

**EXHIBIT A**

**IAD'S MONTHLY ACTIVITY REPORT**  
**FOR**  
**AUGUST 2006**  
**TO THE**  
**BOARD OF SUPERVISORS**

*Recipient of the Institute of Internal Auditors "Award for Excellence"*

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*Integrity  
Objectivity  
Independence*

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

Certified Information Technology Professional (CITP),  
Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE)

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**MONTHLY SUMMARY – AUGUST 2006**  
Status Report to the Board of Supervisors by IAD

**AUGUST AUDIT ACTIVITY:**  
**WE FINISHED 8 PROJECTS FOR THIS MONTH AS SUMMARIZED BELOW:**

We completed 5 Audits:

1. County Treasury:  
Report on Review of Statement of Assets Held by the County Treasury as of June 30, 2006. Based on our review, we were not aware of any material modifications that should be made to the financial statement for it to be fairly stated.
2. Assessor:  
Internal Control Review of Revolving Fund. No material or significant issues noted. We identified **3 control findings** to enhance existing controls.
3. District Attorney:  
Internal Control Review of Revolving Fund. No material or significant issues noted. We identified **3 control findings** to enhance existing controls.
4. Child Support Services:  
Performance Measure Validation. Based on our audit of the FY 2005 Results reported in CSS 2006 Business Plan, we rated 100 percent (6) of reported Outcome Indicator Results as 5 Star.
5. Orange County Public Library:  
Performance Measure Validation. Based on our audit of the FY 04-05 Results reported in the Library's 2006 Business Plan, we rated 50 percent (3) of reported Outcome Measure Results as 5 Star, two (2) as 4 Star, and one (1) as 3 Star.

We completed 3 Follow-Up Audits:

6. RDMD – Canyon Recreational Vehicle Park:  
1<sup>st</sup> Follow-Up Audit of the Limited Lease Review of Canyon RV Park. Corrective action was taken on **12 of 13** recommendations.

**MONTHLY SUMMARY – AUGUST 2006**  
Status Report to the Board of Supervisors by IAD

7. RDMD – Bayshore Marina:  
2<sup>nd</sup> Follow-Up Audit and **Final Close-Out** of Limited Lease Review of Bayshore Marina. Corrective action was taken on **1** remaining recommendation.
  
8. Social Services Agency:  
3<sup>rd</sup> Follow-Up Audit and **Final Close-Out** of Trust and Agency Funds. Corrective action was taken on all **3** remaining recommendations.

**MONTHLY SUMMARY – AUGUST 2006**  
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**MATERIAL FINDING:**

	Department and Description	Comments
		None issued during August 2006.

**MONTHLY SUMMARY – AUGUST 2006**  
 Status Report to the Board of Supervisors by IAD

**NON-MATERIAL FINDINGS**

	<b>Department and Description</b>	<b>Comments</b>
1.	<p>DEPT: County Treasury</p> <p>TITLE: Report on Review of the Statement of Assets Held by the County Treasury</p> <p><u>Audit No.:</u> 2570</p> <p>ISSUED: August 29, 2006</p>	<p><b>SCOPE:</b> In our review of the Treasurer-Tax Collector’s (County Treasurer) Statement of Assets Held (financial statement), we performed tests to determine whether the assets (cash, demand accounts, and investments) held by the County Treasury were fairly stated, i.e., the assets exist, and were recorded accurately, completely, and timely.</p> <p><b>CONCLUSION:</b> Based on our review, we were not aware of any material modifications that should be made to the financial statement for it to be fairly stated.</p> <p><b>BACKGROUND:</b> At June 30, 2006 the County Treasury had total assets of \$5.541 billion, of which \$2.967 billion was in the County Pool; \$2.438 billion was in the Education Pool; and \$136 million was Non-Pooled.</p> <p>California Government Code requires that the elected Auditor-Controller perform three quarterly reviews and one quarterly audit of the statement of assets in the County Treasury. The Auditor-Controller contracts with the Internal Audit Department to conduct the quarterly reviews and the quarterly audit.</p> <p><b>TYPE OF RECOMMENDATIONS: NONE</b></p>

**MONTHLY SUMMARY – AUGUST 2006**  
 Status Report to the Board of Supervisors by IAD

	Department and Description	Comments
2.	<p>DEPT: Assessor Department</p> <p>TITLE: Internal Control Review of Assessor Department Revolving Fund for the Period May 1, 2005 through April 30, 2006</p> <p><u>Audit No.:</u> 2596</p> <p>ISSUED: August 21, 2006</p>	<p><b>SCOPE:</b> Audit of procedures, processes and controls to ensure revolving funds are adequately safeguarded; transactions are properly authorized, recorded completely, accurately and timely; and are in compliance with applicable County Accounting Manual (CAM) procedures.</p> <p><b>CONCLUSION:</b> <b>No material weaknesses or significant issues were identified.</b> Controls are in place to safeguard funds and to ensure revolving fund transactions are properly authorized, recorded, accurate and compliant with CAM procedures. Our audit identified <b>three (3) control findings</b> to enhance revolving fund internal controls and processes.</p> <p><b>BACKGROUND:</b> The Assessor department maintains one revolving fund of <b>\$80,000</b> for general operations and has allocated \$60,000 for travel cash advances and \$20,000 for petty cash expenditures. During the period under review, there were approximately <b>\$64,000 in travel cash advances and \$29,000 in petty cash expenditures.</b></p> <p><b>TYPE OF RECOMMENDATIONS:</b> Perform travel cash advance fund reconciliations on a monthly basis; submit travel cash advance claims timely per CAM procedures; ensure that travel cash advance supporting documentation is marked as “paid.”</p>

