency budget roles and responsibilities are clearly defined.
- c. Effective communications occur within departments/agencies and with County Executive Office.
- d. Adequate training and cross-training processes are in place.

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MATERIAL FINDINGS

	Department and Description	Comments
		NONE

NON-MATERIAL FINDINGS

	Department and Description	Comments
1.	<p>DEPT: Public Defender</p> <p>TITLE: Internal Control Review Review of Public Defender Budget Process & Controls</p> <p><u>Audit No.</u> 2438-1</p> <p>ISSUED: April 27, 2005</p>	<p>SCOPE: Audit of process and controls over the <u>development, review, approval</u> and <u>monitoring</u> of the budget to ensure budget issues are adequately understood and communicated within the Public Defender, are reported to the County Executive Office, and training and cross-training processes are in place to minimize any potential disruptions in the budget process.</p> <p>CONCLUSION: Budget roles and responsibilities are clearly established; communications within the Public Defender and with the County Executive Office are taking place and are effective; budgets are being monitored regularly, and there are adequate training and cross-training processes. Our review did not identify any reportable or significant issues.</p> <p>BACKGROUND: For FY 2004/05, the Public Defender has two budgeted funds totaling \$47.8 million. Approximately 93% of the budget is composed of salaries and benefits and 7% is for services and supplies.</p> <p>TYPE OF RECOMMENDATIONS: None.</p>

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	Department and Description	Comments
2.	<p>DEPT: Health Care Agency (HCA)</p> <p>TITLE: Internal Control Review Review of Health Care Agency Budget Process & Controls</p> <p><u>Audit No.</u> 2438-2</p> <p>ISSUED: April 27, 2005</p>	<p>SCOPE: Audit of process and controls over the <u>development</u>, <u>review</u>, <u>approval</u> and <u>monitoring</u> of the budget to ensure budget issues are adequately understood and communicated within HCA, are reported to the County Executive Office, and training and cross-training processes are in place to minimize any potential disruptions in the budget process.</p> <p>CONCLUSION: Budget roles and responsibilities are clearly established; communications within HCA and with the County Executive Office are taking place and are effective; budgets are being monitored regularly, and there are adequate training and cross-training processes. Our review did not identify any reportable or significant issues.</p> <p>BACKGROUND: For FY 2004/05, HCA had three budgeted funds totaling \$476 million. There are approximately 200 revenue sources for HCA, with Behavioral Health having the largest portion. Salaries and benefits account for over 40% of the annual budget.</p> <p>TYPE OF RECOMMENDATIONS: None.</p>

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3.	DEPT: Sheriff-Coroner Department TITLE: Internal Control Review Review of Sheriff-Coroner Dept. Budget Process & Controls <u>Audit No.</u> 2438-3 ISSUED: April 27, 2005	<p>SCOPE: Audit of process and controls over the <u>development</u>, <u>review</u>, <u>approval</u> and <u>monitoring</u> of the budget to ensure budget issues are adequately understood and communicated within the Sheriff-Coroner Department, are reported to the County Executive Office, and training and cross-training processes are in place to minimize any potential disruptions in the budget process.</p> <p>CONCLUSION: Budget roles and responsibilities are clearly established; communications within the Sheriff-Coroner Department and with the County Executive Office are taking place and are effective; budgets are being monitored regularly, and there are adequate training and cross-training processes. Our review did not identify any reportable or significant issues.</p> <p>BACKGROUND: For FY 2004/05, the Sheriff-Coroner had twenty-one (21) budgeted funds totaling \$540 million, with the main operating fund (Fund 060) comprising approximately \$400 million of the annual budget. Salaries and benefits account for about 84% of the annual budget.</p> <p>TYPE OF RECOMMENDATIONS: None.</p>

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4.	DEPT: Social Services Agency (SSA) TITLE: Internal Control Review Review of Social Services Agency Budget Process & Controls <u>Audit No.</u> 2438-4 ISSUED: April 27, 2005	<p>SCOPE: Audit of process and controls over the <u>development</u>, <u>review</u>, <u>approval</u> and <u>monitoring</u> of the budget to ensure budget issues are adequately understood and communicated within SSA, are reported to the County Executive Office, and training and cross-training processes are in place to minimize any potential disruptions in the budget process.</p> <p>CONCLUSION: Budget roles and responsibilities are clearly established; communications within SSA and with the County Executive Office are taking place and are effective; budgets are being monitored regularly, and there are adequate training and cross-training processes. Our review did not identify any reportable or significant issues.</p> <p>BACKGROUND: FOR FY 2004/05, SSA had eight budgeted funds totaling \$635 million. Salaries and benefits account for about 60% of the annual budget.</p> <p>TYPE OF RECOMMENDATIONS: None.</p>

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5.	<p>DEPT: Health Care Agency (HCA)</p> <p>TITLE: Follow-Up Audit Department Control Review Health Care Agency Trust Fund and Agency Disbursements, Audit No. 2436</p> <p><u>Audit No. 2532</u></p> <p>ISSUED: April 26, 2005</p>	<p>SCOPE: 1st Follow-Up Audit of trust and agency fund disbursement processes to determine if corrective action had been taken for the 5 recommendations we noted in our original audit. No material or significant weaknesses were identified in the original audit.</p> <p>CONCLUSION: We are pleased to report that all 5 recommendations were fully implemented within the time frame the Board of Supervisors expects.</p> <p>BACKGROUND: The original audit assessed the processes, procedures and controls in HCA/Accounting over fund disbursements and reconciliations of trust and agency funds. HCA has 9 active trust and agency funds. During FY 2003/04, HCA Accounting processed over \$200 million disbursement transactions.</p> <p>TYPE OF RECOMMENDATIONS: Ensure monthly reconciliations are performed timely; establish procedures to reconcile all General Ledger account balances; maintain subsidiary ledgers for reconciling fund activity to the General Ledger.</p>

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6.	<p>DEPT: Clerk-Recorder</p> <p>TITLE: Follow-Up Audit Departmental Control Review of County Clerk-Recorder Cash Receipts and Trust Fund Disbursements, Audit No. 2324</p> <p><u>Audit No. 2532</u></p> <p>ISSUED: April 19, 2005</p>	<p>SCOPE: 1st Follow-Up Audit of cash receipt and trust fund disbursement processes to determine if corrective action had been taken for the 11 recommendations we noted in our original audit. No material or significant weaknesses were identified in the original audit.</p> <p>CONCLUSION: 4 recommendations were fully implemented, 2 were substantially implemented, and 5 were partially implemented. The Clerk-Recorder’s Office has taken corrective action on several of the recommendations and will work with the Auditor-Controller and Internal Audit to address the remaining ones.</p> <p>BACKGROUND: The original audit assessed the processes, procedures and controls over the collection, recording, depositing, reconciling, disbursing, and safeguarding of cash receipts and trust funds. During the audit period, the Clerk-Recorder processed approximately \$67 million in cash receipts and \$15.7 million in cash disbursements.</p> <p>TYPE OF RECOMMENDATION: Enhance user access controls over cashiering computer system; establish controls over cash receipts and trust funds to improve accountability, segregation of duties, supervisory reviews, and reconciliation process; maintain physical safeguards over critical business forms.</p>