**MONTHLY SUMMARY – AUGUST 2006**  
 Status Report to the Board of Supervisors by IAD

	<b>Department and Description</b>	<b>Comments</b>
3.	<p>DEPT: District Attorney</p> <p>TITLE: Internal Control Review of District Attorney Revolving Fund For the Period May 1, 2005 through April 30, 2006</p> <p><u>Audit No.:</u> 2597</p> <p>ISSUED: August 9, 2006</p>	<p><b>SCOPE:</b> Audit of procedures, processes and controls to ensure revolving funds are adequately safeguarded; transactions are properly authorized, recorded completely, accurately and timely; and are in compliance with applicable County Accounting Manual (CAM) procedures.</p> <p><b>CONCLUSION:</b> <b>No material weaknesses or significant issues were identified.</b> Controls are in place to safeguard funds and to ensure revolving fund transactions are properly authorized, recorded, accurate and compliant with CAM procedures. Our audit identified <b>three (3) control findings</b> to enhance revolving fund internal controls and processes.</p> <p><b>BACKGROUND:</b> The District Attorney maintains one revolving fund of <b>\$70,000</b> for general operations and has allocated \$30,000 for travel cash advances and \$40,000 for petty cash expenditures. During the period under review, there were approximately <b>\$116,000 in travel cash advances and \$128,000 in petty cash expenditures.</b></p> <p><b>TYPE OF RECOMMENDATIONS:</b> Segregate duties of petty cash request approval and check signing; submit travel cash advance claims timely per CAM procedures; ensure long-outstanding items on bank and fund reconciliations are resolved timely.</p>

**MONTHLY SUMMARY – AUGUST 2006**  
 Status Report to the Board of Supervisors by IAD

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4.	<p>DEPT: Child Support Services</p> <p>TITLE: Performance Measure Validation of Child Support Services (CSS)</p> <p><u>Audit No.:</u> 2595</p> <p>ISSUED: August 11, 2006</p>	<p><b>SCOPE:</b> Our audit included obtaining an understanding of the methodology in place for collecting and reporting Outcome Indicator Results by interviewing key personnel, observations, and reviewing source documentation. The Business Plan contained a total of 6 Outcome Indicator Results, we selected all 6 for testing CSS supporting documentation. Our audit scope did not include an assessment of the appropriateness of CSS Strategies based on their mission, goals and objectives. We rated source (supporting) documentation provided as follows: 5 Star - Adequate supporting documentation; 4 Star - Adequate documentation with recommendations for improvement; and 3 Star - Noted opportunities for improvement.</p> <p><b>CONCLUSION:</b> Based on our audit of the FY 2005 Results reported in CSS 2006 Business Plan, we rated <b>100% or six (6) of CSS reported Outcome Indicator Results as 5 Star.</b></p> <p><b>BACKGROUND:</b> We have initiated our PMV audits at the request of the Audit Oversight Committee. Our approach is to review performance measure results, assign validation ratings, report conclusions, and make recommendations. Our validation program is designed to provide assurance to the Board of Supervisors, the County Executive Officer, and the departments/agencies and other stakeholders that reported Outcome Indicators are reliable and can be utilized in decision making covering Government resources with confidence.</p> <p><b>TYPE OF RECOMMENDATIONS: None</b></p>

**MONTHLY SUMMARY – AUGUST 2006**  
 Status Report to the Board of Supervisors by IAD

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5.	<p>DEPT: Orange County Public Library</p> <p>TITLE: Performance Measure Validation of Orange County Public Library</p> <p><u>Audit No.:</u> 2592</p> <p>ISSUED: August 14, 2006</p>	<p><b>SCOPE:</b> 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 6 Outcome Measure Results; we selected all 6 for testing the Orange County Public Library (Library) supporting documentation. Our audit scope did not include an assessment of the appropriateness of Library Strategies based on their mission, goals and objectives. We rated source (supporting) documentation provided as follows: 5 Star - Adequate supporting documentation; 4 Star - Adequate documentation with recommendations for improvement; and 3 Star - Noted opportunities for improvement.</p> <p><b>CONCLUSION:</b> Based on our audit of the FY 2004-2005 Results reported in the Library 2006 Business Plan, we rated 50% or three (3) of the Library reported Outcome Measure Results as 5 Star, two (2) as 4 Star, and one (1) as 3 Star.</p> <p><b>BACKGROUND:</b> We have initiated our PMV audits at the request of the Audit Oversight Committee. Our approach is to review performance measure results, assign validation ratings, report conclusions, and make recommendations. Our validation program is designed to provide assurance to the Board of Supervisors, the County Executive Officer, and the departments/agencies and other stakeholders that reported Outcome Indicators are reliable and can be utilized in decision making covering Government resources with confidence.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> The Library Director ensure that reported results are supported and properly stated; written procedures are created for the retention of result data for all Outcome Measure Results; and the Strategy or the Results being reported complement each other.</p>

**MONTHLY SUMMARY – AUGUST 2006**  
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6.	<p>DEPT: Resources and Development Management Department</p> <p>TITLE: First Follow-Up Audit Limited Lease Review of Canyon Recreational Vehicle Park (Original Audit No. 2449)</p> <p><u>Audit No.:</u> 2545-E</p> <p>ISSUED: August 22, 2006</p>	<p><b>SCOPE:</b> 1<sup>st</sup> Follow-Up Audit of Limited Lease Review of Canyon RV Park to determine the implementation status of 13 recommendations made in our original audit report, dated October 27, 2004. No material or significant issues were identified in the original audit report.</p> <p><b>CONCLUSION:</b> 12 recommendations were fully implemented and 1 recommendation was partially implemented. RDMD and Canyon RV Park are taking corrective action to address the remaining recommendation.</p> <p><b>BACKGROUND:</b> The original audit was a limited review of lease revenue pertinent to the lease agreement between the County and Canyon RV Park, a California general partnership, dated June 15, 1988. The lease agreement is primarily to operate a public recreational vehicle park and campground</p> <p><b>TYPE OF RECOMMENDATIONS:</b> Lease compliance or improvements to internal controls regarding: incorrect categorization of gross receipts, sub-operator reporting gross vs. net amounts, adequacy of supporting documentation, certification of monthly gross receipt statement, and areas needing RDMD clarification.</p>

**MONTHLY SUMMARY – AUGUST 2006**  
 Status Report to the Board of Supervisors by IAD

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7.	<p>DEPT: Resources and Development Management Department</p> <p>TITLE: Final Close-Out Second Follow-Up Audit Limited Lease Review of Bayshore Marina (Original Audit No. 2352)</p> <p><u>Audit No.:</u> 2654-A</p> <p>ISSUED: August 25, 2006</p>	<p><b>SCOPE:</b> 2<sup>nd</sup> Follow-Up Audit of Limited Lease Review of Bayshore Marina to determine the implementation status of 1 recommendation not fully implemented at the time of our 1<sup>st</sup> Follow-Up, dated July 31, 2006. No material or significant issues were identified in the original audit report, dated October 20, 2004.</p> <p><b>CONCLUSION:</b> We are pleased to report that satisfactory corrective action has taken place on the remaining 1 recommendation. As such, this report represents the final close-out of the original audit.</p> <p><b>BACKGROUND:</b> The original audit was a limited review of lease revenue pertinent to the lease agreement between the County and The Irvine Company, a West Virginia Corporation, dated August 13, 1974. The lease agreement is primarily to maintain and operate a complete boat berthing facility at Bayshore marina, Lower Newport Bay. Subsequent to our original audit, the County entered into a new lease agreement with The Irvine Company, a Delaware corporation, dated December 7, 2004.</p> <p><b>TYPE OF RECOMMENDATIONS:</b> Lease compliance or improvements to internal controls regarding: utility charges, security and key deposits, prepaid slip rents, financial statements, a key reconciliation and supporting documentation, certification of percentage rental worksheet, and clarification of certain lease terms.</p>

**MONTHLY SUMMARY – AUGUST 2006**  
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8.	<p>DEPT: Social Services Agency</p> <p>TITLE: Final Close-Out Third Follow-Up Audit of Social Services Agency Trust and Agency Funds (Original Audit No. 2135)</p> <p><u>Audit No.:</u> 2637-A</p> <p>ISSUED: August 24, 2006</p>	<p><b>SCOPE:</b> 3<sup>rd</sup> Follow-Up Audit of trust and agency funds administered by SSA Accounting Services to determine if corrective action had been taken for the <b>3 recommendations</b> not fully implemented at the time of our 2<sup>nd</sup> Follow-Up dated November 22, 2005. No material or significant issues were identified in the original audit report dated March 20, 2002.</p> <p><b>CONCLUSION:</b> We are pleased to report that satisfactory corrective action has taken place on the remaining <b>3 recommendations</b>. <b>As such, this report represents the final close-out of the original audit.</b></p> <p><b>BACKGROUND:</b> The original audit assessed the processes, procedures, and controls over the trust and agency funds to ensure the funds were safeguarded; disbursements were properly authorized, recorded and issued timely; and that funds were administered in compliance with County Accounting Manual procedures. During the original audit period, <b>SSA Accounting processed in excess of \$400 million in cash and non-cash disbursement transactions.</b></p> <p><b>TYPE OF RECOMMENDATIONS:</b> The original audit identified <b>9 recommendations</b> to completely reconcile trust funds; identify and transfer excess balances to appropriate parties; establish subsidiary records; perform supervisory reviews, and segregate fund duties. It took SSA Accounting additional time to identify and transfer excess fund balances to the appropriate parties.</p>